MANNACARE INC.

ABN 15 698 364 348
REG No. A 3444S
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Financial Statements

For the Year Ended 30 June 2020

MannaCare Inc.
ABN 15 698 364 348

Contents
For the Year Ended 30 June 2020

MannaCare Inc.
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Statement of Income and Expenditure and Other Comprehensive Income
For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue	2	**19,944,491**	18,169,746
Employee Benefits Expense	3	**(15,284,572)**	(14,068,145)
Rent Expense	3	**-**	(927,065)
Catering Expense		**(570,661)**	(543,259)
Cleaning and Laundry Expense		**(637,099)**	(579,155)
Depreciation and Amortisation Expense	3	**(1,798,543)**	(454,218)
Finance Costs	3	**(1,207,196)**	(72,896)
Administration Expense		**(808,002)**	(403,655)
Repairs and Maintenance Expense		**(338,001)**	(362,151)
Client Supplies and Service Expense		**(866,028)**	(773,541)
Energy and Utilities Expense		**(290,462)**	(275,975)
Fundraising Expense		**(114)**	(1,292)
Other Expenses		**(188,799)**	(196,052)
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(2,044,986)**	(487,658)
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,044,986)**	(487,658)

The accompanying notes form part of these financial statements

MannaCare Inc.
ABN 15 698 364 348

Statement of Financial Position
As at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	**4,422,454**	4,346,953
Trade and Other Receivables	6	**679,865**	1,427,091
Financial Assets	7	**12,500,000**	11,800,000
Other Assets	8	**154,144**	185,346
TOTAL CURRENT ASSETS		**17,756,463**	17,759,390
NON-CURRENT ASSETS			
Property, Plant and Equipment	9	**10,883,711**	2,243,450
Right-of-use Assets	10	**9,971,610**	-
Capital Works in Progress	11	**-**	9,019,138
TOTAL NON-CURRENT ASSETS		**20,855,321**	11,262,588
TOTAL ASSETS		**38,611,784**	29,021,978
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	**2,514,649**	2,126,113
Provisions	13	**2,967,113**	2,666,348
Bond Liabilities		**1,412,880**	1,851,140
RAD & RAC Liabilities		**14,444,485**	13,519,527
Lease Liability	14	**425,411**	-
TOTAL CURRENT LIABILITIES		**21,764,538**	20,163,128
NON-CURRENT LIABILITIES			
Provisions	13	**120,853**	98,567
Lease Liability	14	**10,011,096**	-
TOTAL NON-CURRENT LIABILITIES		**10,131,949**	98,567
TOTAL LIABILITIES		**31,896,487**	20,261,695
NET ASSETS		**6,715,297**	8,760,283
EQUITY			
Retained earnings		**6,715,297**	8,760,283
TOTAL EQUITY		**6,715,297**	8,760,283

The accompanying notes form part of these financial statements

MannaCare Inc.
ABN 15 698 364 348

Statement of Changes in Equity
For the Year Ended 30 June 2020

2020

	Retained Earnings $
Balance at 1 July 2019	**8,760,283**
Total comprehensive income for the year	**(2,044,986)**
Balance at 30 June 2020	**6,715,297**

2019

	Retained Earnings $
Balance at 1 July 2018	9,247,941
Total comprehensive income for the year	(487,658)
Balance at 30 June 2019	8,760,283

The accompanying notes form part of these financial statements

MannaCare Inc.
ABN 15 698 364 348

Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Government Grants		**12,709,809**	12,073,066
Receipts from Residents & Clients		**7,811,011**	4,945,981
Donations and fundraising received		**65**	941
Sundry receipts		**315,643**	252,554
Payments to suppliers and employees		**(19,604,245)**	(18,304,882)
Interest received		**534,766**	517,604
Interest and other finance costs paid		**(523,476)**	(72,896)
Net cash provided by (used in) operating activities	16	**1,243,573**	(587,632)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(571,019)**	(7,747,255)
Redemption (placement) of term deposits		**(700,000)**	8,899,995
Net cash provided by (used in) investing activities		**(1,271,019)**	1,152,740
CASH FLOWS FROM FINANCING ACTIVITIES:			
Bond receipts from new residents		**211,000**	-
Bond refunds to residents		**(649,260)**	(1,213,451)
RAD/RAC receipts from new residents		**6,869,200**	5,449,116
RAD/RAC refunds to residents		**(5,944,241)**	(3,999,061)
Repayment of leasing liabilities		**(383,751)**	-
Net cash provided by (used in) financing activities		**102,948**	236,604
Net increase (decrease) in cash held		**75,502**	801,712
Cash and cash equivalents at beginning of financial year		**4,346,952**	3,545,240
Cash and cash equivalents at end of financial year	5	**4,422,454**	4,346,952

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The financial statements cover MannaCare Inc. as an individual entity. MannaCare Inc. is an association incorporated in Victoria under the Associations Incorporation Reform Act (VIC) 2012 and the Australian Charities and Not-for-profits Commission Act 2012.

Note 1 Summary of Significant Accounting Policies

Basis of preparation

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 and the Associations Incorporation Reform Act (Vic) 2012 and the Australian Charities and Not-for-profits Commission 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 amounts presented in the financial statements have been rounded to the nearest dollar.

1a Income tax

The Association is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997. The Association is a Public Benevolent Institution registered with the Australian Charities and Not-for-profits Comission.

1b Comparative figures

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

1c Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on a cost basis and are therefore carried at cost less accumulated depreciation and 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 in the Statement of Income and Expenditure and Other Comprehensive Income. A formal assessment of recoverable amounts is made when impairment indicators are present (refer to Note 1f 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 charged to the Statement of Income and Expenditure and Other Comprehensive Income during the financial period in which they are incurred.

Note 1 Summary of Significant Accounting Policies continued

1c Property, plant and equipment continued

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated either over the asset's useful life or for the remainder of the lease, whichever is the shorter. Right-of-use lease assets are depreciated on a straight-line basis over the lease term, including any reasonably certain extension options.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	6.7 - 25.0%
Furniture and Fittings	6.7 - 25.0%
Motor Vehicles	8.3 - 33.3%
Office Equipment	10.0 - 25.0%
IT Hardware	6.7 - 25.0%
IT Software	20.0 - 25.0%
Leasehold Improvements	7.1 - 33.0%

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 included in the Statement of Income and Expenditure and Other Comprehensive Income.

1d Leases

The Association as a lessee

For any new contracts entered into on or after 1 July 2019, the Association considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Association assesses whether the contract meets three key evaluations which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Association
ii. the Association has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
iii. the Association has the right to direct the use of the identified asset throughout the period of use.

Initial recognition and measurement

At lease commencement date, the Association recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Association depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use asset for impairment when such indicators exist.

Note 1 Summary of Significant Accounting Policies continued

1d Leases continued

At the commencement date, the Association measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Association's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect only reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Association has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, both right-of-use assets and lease liabilities are shown separately.

The Association as a lessor

As a lessor the Association classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

1e 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 the equivalent to the date that the Association commits itself to either the purchase or sale of 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 expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

Note 1 Summary of Significant Accounting Policies continued

1e Financial instruments continued

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the Statement of Income and Expenditure and Other Comprehensive Income.

i. Investments at Amortised Cost

Investments at amortised cost are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Association's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment

At the end of each reporting period, the Association assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events (a “loss event”) has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

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When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Association recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

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

1f 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.

Note 1 Summary of Significant Accounting Policies continued

1f Impairment of assets continued

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the Statement of Income and Expenditure and Other Comprehensive Income, 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). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1g Employee benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to the end of the reporting period in accordance with AASB119. Employee 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 and have been reported with current liabilities. 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. In determining the liability, consideration is given to the employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

1h 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. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

1i Revenue and other income

Grant revenue is recognised in the Statement of Income and Expenditure and Other Comprehensive Income 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 it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the Association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the Statement of Financial Position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Donations and bequests are recognised as revenue when received. If the donations are for a special purpose, they may be appropriated to a reserve.

Revenue from home care packages consists of package management fees, care management fees and revenue from services directly provided to clients. The Association hold HCP funds in trust and acts as an agent to their clients, where services are purchased from an external third party. This is not recorded as revenue as the Association does not have control over the funds or goods or services purchased.

Note 1 Summary of Significant Accounting Policies continued

1i Revenue and other income continued

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

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

1j 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.

1k Trade and other payables

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

1l 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.

1m Critical accounting estimates and judgments

Key estimate- Impairment of non-financial assets

The Association assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Association that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Management does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

1n 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. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Note 1 Summary of Significant Accounting Policies continued

1n Fair Value of Assets and Liabilities continued

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) or, in the absence of such a market, the most advantageous market available to the entity at reporting date (i.e. the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

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.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

1o New Accounting Standards

The Association has adopted the new accounting pronouncements which have become effective this year, and are as follows:

i. AASB 16: Leases

AASB 16 'Leases' replaces AASB 117 'Leases'.

The Association as a Lessee

The adoption of this new Standard has resulted in the Association recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated. The Association has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Association has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Association has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.25%

The Association has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Note 1 Summary of Significant Accounting Policies continued

1o New Accounting Standards continued

The following is a reconciliation of the financial statement line items from AASB 117 to AASB 16 at 1 July 2019:

	Carrying amount at 30 June 2019	Initial Recognition	AASB 16 carrying amount at 1 July 2019
Right-of-use assets	-	10,820,258	10,820,258
Lease liabilities (current)	-	383,751	383,751
Lease liabilities (non-current)	-	10,436,507	10,436,507

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

Total operating lease commitments disclosed at 30 June 2019	**6,405,666**
Less: variable lease payments included	(55,288)
Less: rent relief received during current year not recognised as at 30 June 2019	(595,828)
Add: payments in optional extension periods not recognised as at 30 June 2019	8,548,930
Gross Lease Liabilities as at 1 July 2019	**14,303,480**
Incremental borrowing rate as at 1 July 2019	4.25%
Total lease liabilities recognised under AASB 16 at 1 July 2019	**10,820,258**

The Association as a Lessor

Contracts with residential aged care consumers contain provisions for permanent accommodation within the Association's residential aged care facilities. The following aspects apply to these contracts:

i. Contracts are executed in respect of a specific private room;
ii. MannaCare may only substitute the resident into a different room in limited situations (such as with the agreement of the resident; where the resident's care needs change, requiring independent medical assessment if the resident disagrees; or to repair or improve the room and the resident has the right to return to it);
iii. The resident enjoys the exclusive use of the identified private room or specific portion of a shared room; and
iv. The resident has the right to determine within reason how the room is used (notwithstanding restrictions on the resident's right to use the room, and the reliance on the operator for the provision of care services).

These circumstances, together with the expected period of the arrangement relative to the lives of the underlying assets, determine that permanent residential aged care arrangements will be classified as operating leases within the scope of AASB 16.

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit (RAD), the Association receives a financing benefit, being non-cash consideration, in the form of an interest free loan. AASB 16 requires that this non-cash consideration is recognised as income (to reflect the interest free loan financing benefit received on RADs) and, correspondingly, interest expense (to record the financial liability associated with RADs) with no net impact on the Statement of Income and Expenditure. The Association has determined to exclude accommodation Bonds for arrangements that commenced prior to July 2014 as retention amounts deducted from these Bonds could reasonably be taken to represent the interest.

Note 1 Summary of Significant Accounting Policies continued

1o New Accounting Standards continued

The application of AASB 16 for the year ended 20 June 2020 has been calculated based on:

- The average RAD balance between 1 July 2019 and 30 June 2020; and
- Interest rate equal to the Maximum Permissible Interest Rate (MPIR), which is a Government set interest rate to calculate the Daily Accommodation Payment (DAP) to applicable residents. The MPIR of 4.89% as at 30 June 2020 has been used to determine the lease income and interest expense.

The Association's Statement of Income and Expenditure and Other Comprehensive Income includes lease revenue of $683,720 and an additional interest cost (i.e. imputed interest charge on RADs) of $683,720, with $nil net impact to the deficit reported for the year.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adopting AASB 16.

In accordance with AASB 16, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying AASB 16 from the date of initial application (1 July 2019). Therefore, comparatives have not been restated.

ii. AASB 1058: Income of Not-for-Profit Entities

AASB 1058 applies to transactions of not-for-profit entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. No such assets have been identified for the current financial year. AASB 1058 also applies to the receipt of volunteer services, however recognition of volunteer services is only mandatory to entities in the public sector. The Association has elected to not recognise volunteer services in the financial statements.

iii. AASB 15: Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2019 using the modified retrospective approach. Under this method, any cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2019.

AASB 15 requires the following steps for each contract with a customer:

- identifying a contract
- identifying performance obligations
- determining the transaction price
- allocating the transaction price to performance obligations; and
- recognising revenue when (or as) the performance obligations are satisfied

The majority of contracts MannaCare has with its customers relate to revenue and associated performance obligations occurring within the same financial year and revenue has been recognised in full when received. This is consistent with AASB 15. A small number of minor grants span across financial years. In these cases revenue is recognised as the performance obligations are satisfied. The timing of revenue recognition required by AASB 15 is consistent with accounting treatment used by MannaCare in prior years (i.e. the impact has been negligible). There was no cumulative effect of initial application.

Note 2 Revenue

	Note	2020 $	2019 $
Continuing Operations			
Residents' and Clients' Fees		**5,005,851**	4,503,859
Investment Income		**296,302**	488,633
Federal Government Grants		**12,687,381**	12,191,131
State Government Grants		**25,107**	27,010
Accommodation Charges		**1,082,433**	841,753
Imputed Lease Revenue on RADs	1o	**683,720**	-
Donations and Subscriptions		**178**	2,234
Other Revenue		**163,519**	115,126
		19,944,491	18,169,746

Note 3 Surplus/(Deficit) for the Year

The following expense items are relevant in explaining the financial performance.

	Note	2020 $	2019 $
Employee benefits expense			
Wages and salaries		**13,765,787**	12,548,858
Contributions to defined contribution superannuation funds		**1,181,610**	1,080,813
Workers' Compensation		**178,102**	281,439
Other Employee Benefits		**159,073**	157,035
		15,284,572	14,068,145
Rent expense			
Rental expense on operating leases		**-**	927,065
Finance costs			
Interest on refundable RADS and Bonds		**72,864**	72,896
Imputed interest charge on RADs	1o	**683,720**	-
Interest expense on property lease payable		**450,612**	-
		1,207,196	72,896
Depreciation and amortisation expense			
Leasehold improvements		**603,389**	130,996
Right-of-use asset		**848,648**	-
Motor vehicles		**22,853**	22,837
Furniture and fittings		**89,961**	90,219
Office Equipment		**15,451**	3,531
Plant and Equipment		**92,304**	90,538
Computer Software		**99,228**	96,035
Computer Hardware		**26,709**	20,062

1,798,543	454,218

Note 4 Key Management Personnel Compensation

The total remuneration paid to key management personnel of the Association is **$788,548** (2019: $ 710,725). Key Management Personnel in the financial year comprised the following:

Chief Executive	**Ross Dawson**
General Manager - Corporate Services	**Vanessa May**
General Manager - Operations	**Sherry-Ann Bailey**
Facility Manager – Cassia House	**Priya Salandy**
Parental Leave Relief Facility Manager - from 2/03/20	**Cleofe Simmons**
Facility Manager – Doncaster Melaleuca Lodge	**Shantel Innes**

Remuneration of Directors

All directors hold honorary board positions and do not receive any compensation.

Note 5 Cash and Cash Equivalents

	Note	2020 $	2019 $
Cash on hand		**2,850**	2,585
Cash at bank		**4,419,604**	4,344,368
	20	**4,422,454**	4,346,953

Note 6 Trade and Other Receivables

Current			
Trade receivables		**238,122**	546,002
Provision for doubtful debts		**(159,701)**	-
Interest receivable		**75,383**	313,847
Other receivable		**526,061**	567,242
	20	**679,865**	1,427,091

Note 7 Financial Assets

CURRENT			
Term Deposits		**12,500,000**	11,800,000
	20	**12,500,000**	11,800,000

Note 8 Other Assets

CURRENT		
Prepayments	**154,144**	185,346
	154,144	185,346

MannaCare Inc.
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Notes to the Financial Statements
For the Year Ended 30 June 2020

Note 9 Property, Plant and Equipment

	2020	2019
	$	$
Leasehold improvement		
Respite cottage and Gazebo		
At cost	**426,894**	426,894
Accumulated depreciation	**(426,894)**	(426,894)
	-	-
Office building		
At cost	**511,934**	511,934
Accumulated depreciation	**(505,584)**	(504,872)
	6,350	7,062
Building capital improvement		
At cost	**12,323,226**	3,000,815
Accumulated depreciation	**(2,712,504)**	(2,109,827)
	9,610,722	890,988
Total leasehold improvements	**9,617,072**	898,050
Plant and equipment		
At cost	**1,467,429**	1,455,115
Accumulated depreciation	**(1,117,727)**	(1,054,245)
	349,702	400,870
Furniture, fixture and fittings		
At cost	**1,424,936**	1,346,498
Accumulated depreciation	**(928,739)**	(838,778)
	496,197	507,720
Office Equipment		
At cost	**125,147**	51,067
Accumulated depreciation	**(56,445)**	(42,543)
	68,702	8,524
Motor Vehicles		
At cost	**236,459**	236,458
Accumulated depreciation	**(148,609)**	(125,756)
	87,850	110,702
Computer Software		
At cost	**437,640**	457,431
Accumulated depreciation	**(244,778)**	(190,849)
	192,862	**266,582**

Note 9 Property, Plant and Equipment continued

	2020	2019
	$	$
Computer Hardware		
At cost	**154,517**	203,511
Accumulated depreciation	**(83,191)**	(152,509)
	71,326	51,002
Total property, plant and equipment	**10,883,711**	**2,243,450**

Notes to the Financial Statements
For the Year Ended 30 June 2020

Note 9 Property, Plant and Equipment continued

9a 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.

	Respite cottage and Gazebo	Office Building	Building Capital Improvement	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Computer Software	Computer Hardware	Total
	$	$	$	$	$	$	$	$	$	$
Balance at 1 July 2019	-	7,062	890,988	400,869	507,721	110,703	8,523	266,582	51,002	2,243,450
Additions	-	-	9,322,411	41,137	78,437	-	75,630	25,508	47,033	9,590,156
Depreciation expense	-	(712)	(602,677)	(92,304)	(89,961)	(22,853)	(15,451)	(99,228)	(26,709)	(949,895)
Balance at 30 June 2020	-	6,350	9,610,722	349,702	496,197	87,850	68,702	192,862	71,326	10,883,711

Note 10 Right-of-use Assets

The introduction of AASB 16 Leases has necessitated a number of judgements, estimates and assumptions, including:

i. Estimating the lease term. The term of each lease was based on the contracted lease term including any options for extension which are reasonably certain to be exercised. The current property leases all expire on 30 March 2025 with an option to extend to 30 March 2032.
ii. The discount rate to use to determine the lease liability. The Association has elected to use the incremental borrowing rate available to the Association as at 30 June 2020 to acquire a similarly sized asset to the right-of-use asset for a similar term to the lease. This rate estimated is 4.25%, based on advice from the Association's banker.
iii. Estimating variable lease payments dependant on an index or rate. The property leases for 371 Manningham Road and 383 Manningham Road provide for fixed annual increments and these increments have been included in the calculation of the right-of-use asset. However, the head-lease for the land at 371 Manningham Road is subject to increases based on CPI as well as periodic revaluations. Accordingly, for this latter lease, future increments have not been included in the calculation of the lease liability and corresponding right-of-use asset and these increments will be expensed as lease payments.

Reconciliation of carrying amounts of right-to-use assets

Opening balance at 1 July 2019	-
Adjustment on transition to AASB 16 at 1 July 2019	10,820,258
Amortisation Expense	(848,648)
Balance at 30 June 2020	**9,971,610**

Note 11 Capital Works in Progress

The major capital works involving a range of upgrading works to Cassia House and Doncaster Melaleuca Lodge were commenced during the 2018 financial year and completed in the current financial year. The amount of $9,019,138 in the Capital Works in Progress account as at 30 June 2019 has now been fully capitalised within Building Capital Improvements and is included in the total additions for that asset category for the year. These costs will be amortised over the remaining term of the property lease.

Note 12 Trade and Other Payables

	Note	2020 $	2019 $
CURRENT			
Unsecured liabilities			
Trade payables		**934,538**	1,379,637
Fees in advance		**-**	-
Home Care Package Trust		**1,494,475**	699,242
Other payables		**85,636**	47,234
		2,514,649	2,126,113

Note 12 Trade and Other Payables continued

12a Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables			
- total current		**2,514,649**	2,126,113
- total non-current		**-**	-
		2,514,649	2,126,113
Less:			
Residents' fees in advance		**-**	-
Net tax payables		**-**	(2,583)
Employee benefits payable		**(111,552)**	(91,917)
Financial liabilities as trade and other payables	20	**2,403,097**	2,031,613

Collateral pledged

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

Note 13 Provisions

CURRENT		
Employee benefits - Annual leave	**1,521,797**	1,289,189
Employee benefits - Long service leave	**1,445,316**	1,377,159
	2,967,113	2,666,348
NON-CURRENT		
Employee benefits - Long service leave	**120,853**	98,567
	120,853	98,567

Note 14 Leases

The Association has three leases for the properties at 371 Manningham Road Doncaster and 383 Doncaster Road Doncaster. Each of these leases is reflected on the Statement of Financial Position as a right-to-use asset and a lease liability. Variable increments to lease payments based on CPI are excluded from the initial measurement of the lease liability and asset.

All of these leases have a lease term expiring on 30 March 2032 (including the uptake of reasonably certain options). Lease payments are generally fixed except for the head-lease for the land at 371 Manningham Road which is subject to annual CPI increases as well as rate increases/decreases based on periodic revaluations. Under AASB 16 lease payments are now shown as a split between an interest expense and a reduction in the liability. Any variable lease increments (e.g. CPI increments) will be expensed as a rental expense.

Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020 $	2019 $
Lease liabilities:		
- Total current	**425,411**	-
- Total non-current	**10,011,096**	-
	10,436,507	-

Note 15 Capital and Leasing Commitments

15a Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2020 $	2019 $
Payable - minimum lease payments:		
- not later than 12 months	-	972,856
- between 12 months and five years	-	4,271,343
- Greater than five years	-	1,161,467
	-	6,405,666

The lease commitments consist of property leases for 371 Manningham Road and 383 Manningham Road. Note that AASB 16 came into effect from 1 July 2019 and accordingly these leases are now capitalised and reported as lease liabilities. Refer to Note 1o for a reconciliation of the lease commitments as at 30 June 2019 to the lease liability as at 30 June 2020.

15b Capital commitments

A new community care system will be implemented during the 2021 financial year. This will be fully completed and paid for within 12 months.

	Total Cost	Due Within 12 Months
Epicor Community Care Solution – Software License	30,338	30,338
Implementation Cost	103,982	103,982
	134,230	**134,320**

Note 16 Cash Flow Information

16a Reconciliation of cash flow from operations with result for the year

	2020 $	2019 $
Surplus/(Deficit) for the year	**(2,044,986)**	(487,658)
Non-cash flows in result:		
- depreciation and amortisation	**1,798,543**	454,218
- retention income	**-**	(4,965)
- imputed lease revenue on RADs	**(683,720)**	-
- Imputed interest charges on RADs	**683,720**	-
- net profit on disposal of property, plant and equipment	**-**	-
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	**747,227**	59,909
- (increase)/decrease in other assets	**31,202**	(50,018)
- increase/(decrease) in income in advance	**27,815**	(481,598)
- increase/(decrease) in trade and other payables	**360,721**	(1,475)
- increase/(decrease) in provisions	**323,051**	(76,045)
Net cash flow from operating activities	**1,243,573**	(587,632)

Note 17 Contingent Liabilities and Contingent Assets

The Association did not have any contingent liabilities or contingent assets as at 30 June 2020.

Note 18 Events after the end of the Reporting Period

MannaCare has not to date had any cases of Covid-19 in any staff, residents or community services clients. However, this crisis has had a negative impact on operations resulting in reduced occupancy in the two residential facilities and also a reduction in delivery of community services due to restrictions. Additionally, there has been an associated increase in costs for staffing, personal protective equipment and cleaning. This impact is expected to continue well into the 2021 financial year, partially offset by increased Government funding.

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 19 Economic Dependency

A significant portion of income is received by way of recurrent grants from the Commonwealth Government and State Government.

Note 20 Financial Risk Management

The Association's financial instruments consist mainly of deposits with banks, accounts receivable, term deposits, and accounts payable and interest-bearing liabilities.

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

	Note	2020 $	2019 $
Financial Assets			
Cash and cash equivalents	5	**4,422,454**	4,346,952
Trade and other receivables	6	**679,865**	1,427,091
Investments at Amortised Cost			
- term deposits	7	**12,500,000**	11,800,000
Total financial assets		**17,602,319**	17,574,043
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	12	**2,403,097**	2,031,613
Borrowings - current		-	-
Borrowings - non-current		-	-
Total financial liabilities		**2,403,097**	2,031,613

Net Fair Value

Cash and cash equivalents, trade and other receivables, trade and other payables and borrowings are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts relating to annual leave which is not considered a financial instrument.

Note 21 Related Party Transactions

There were no transactions between related parties during the course of the year ended 30 June 2020.

Note 22 Fair value measurements

The Association does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

Recurring fair value measurements

		2020	2019
Financial assets		**$**	**$**
Investments at Amortised Cost			
– Term deposits	7	**12,500,000**	11,800,000
Total financial assets recognised at fair value		**12,500,000**	11,800,000

Term deposits are held at the closing value of the deposit at 30 June 2020.

Note 23 Association Details

The registered office of the Association is:
371 Manningham Road
Doncaster, Victoria 3108

MannaCare Inc.
ABN 15 698 364 348

True and Fair Certification by Members of the Board

In accordance with a resolution of the Board of MannaCare Inc, the members of the Board declare that the financial statements as set out on pages 1 to 26:

- Present a true and fair view of the financial position of MannaCare Inc as at 30 June 2020 and its performance for the year ended on that date in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the requirements of the Associations Incorporation Reform Act 2012; and

- At the date of this statement, there are reasonable grounds to believe that MannaCare Inc will be able to pay its debts as and when they fall due; and

- The financial statements and notes are in accordance with the Associations Incorporation Reform Act (VIC) 2012, the Australian Charities and Not-for-profits Commission Act 2012, and the Australian Charities and Not-for-profit Commission Regulations 2013.

This statement is signed for and on behalf of the members of the Board by:

Chairman ....
David E. Meiklejohn

Treasurer...
John Shaw

Dated

MannaCare Inc.
ABN 15 698 364 348

Auditor's Independence Declaration

For the Year Ended 30 June 2020

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit: and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Saward Dawson Chartered Accountants

Peter Shields

Partner

Dated:

MannaCare Inc.
ABN 15 698 364 348

Independent Audit Report to the members of MannaCare Inc

Report on the Financial Report

We have audited the accompanying financial report of MannaCare Inc (the Association), which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Income and Expenditure and Other Comprehensive Income, Statement of Change in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the statement by the Board.

The Board's Responsibility for the Financial Report

The Board of the Association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Associations Incorporation Reform Act (VIC) 2012, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

MannaCare Inc.
ABN 15 698 364 348

Independent Audit Report to the members of MannaCare Inc

Auditor's Opinion

In our opinion, the financial report of MannaCare Inc is in accordance with the Associations Incorporation Reform Act (VIC) 2012, including:

(i) giving a true and fair view of the Association's financial position as at 30 June 2020 and of its performance of the year ended on that date; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements.

Saward Dawson Chartered Accountants

Peter Shields
Partner
Blackburn VIC
Dated: