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ANNUAL FINANCIAL REPORT 2020

FINANCIALS

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Alkira Centre - Box Hill Inc. (the association), which comprises the assets and liabilities statement as at 30 June 2020, the income and expenditure statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification by members of the committee on the annual statements giving a true and fair view of the financial position and performance of the association.

In our opinion, the accompanying financial report presents fairly, in all material respects the financial position of Alkira Centre - Box Hill Inc. as at 30 June 2020 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements, and the requirements of the Associations Incorporation Reform Act 2012.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the association in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the association to meet the requirements of the Associations Incorporation Reform Act 2012. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE COMMITTEE FOR THE FINANCIAL REPORT

The committee is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the Associations Incorporation Reform Act 2012 and for such internal control as the committee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

The committee is responsible for overseeing the association's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.
- Conclude on the appropriateness of the committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Wayne Durin

Name of Firm: E. F. McPhail and Partners
Name of Partner: Wayne C. Durdin

Address: Suite 12, 602 Whitehorse Road, Mitcham, VIC 3132

Dated this 17 September 2020.

FINANCIALS
TREASURER'S REPORT

Michael Waymark
Treasurer

It is my pleasure to present the Alkira Treasurer's Report and provide the Financial Statements for the year ending 30th June 2020. This year has certainly been an eventful one, but despite a number of challenges, Alkira has again produced a good financial result.

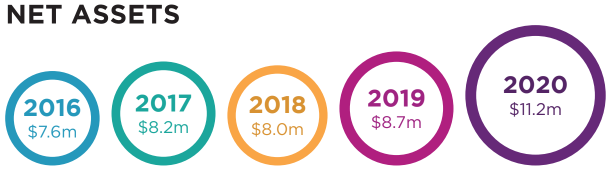
We continue to benefit from the investment that we made in our systems and processes during the transition to the NDIS, and as a consequence have been able to quickly adjust to the rapidly changing NDIS landscape and the impact of the COVID-19 pandemic.

THE YEAR IN REVIEW

It's worthwhile to look back over the last twelve months from a financial perspective:

- In October 2019 we commenced work on the Springfield Hub project with major earth works at the site, and by the end of June 2020 had spent just over $1 Million on this new asset.
- In December 2019 we settled the sale of our property in Serpentine Street, Mont Albert which realised $1.62 Million in cash, and a profit on the sale of $1.51 Million.
- In mid-March 2020, faced with the growing COVID-19 pandemic, we made the important decision to close our sites and move to Zoom or in-home 1:1 support wherever possible.
- By the end of March 2020, we were experiencing a significant reduction in our revenues, whilst at the same time managing a large increase in costs to secure vital PPE and take necessary measures to ensure the safety of our staff and participants.
- The reduction in our revenue, initially in the order of 25%, allowed us to apply for the Job Keeper wage subsidy which also assisted with the increase in our operating costs. At the same time, management were forced to cut all discretionary expenditure and contract the workforce by not filling vacant positions.
- By the 30th of June 2020 Alkira had received a total of $788,670 of Job Keeper payments, a much needed support to continue providing our high quality services to participants and ensure our staff stay employed.

NET ASSETS



REVENUE

2020 OPERATING PERFORMANCE

What started off as a solid Financial Year with good prospects, quickly deteriorated in the third quarter to a very difficult situation. If not for the prudent cost control by the Management team, and the extraordinary focus on managing the COVID-19 risk, we may have found ourselves in a much worse position than the results show. I cannot emphasise enough the lengths that the Management team went to during the last quarter of last year to ensure staff and participants were safe, and the organisation stayed fiscally strong.

Given this as a backdrop, the financial results for 2020 are quite remarkable:

- Operating Revenue was $13.3 Million, a 20% increase over the prior year.
- We achieved a Net Operating Surplus of $745,179, over three times the result for the prior year.
- Our overall surplus was $2.46 Million, taking into consideration the profit on the sale of the property, donations, and income from investments.
- Our Net assets are $11.2 Million, an increase of 28% over the prior period.

We also received strong support from the community with donations and bequests increasing by over 20%, much of which will be used to fund the Springfield Hub project in the coming year.

THE YEAR AHEAD

We are very much looking forward to celebrating the opening of the Springfield Hub this year. The Stage 4 COVID-19 lockdown in Victoria has delayed progress, but we are hopeful the building will be substantially complete before Christmas 2020, and formally open early in the new year. By the time the fit-out is complete, we will have spent close to $4 Million on the land and building, and will have a state-of-the-art facility for our participants.

Operationally, our focus will remain on the delicate balance of cost control, managing risk, the gradual return of service provision as the health authorities allow, and the reduction in the Job Keeper wage subsidy which steps down in October 2020 and again in January 2021.

We will also continue with the prudent investment in the business to ensure that our facilities remain fit for purpose. The Board has approved over $350,000 of capital expenditure in 2021, which will be allocated across all of the Home and Community Support facilities. In addition, we have a renewed focus on our IT systems, particularly in the area of cyber and security to ensure that the important information entrusted to Alkira remains safe and secure.

I would like to finish by thanking the Alkira management team, staff, volunteers and benefactors, for their contribution and support during the year, which has allowed Alkira to achieve a strong 2020 financial position.

FINANCIALS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Note	2020 ($)	2019 ($)
OPERATING REVENUE			
Community Supports		6,413,527	5,625,193
Home Supports		6,412,613	5,279,201
Other Revenue		403,520	123,223
	2	13,229,660	11,027,617
EXPENDITURE			
Salaries	3	10,632,147	9,001,427
IT Expenses		233,230	170,459
Maintenance		145,640	137,178
Provisions Food and Cleaning		135,246	91,667
Staff Related Costs		79,012	82,166
Materials and Loose Tools		11,137	3,796
Electricity, Gas & Water		62,174	66,000
Rates		8,465	6,091
Rent and Outgoings		30,233	190,102
Insurance and Workcover		159,169	209,987
Audit Fees		11,500	11,500
Printing and Stationery		45,054	52,106
Transport Fuel and Maintenance		78,153	99,839
Other Running Expenses		281,902	234,530
Bad Debts		71,308	136,520
Depreciation	7	500,111	327,868
		12,484,481	10,821,236
Net Operating income/(loss)		**745,179**	**206,381**
NON OPERATING REVENUE			
Donations and Bequests		98,830	463,043
Investment Income		107,030	111,189
Profit on Sale of Asset		1,507,761	14,000
		1,713,621	574,232
Total comprehensive income/(loss) attributable to members of the entity	4	**2,458,800**	**780,613**

STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	2020 ($)	2019 ($)
CURRENT ASSETS			
Cash and Cash Equivalents	5	9,034,608	6,682,660
Accounts Receivable and other debtors	6	1,215,547	1,009,018
Total Current Assets		10,250,155	7,691,678
NON CURRENT ASSETS			
Property, Plant and Equipment	7	5,210,133	4,256,677
Right to Use Assets	7	230,414	–
Total Non Current Assets		5,440,547	4,256,677
Total Assets		**15,690,702**	**11,948,355**
CURRENT LIABILITIES			
Accounts Payable and other payables	8	2,685,378	1,856,895
Employee Provisions	9	974,672	821,981
Lease Liabilities	7b	141,597	–
Total Current Liabilities		3,801,647	2,678,876
NON CURRENT LIABILITIES			
Employee Provisions	9	590,890	525,757
Lease Liabilities	7b	95,644	–
Total Non Current Liabilities		686,534	525,757
Total Liabilities		**4,488,181**	**3,204,633**
Net Assets		**11,202,521**	**8,743,722**
EQUITY			
The Alkira Building Fund	10	2,000,000	2,000,000
Alkira Foundation	10	2,132,828	2,096,752
Accumulated General Fund	10	7,069,693	4,646,970
Total Equity		**11,202,521**	**8,743,722**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

	General Fund ($)	Alkira Building Fund ($)	Foundation ($)	Total ($)
Balance at 1 July 2018	**4,252,868**	**2,000,000**	**1,710,241**	**7,963,109**
Adjustments during year	–	–	–	–
Net surplus for the year	394,101	–	386,511	780,612
Balance at 30 June 2019	**4,646,969**	**2,000,000**	**2,096,752**	**8,743,721**
Balance at 1 July 2019	**4,646,969**	**2,000,000**	**2,096,752**	**8,743,721**
Adjustments during year	–	–	–	–
Net surplus for the year	2,422,724	–	36,076	2,458,800
Balance at 30 June 2020	**7,069,693**	**2,000,000**	**2,132,828**	**11,202,521**

For a description of the Alkira Building Fund and Foundation, refer to Note 10.

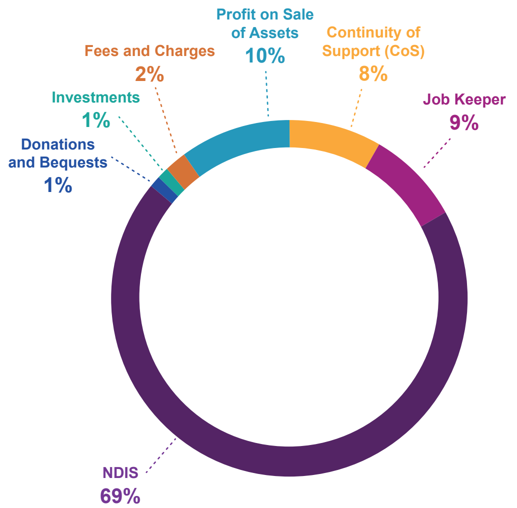
STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

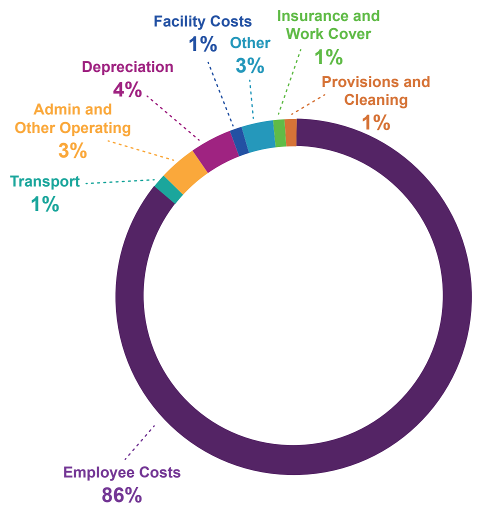
	Note	2020 ($)	2019 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government grants, client fees and other receipts		14,015,695	10,518,118
Donations received		98,830	463,043
Payments to suppliers and employees		(12,007,501)	(9,342,860)
Interest (unrestricted) received		114,999	108,970
Net cash generated from operating activities		**2,222,023**	**1,747,271**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,507,761	14,000
Purchase of property, plant and equipment		(1,377,834)	(150,602)
Net cash used in investing activities		**129,927**	**(136,602)**
Net increase in cash held		**2,351,950**	**1,610,669**
Cash and cash equivalents at beginning of financial year		6,682,658	5,071,989
Cash and cash equivalents at end of financial year	**5**	**9,034,608**	**6,682,658**

The accompanying notes form part of these financial statements.

INCOME



EXPENSES



NOTE 1
Summary of Significant Accounting Polices

Basis of Preparation

Alkira Centre - Box Hill Inc. applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards.*

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Associations Incorporation Reform Act 2012*. The association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a) INCOME TAX

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

b) PROPERTY, PLANT & EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and any impairment losses.

During the year Alkira became aware that DHHS may have rights over one of the buildings. Alkira are the legal owner to the title, so the value reflected is correct, however, should the building be sold in the future, the liability owning the DHHS would have to be paid out at that point in time. As the building is shown at cost, there would be a significant gain on sale, even after extinguishing the liability, as such there is no impairment as a result of this.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the association and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on either a straight-line or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated 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 Rate
Buildings (for purchases post 1/7/2013)	2.5%
Buildings (for purchases pre 1/7/2013)	4% - 20%
Motor Vehicles	20%
Furniture and Fittings (for purchases post 1/7/2013)	20%
Furniture and Fittings (for purchases pre 1/7/2013)	10%
Computers	20% - 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they occur.

c) FAIR VALUE OF ASSETS AND LIABILITIES

The association measures some of its assets at fair value on a recurring basis. Fair value is the price the association would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use, or to sell it to another market participant that would use the asset in its highest and best use.

d) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the association commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial Liabilities

Financial liabilities are subsequently measured at:

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

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

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

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

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking;

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

A financial liability cannot be reclassified.

Financial asset

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

The association initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

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

Derecognition

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

Derecognition of financial liabilities

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

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

Derecognition of financial assets

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

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

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

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

Impairment

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

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- contract assets (eg amount due from customers under construction contracts);

Loss allowance is not recognised for:

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

The association uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments:*

- the general approach;
- the simplified approach;
- the purchased or originated credit-impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the association assesses whether the financial instruments are credit-impaired.

- if there is no significant increase in credit risk since initial recognition, the association measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables;

Purchased or originated credit-impaired approach

For financial assets that are considered to be credit-impaired (not on acquisition or originations), the association measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation;

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the association assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the association applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Recognition of expected credit losses in financial statements

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

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset. Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

e) IMPAIRMENT OF ASSETS

At the end of each reporting period, the association assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116:*Property, Plant and Equipment)*. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

f) EMPLOYEE PROVISIONS

Short-term employee benefits

Provision is made for the association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements of obligations for other long-term employee benefits for changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The association's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the association does not have an unconditional right to defer settlement for at least 12 months after the reporting period, in which case the obligations are presented as current provisions.

g) CASH AND CASH EQUIVALENTS

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

h) ACCOUNTS RECEIVABLE AND OTHER DEBTORS

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

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

During the year the committee adopted a policy whereby 100% of all debtors that are aged over 130 days are to be provided for in full. This has resulted in an allowance for doubtful debts being recognised this year of $207,827.

i) REVENUE AND OTHER INCOME

Operating Grants, Donations and Bequests

When the association receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the association: - identifies each performance obligation relating to the grant - recognises a contract liability for its obligations under the agreement - recognises revenue as it satisfies its performance obligations. Where the contract is not enforceable or does not have sufficiently specific performance obligations, the association:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (for example, AASB 9. AASB 16, AASB 116 and AASB 138)

- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer)

- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the association recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital Grant

When the association receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The association recognises income in profit or loss when or as the association satisfies its obligations under the terms of the grant.

National Disability Insurance Scheme (NDIS) revenue is recognised in profit and loss upon the association delivering the service to customers with an NDIS plan and service agreement.

Donations, grants and bequests relating to the Springfield Hub project are recognised in accordance with AASB15. Springfield Hub project donations, grants and bequests will be recognised on completion of the building project.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Non-reciprocal grant revenue is recognised in profit or loss when the association obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the association and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before the association is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. All revenue is stated net of the amount of goods and services tax.

j) 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 Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

k) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

l) ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable and other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the association during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m) PROVISIONS

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n) LEASES

For comparative year

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

For current year

At inception of a contract, the Association assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Association where the Association is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Association uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability include the amount expected to be payable by the lessee under residual value guarantees;

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

o) KEY JUDGMENTS

(i) Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the association expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the association believes that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Lease term and Option to Extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the association will make. The association determines the likeliness to exercise the options on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the association.

p) INITIAL APPLICATION OF AASB 16

The association has adopted AASB 16 Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 January 2019. AASB 16 introduces a single, on-balance sheet, lease accounting model for lessees. The company has applied AASB 16 using the modified retrospective approach, and has taken up the right-of-use asset as an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Accordingly, the comparative information presented for 2019 has not been restated and is presented as previously reported, under AASB 117. The details of the change in accounting policy are disclosed below. The association has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) initially recognised as operating leases under AASB 117 Leases where the company is the lessee. As a lessee, the association previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the association recognises right-of-use assets and lease liabilities for most leases. The lease liabilities are measured at the present value of the remaining lease payments. The association's incremental borrowing rate as at 1 January 2019 was used to discount the lease payments. The right-of-use assets were measured at cost and subsequently less any accumulated depreciation, impairment losses and adjustments for re-measurements of the lease liability. The following practical expedients have been used by the company in applying AASB 16 for the first time:

– leases that have a remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same way as short-term leases;

– the use of hindsight to determine lease terms on contracts that have options to extend or terminate,

– applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4 'Determining whether an arrangement contains a lease' without reassessing whether they are, or contain, a lease at the date of initial application;

– not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The association's incremental borrowing rate was the Commonwealth bond rate of 0.26%(per year) on 1 January 2019 applied to the lease liabilities. There were no finance leases as at 30 June 2019 so a reclassification of property, plant and equipment to right-of-use assets on 1 July 2019 was not required to implement AASB 16.

All lease liabilities are expensed on a straight-line basis and total depreciation of $161,547.71 has recognised throughout the financial year. The difference between the amount of operating lease commitments at 30 June 2019 of $124,247 and the operating lease commitments as at 1 July 2019 of zero is due to the reclassification of operating leases in accordance with AASB16.

q) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the association has decided not to early adopt. The adoption of these standards is likely to have minimal impact on the Association.

NOTE 2
Revenue and Other Income

SERVICES	Note	2020 ($)	2019 ($)
COMMUNITY SUPPORTS			
Government Grants		629,437	771,540
Job Keeper		788,670	-
National Disability Insurance Scheme Revenue		4,771,627	4,667,164
Production and Program Revenue		73,078	96,242
Training Support and Transport Fees		150,715	90,247
		6,413,527	**5,625,193**
HOME SUPPORTS			
Government Grants		569,656	707,179
Job Keeper		335,413	-
National Disability Insurance Scheme Revenue		5,341,459	4,404,796
Accommodation Fees		166,085	167,226
		6,412,613	**5,279,201**
OTHER REVENUE			
Government Grants		50,000	9,600
Job Keeper		168,917	-
Investment Income		107,030	111,189
Donations and Bequests		98,830	463,043
Miscellaneous Income		10,994	6,865
National Disability Insurance Scheme Revenue		173,609	92,758
Profit on Sale of Assets		1,507,761	14,000
		2,117,141	**697,455**
Total Revenue		**14,943,281**	**11,601,849**

NOTE 3
Key Management Personnel Compensation

The totals of remuneration paid to key management personnel (KMP) of the association during the year are as follows:

	Note	2020 ($)	2019 ($)
Key management personnel compensation		737,027	698,052

NOTE 4
Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

	Note	2020 ($)	2019 ($)
Community Supports		(157,594)	(216,729)
Home Supports		902,773	409,110
Net Operating Surplus (Deficit)		**745,179**	**192,381**
Non Operating Income		205,860	574,232
Profit / (Loss on Sale of Assets)		1,507,761	14,000
Non Operating Revenue / (Expenditure)		**1,713,621**	**588,232**
Total comprehensive income/ (loss) attributable to members of the entity		**2,458,800**	**780,613**

NOTE 5
Cash and Cash Equivalents

	Note	2020 ($)	2019 ($)
Cash on Hand		3,500	3,500
Cash at Bank		672,373	633,988
Short-term investments - bank deposits		8,358,735	6,045,172
Cash and Cash Equivalents		**9,034,608**	**6,682,660**

The effective interest rate on short-term bank deposits was 1.28% (2019: 1.84%); these deposits have an average maturity of 156 days.

Reconciliation of cash
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2020 ($)	2019 ($)
Cash and Cash Equivalents	13	**9,034,608**	**6,682,660**

NOTE 6
Accounts Receivable and Other Debtors

	Note	2020 ($)	2019 ($)
CURRENT			
Debtors		800,283	959,667
Allowance for doubtful debts		(207,827)	(136,520)
Sundry Debtors		441,614	96,755
GST Receivable		99,591	15,917
Prepayments		54,481	37,826
Interest receivable		27,405	35,373
Total current accounts receivable and other debtors		**1,215,547**	**1,009,018**
FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES			
Accounts receivable and other debtors:		1,215,547	1,009,018
Total current	13	**1,215,547**	**1,009,018**

NOTE 7A
Property, Plant Equipment

	Note	2020 ($)	2019 ($)
LAND AND BUILDING			
At cost		7,177,810	7,450,708
Accumulated depreciation		(3,561,463)	(3,574,897)
		3,616,347	**3,875,811**
MOTOR VEHICLES			
At cost		848,925	894,389
Accumulated depreciation		(686,377)	(794,140)
		162,548	**100,249**
FURNITURE AND EQUIPMENT			
At cost		1,003,766	858,252
Accumulated depreciation		(824,156)	(786,142)
		179,610	**72,110**
COMPUTERS			
At cost		670,467	585,741
Accumulated depreciation		(515,883)	(426,510)
		154,584	**159,231**
CAPITAL - W.I.P.			
		1,097,044	49,276
Total property, plant & equipment		**5,210,133**	**4,256,677**

NOTE 7B
Leases

The Association's lease portfolio includes equipment, motor vehicles and buildings. These leases have an average of 2.8 years as their lease term.

1. Options to extend or terminate

The option to extend or terminate is contained in several of the property leases of the Association. There were no extension options for equipment leases. These clauses provide the Association opportunities to manage leases to align with its strategies. All of the extension or termination options are only exercisable by the Association. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right-of-use asset.

i) AASB 16 related amounts recognised in the balance sheet

	Note	2020 ($)	2019 ($)
RIGHT OF USE ASSETS			
Lease Building		336,416	-
Accumulated depreciation		(141,871)	-
		194,545	-
Lease Motor Vehicles		26,032	-
Accumulated depreciation		(10,772)	-
		15,260	-
Lease Plant and Equipment		29,137	-
Accumulated depreciation		(8,528)	-
		20,609	-
Total Right of Use Assets		**230,414**	

NOTE 7A CONT'D: MOVEMENTS IN CARRYING AMOUNTS
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Computers ($)	Land and Building ($)	Motor Vehicles ($)	Furniture, Equipment ($)	Capital - W.I.P. ($)	Total ($)
Balance at 1 July 2019	159,231	3,875,811	100,249	72,110	49,276	4,256,677
Additions	84,726	9,200	113,584	145,514	1,047,768	1,400,792
Disposals		(108,396)				(108,396)
Transfers						
Depreciation expense	(89,373)	(160,268)	(51,285)	(38,014)		338,940
Carrying amount at 30 June 2020	**154,584**	**3,616,347**	**162,548**	**179,610**	**1,097,044**	**5,210,133**

NOTE 8:
Accounts Payable and Other Payables

	Note	2020 ($)	2019 ($)
CURRENT			
Unsecured liabilities:			
Trade Creditors		319,902	134,966
Sundry Creditors		1,189,774	1,517,736
Income in advance		1,175,702	204,193
Financial liabilities as accounts payable and other payables		**2,685,378**	**1,856,895**

Financial liabilities at amortised cost classified as accounts payable and other payables.

	Note	2020 ($)	2019 ($)
Accounts payable and other payables:			
– total current		2,685,378	1,856,895
Less grants operating received in advance		(1,175,702)	(204,193)
Less sundry creditors		(1,189,774)	(1,517,736)
Financial liabilities as accounts payable and other payables	13	**319,902**	**134,966**

Collateral pledged

No collateral has been pledged for any of the accounts payable and other payable balances.

The average credit period on accounts payable and other payables is 1 month. No interest is payable on outstanding payables during this period. For payables outstanding longer than 1 months, 0% per annum is payable on the outstanding balance.

NOTE 9
Employee Provisions

	Note	2020 ($)	2019 ($)
CURRENT			
Provision for Long Service Leave		236,863	205,516
Provision for annual leave entitlements		737,809	616,465
Total Current Employee Provisions		**974,672**	**821,981**
NON CURRENT			
Provision for Long Service Leave		590,890	525,757
Total Non Current Employee Provisions		**590,890**	**525,757**
ANALYSIS OF EMPLOYEE PROVISIONS – ANNUAL LEAVE ENTITLEMENTS			
Opening balance at 1 July 2019		616,465	527,325
Additional provisions		934,229	788,953
Amounts used		(812,885)	(699,813)
Balance at 30 June 2020		**737,809**	**616,465**

Employee provisions – annual leave entitlements

The provision for employee benefits represents amounts accrued for annual leave.

Based on past experience, the association expects the full amount of the annual leave balance to be settled within the next 12 months. Further, these amounts must be classified as current liabilities since the association does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlements.

NOTE 10
Reserves

Alkira General Fund, Alkira Building Fund and Foundation

The Alkira building fund was established to provide for future capital expenditure of the Association. Alkira Foundation was established in June 2011 to provide for future income generation. All appropriations to both Funds and any expenditure from both Funds are made on the basis of decisions by the Board of Management. The total of the Funds is represented by the following specific current assets shown in the accounts.

	Note	2020 ($)	2019 ($)
ALKIRA GENERAL FUND			
Current year Surplus/(Deficit)		2,458,800	780,613
Accumulated Funds Brought Forward		4,646,970	4,252,868
Transfer to Alkira Foundation		(36,076)	(386,511)
Accumulated Funds Carried Forward		**7,069,694**	**4,646,970**
ALKIRA BUILDING FUND			
Cash at Bank		2,000,000	2,000,000
The net transfers comprised the following:			
Opening Balance		2,000,000	2,000,000
Transfer in		–	–
Investment Income		25,609	36,786
Transfer out		–	–
Transfer to General Funds		(25,609)	(36,786)
Net		**2,000,000**	**2,000,000**
ALKIRA FOUNDATION			
Cash at Bank		2,096,752	1,710,241
The net transfers comprised the following:			
Opening Balance		2,096,752	1,710,241
Transfer in		9,200	351,686
Investment Income		26,877	34,825
Transfer out		–	–
Transfer to General Funds		–	–
Net		**2,132,828**	**2,096,752**

NOTE 11
Events after the Reporting Period

Other than the COVID-19 pandemic detailed in note 15, the committee is not aware of any significant events since the end of the reporting period.

NOTE 12
Related Party Transactions

During the year ended 30 June 2020, Alkira Centre - Box Hill Inc. had no related party transactions.

NOTE 13
Financial Risk Management

The association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 9 Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020 ($)	2019 ($)
FINANCIAL ASSETS			
Cash and cash equivalents	5	9,034,608	6,682,660
Accounts receivable and other debtors	6	1,215,547	1,009,018
Total Financial Assets		**10,250,155**	**7,691,678**
FINANCIAL LIABILITIES			
- accounts payable and other payables	8	319,902	134,966
Total Financial Liabilities		**319,902**	**134,966**

NOTE 14
Capital and Leasing Commitments

Operating Lease Commitments
Non-cancellable operating leases contracted for but not recognised in the financial statements

	Note	2020 ($)	2019 ($)
PAYABLE - MINIMUM LEASE PAYMENTS			
Not later than 12 months		-	86,040
Between 12 months and 5 years		-	38,207
Later than 5 years		-	-
		-	**124,247**

The property lease commitment is a non-cancellable operating lease with a 1-year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of the change in the consumer price index or 3.5% per annum.

2020 operating lease commitment are nil due to the adoption of ASAB 115

The lease allows for subletting of all lease areas.

NOTE 15
Other Information

COVID-19

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in future may be materially different from those estimated by the association at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the Association. At the date of the financial statements an estimate of the future effects of the COVID-19 pandemic on the Association cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

NDIS

Alkira have assessed the impact to the changes of NDIS funding and it is not considered to have any significant impact on the financials.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the association, the results of those operations or the state of affairs of the association in future financial years.

NOTE 16
Association Details

The registered office of the association is:

Alkira Centre - Box Hill Inc.
3 Thurston Street
Box Hill Vic 3128

The principal place of business is:

Alkira Centre - Box Hill Inc.
3 Thurston Street
Box Hill Vic 3128

Associations Incorporation Reform Act 2012 ss 94(2)(b), 97(2)(b) and 100(2)(b)

Annual statements Give True and Fair View of Financial Position of Incorporated Association

We, Peter Harrison, President and Michael Waymark, Treasurer being members of the Committee of Alkira Centre - Box Hill Inc., certify that:

The statements attached to this certificate give a true and fair view of the financial position of Alkira Centre - Box Hill Inc. during and at the end of the financial year of the association ending on 30 June 2020.

Signed: ______________________

Date: 17/09/2020

Peter Harrison
Alkira Board President

Signed: ______________________

Date: 17/09/2020

Michael Waymark
Alkira Board Treasurer

belong. connect. aspire.