Sacred Heart Mission Inc and Controlled Entity

Financial Report

For the Year Ended 30 June 2016

Sacred Heart Mission Inc and Controlled Entity

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For the Year Ended 30 June 2016

Sacred Heart Mission Inc and Controlled Entity

Board Members' Report
30 June 2016

The Board members present this report on the Incorporated Association of Sacred Heart Mission Inc and controlled entity for the financial year ended 30 June 2016.

Board members

The names of the board members in office at any time during, or since the end of, the year are:

Names	**Position**
Mark Dohrman	Chairperson, Board member
David O'Brien	Treasurer, Board member
Terri Farrell	Deputy Chair, Board Member
Adrian Cropley	Board Member
Carolyn Clark	Board Member, Secretary, Public Officer
Jo Maher	Board member
Fr. John Petrulis	Board Member
Nora Redmond	Board Member (resigned in November 2015)
Peter Smith	Board Member
Greg Evans	Board Member

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

During the financial year, 11 meetings of the Board were held. Attendances by each director during the year were as follows:

	Number of meetings attended	Number of meetings available
Mark Dohrman	9	11
David O'Brien	11	11
Terri Farrell	10	11
Adrian Cropley	8	11
Carolyn Clark	8	11
Jo Maher	10	11
Fr. John Petrulis	8	11
Nora Redmond	4	4
Peter Smith	9	11
Greg Evans	9	11

Principal activities

To provide support, care and nurturing for the purposes of alleviating and preventing homelessness, poverty and social isolation in the City of Port Phillip and in other localities of need as required, regardless of race, creed, sex, or age, and in particular to:

- Provide support and care to people experiencing poverty, who are socially excluded, have physical or mental health concerns, homeless or at risk of homelessness, or drug and/or alcohol dependent;

- Provide health care, food, clothing and other material support to those in need;

- Provide shelter, either temporary or permanent, to those who are homeless or at risk of homelessness and/or socially isolated;

- Establish programs that provide a range of diverse services that achieve permanent outcomes for people and support their connection to their communities and contribution to society both socially and or economically; and

- Provide support and care within the framework of Catholic Social Teaching.

Sacred Heart Mission Inc and Controlled Entity

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue	3	**18,786,481**	17,004,963
Employee benefits expense		**(14,258,656)**	(12,001,203)
Depreciation and amortisation expense		**(560,737)**	(455,283)
Operating expenses		**(1,051,521)**	(1,031,239)
Occupancy and rent expense		**(1,803,343)**	(1,716,365)
Repairs and maintenance expense		**(219,426)**	(287,304)
Office expense		**(521,802)**	(421,376)
Motor vehicle expenses		**(181,072)**	(116,548)
Profit/(loss) on sale of asset		**16,989**	(47,819)
Gain from bargain purchase	18	**995,452**	-
Other sundry expenses		**(234,956)**	(214,573)
Current year surplus before income tax		**967,409**	713,253
Income tax expense		**-**	-
Operating surplus for the year		**967,409**	713,253
Other comprehensive income			
Fair value (loss)/gain on revaluation of financial assets		**(212,135)**	20,746
Other comprehensive income for the year		**(212,135)**	20,746
Total comprehensive income for the year		**755,274**	733,999
Total surplus attributable to the group		**967,409**	713,253
Total comprehensive income attributable to the group		**755,274**	733,999

The accompanying notes form part of these financial statements.

Sacred Heart Mission Inc and Controlled Entity

Statement of Financial Position
As At 30 June 2016

	Note	Consolidated 2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**8,094,349**	4,730,925
Trade and other receivables	6	**55,161**	361,028
Other assets	7	**628,357**	534,063
TOTAL CURRENT ASSETS		**8,777,867**	5,626,016
NON-CURRENT ASSETS			
Financial assets	8	**1,455,859**	3,837,119
Property, plant and equipment	9	**8,273,357**	6,993,764
Intangible assets	10	**2,140,684**	2,158,040
TOTAL NON-CURRENT ASSETS		**11,869,900**	12,988,923
TOTAL ASSETS		**20,647,767**	18,614,939
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**1,024,648**	1,231,226
Provisions	12	**1,206,779**	1,115,329
Other liabilities	13	**3,208,424**	1,919,955
TOTAL CURRENT LIABILITIES		**5,439,851**	4,266,510
NON-CURRENT LIABILITIES			
Provisions	12	**419,524**	315,311
TOTAL NON-CURRENT LIABILITIES		**419,524**	315,311
TOTAL LIABILITIES		**5,859,375**	4,581,821
NET ASSETS		**14,788,392**	14,033,118
EQUITY			
Reserves	14	**8,592,220**	8,804,355
Share capital	15	**1,000,010**	1,000,010
Retained surplus		**5,196,162**	4,228,753
TOTAL EQUITY		**14,788,392**	14,033,118

The accompanying notes form part of these financial statements.

Sacred Heart Mission Inc and Controlled Entity

Statement of Changes in Equity
For the Year Ended 30 June 2016

	Share Capital $	Retained Surplus $	Financial Assets Reserve $	Capital Works Reserves $	Total $
Balance at 1 July 2014	1,000,010	3,515,500	294,523	8,489,086	13,299,119
Comprehensive income					
Net surplus for the year	-	713,253	-	-	713,253
Fair value gain on revaluation of financial assets	-	-	20,746	-	20,746
Total comprehensive income attributable to members of the entity for the year	-	**713,253**	**20,746**	-	**733,999**
Balance at 30 June 2015	**1,000,010**	**4,228,753**	**315,269**	**8,489,086**	**14,033,118**
Balance at 1 July 2015	1,000,010	4,228,753	315,269	8,489,086	14,033,118
Comprehensive income					
Net surplus for the year	-	967,409	-	-	967,409
Fair value loss on revaluation of financial assets	-	-	(212,135)	-	(212,135)
Total comprehensive income attributable to members of the entity for the year	-	**967,409**	**(212,135)**	-	**755,274**
Balance at 30 June 2016	**1,000,010**	**5,196,162**	**103,134**	**8,489,086**	**14,788,392**

The accompanying notes form part of these financial statements.

Sacred Heart Mission Inc and Controlled Entity

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating grants received		**9,467,934**	8,405,549
Receipts from other operating activities		**8,947,697**	8,823,924
Payments to suppliers and employees		**(16,782,856)**	(15,347,484)
Interest received		**192,942**	213,804
Net cash provided by operating activities		**1,825,717**	2,095,793
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of available-for-sale financial assets		**(41,856)**	(478,636)
Sale of available-for-sale financial assets		**27,402**	187,186
Dividends received		**-**	86,499
Investment in financial assets held to maturity		**-**	(2,180,000)
Proceeds from disposal of financial assets held to maturity		**2,180,000**	-
Proceeds from disposal of property, plant and equipment		**-**	11,000
Purchase of property, plant and equipment		**(1,373,378)**	(707,011)
Purchase of intangible assets		**(16,724)**	(96,247)
Cash assumed from the acquisition of Bethlehem Community	18	**557,363**	-
Net cash provided by/(used in) investing activities		**1,332,807**	(3,177,209)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Drawdowns and refunds of accommodation bonds		**205,000**	(257,933)
Net cash used by financing activities		**205,000**	(257,933)
Net increase/(decrease) in cash and cash equivalents held		**3,363,424**	(1,339,349)
Cash and cash equivalents at beginning of year		**4,730,925**	6,070,274
Cash and cash equivalents at end of financial year	5	**8,094,349**	4,730,925

The accompanying notes form part of these financial statements.

1 Summary of Significant Accounting Policies continued

Basis of Preparation

Sacred Heart Mission Inc applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: and controlled entity (the "Group" or the "Association"), Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

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), the Associations Incorporation Reform Act 2012 and the requirements of 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 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.

The financial statements were authorised for issue on 27th September 2016 by the board.

Accounting Policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Sacred Heart Mission Inc at the end of the reporting period. A controlled entity is any entity over which Sacred Heart Mission Inc has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

1 Summary of Significant Accounting Policies continued

(a) Principles of consolidation continued

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair values of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured in each reporting period to fair value recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Revenue

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 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.

The association receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Donations and bequests are recognised as revenue when received.

Revenue from funds received through the association's capital campaign is recognised when the association obtains control of the funds and it is probable that the economic benefits gained from the funds will flow to the association and the amount can be measured reliably. If conditions are attached to the funds, which must be satisfied before it is eligible to receive the contribution, the recognition of the funds as revenue will be deferred until those conditions are satisfied.

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.

1 **Summary of Significant Accounting Policies continued**

(b) Revenue continued

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

Service fees for services provided to residents and clients are recognised as revenue when the funds are invoiced. The income from retail sales is recognised as income when received on a daily basis.

All fundraising income is recognised as income in the period in which it is received.

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

(c) Property, plant and 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.

Property, plant and equipment (other than Freehold property) 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 property, 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(f) for details of impairment).

The cost of fixed assets constructed within the association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Association, commencing when the asset is ready for use.. Leasehold improvements are depreciated the estimated useful lives of the improvements.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

1 Summary of Significant Accounting Policies continued

(c) Property, plant and equipment continued

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Leasehold improvements	5%
Plant and Equipment	10-25%
Furniture, Fixtures and Fittings	10-25%
IT hardware	25-33%
Motor Vehicles	20%

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.

(d) Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial instruments

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 rate 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.

1 Summary of Significant Accounting Policies continued

(e) Financial Instruments continued

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 amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets within fixed determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group'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

(iv) Available for sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

1 Summary of Significant Accounting Policies continued

(e) Financial Instruments continued

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 of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

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.

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.

De-recognition

Financial assets are derecognised when the contractual right 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 when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount 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.

(f) 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 disposal 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). 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.

Impairment testing is performed annually for intangible assets with indefinite lives.

1 Summary of Significant Accounting Policies continued

(g) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 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.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Group classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are 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. Provision is made for the Group's obligation for other long-term employee benefits, which 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. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

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

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

1 **Summary of Significant Accounting Policies continued**

(i) Trade and other receivables

Trade and other receivables include amounts due from residents as well as amounts receivable from other service providers 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 recognised at fair value less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Income Tax

The Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997.*

(l) Intangibles

Bed licences

Bed licences were granted by the Department of Health and Aging to Sacred Heart Mission Inc for no consideration. Sacred Heart Mission has recorded bed licences at fair value at grant date. This value has been taken as a deemed cost. The useful life of bed licences is considered to be indefinite and hence they are not amortised.

Software

Software is initially recognised at cost. It has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software has an estimated useful life of between one and three years. It is assessed annually for impairment.

(m) Refundable Accommodation Deposits (RAD)

Upon receipt of a RAD, as defined by the Aged Care Act, from a resident of one of the associations Aged Care Facilities, the funds are placed in a capital guaranteed note facility and included in the cash balance disclosed. A corresponding amount is recognised as a current liability and included in the 'other liabilities' section of the Statement of Financial Position.

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(n) Provisions

Provisions are recognised when the entity 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.

(o) Comparative figures

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

(p) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group 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.

(q) Critical accounting estimates and judgements

The member of the Board evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(r) Key estimates and judgements

Impairment

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.

Valuation of bed licences

Due to the external factors such as industry uncertainty and limited market activity influencing the realistic value of Bed Licences, management engaged an independent valuer to value the bed licenses in July 2014. The independent valuer used a direct comparison approach, in determining the market value of the bed licences. Independent valuations will be performed at least every three years. The Board members have reviewed the key assumptions adopted by the valuers in 2014 and do not believe there has been a significant change in the assumptions at 30 June 2016.

Employee benefits

The liability for employee benefits expected to be settled for more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

1 Summary of Significant Accounting Policies continued

(s) Economic dependence

Sacred Heart Mission Inc is dependent on the Department of Health & Human Services and Department of Social Services for 48% of its revenue used to operate the business. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support Sacred Heart Mission Inc.

(t) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie 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.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments 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 (if any) 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.

1 Summary of Significant Accounting Policies continued

(u) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the Group elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

2 Parent information

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Accounting Standards.

	2016	2015
STATEMENT OF FINANCIAL POSITION	**$**	**$**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**8,063,015**	4,633,527
Trade and other receivables	**20,203**	317,887
Other current assets	**628,357**	625,663
TOTAL CURRENT ASSETS	**8,711,575**	5,577,077
NON-CURRENT ASSETS		
Financial assets	**110,888**	2,286,247
Property, plant and equipment	**8,273,357**	6,993,764
Intangible assets	**2,140,684**	2,158,040
TOTAL NON-CURRENT ASSETS	**10,524,929**	11,438,051
TOTAL ASSETS	**19,236,504**	17,015,128
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**1,024,854**	1,231,226
Provisions	**1,206,779**	1,115,329
Other liabilities	**3,208,416**	1,919,955
TOTAL CURRENT LIABILITIES	**5,440,049**	4,266,510
NON-CURRENT LIABILITIES		
Provisions	**419,524**	315,311
TOTAL NON-CURRENT LIABILITIES	**419,524**	315,311
TOTAL LIABILITIES	**5,859,573**	4,581,821
NET ASSETS	**13,376,931**	12,433,307
EQUITY		
Capital works reserve	**8,489,086**	8,489,086
Financial asset reserve	**(15,914)**	(15,914)
Retained surplus	**4,903,759**	3,960,135
TOTAL EQUITY	**13,376,931**	12,433,307
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Operating surplus for the year	**943,624**	450,592
Total comprehensive income for the year	**943,624**	417,989

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

3 Revenue

	Consolidated 2016 $	Consolidated 2015 $
Sales revenue:		
Retail sales	**5,391,906**	4,816,372
Other revenue:		
Government grants	**9,467,934**	8,405,549
Service fees	**1,585,721**	1,494,865
Bequest	**17,020**	312,333
Fundraising	**1,384,328**	1,193,511
Specified program funding	**378,996**	284,869
Interest received	**192,842**	213,804
Dividends received	**115,742**	114,532
Other	**251,992**	169,128
	18,786,481	17,004,963

4 Result for the Year

	2016 $	2015 $
Contributions to superannuation funds	**1,142,449**	956,344
Depreciation and Amortisation		
Land & Buildings	**173,016**	163,817
Leasehold Improvements	**63,537**	77,356
Motor Vehicles	**90,630**	7,653
Furniture & Fittings	**25,005**	114,953
Plant & Equipment	**122,715**	46,458
IT Hardware	**53,274**	27,048
IT Software	**32,560**	17,998
Total depreciation and amortisation	**560,737**	455,283
Provision for impairment of trade and other receivables	**-**	11,481
Rental expense on operating expenses	**942,126**	759,067

5 Cash and Cash Equivalents

	Consolidated	
	2016	2015
	$	$
Cash in hand	**12,479**	13,571
Cash at bank – unrestricted	**1,527,057**	2,817,354
Cash at bank – restricted (Note 18)	**557,363**	-
Short-term investments - bank deposits	**5,997,450**	1,900,000
	8,094,349	4,730,925

The effective interest rate on short-term bank deposits was 2.90% (2015: 2.95%); these deposits have an average maturity of 90 days.

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	**8,094,349**	4,730,925

6 Trade and Other Receivables

CURRENT		
Trade receivables	**35,129**	198,542
Other debtors	**44,950**	202,060
Provision for doubtful debts	**(24,918)**	(39,574)
	55,161	361,028

Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

Balance at beginning of the year	**(39,574)**	(28,093)
Charge for year	**-**	(11,481)
Reversal of impairment	**14,656**	-
Balance at end of the year	**(24,918)**	(39,574)

7 Other Assets

CURRENT		
Deposits paid	**169,072**	142,262
Prepayments	**183,238**	145,466
Accrued income	**276,047**	246,335
	628,357	534,063

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

8 Other Financial Assets

	Consolidated 2016 $	Consolidated 2015 $
Available for sale financial assets	**1,455,859**	1,657,119
Financial assets held to maturity	**-**	2,180,000
	1,455,859	3,837,119

Available-for-sale financial assets reconciliation:

	2016	2015
Listed investments, at fair value		
Fair value at 1 July	**1,657,119**	1,402,742
Additions	**41,856**	478,636
Disposals	**(30,981)**	(245,005)
Fair value re-measurement gain/ (loss)	**(212,135)**	20,746
	1,455,859	1,657,119
Listed investments, at cost		
- shares in listed corporations	**1,455,859**	1,657,119
	1,455,859	1,657,119

9 Property, plant and equipment

	2016	2015
Land and Buildings		
At cost	**8,352,624**	7,294,428
Accumulated depreciation	**(2,859,404)**	(2,686,388)
	5,493,220	4,608,040
Plant and equipment		
At cost	**1,689,712**	1,542,240
Accumulated depreciation	**(1,496,516)**	(1,432,979)
	193,196	109,261
Furniture, fixtures and fittings		
At cost	**1,486,034**	1,406,438
Accumulated depreciation	**(880,103)**	(757,388)
	605,931	649,050
Motor vehicles		
At cost	**324,277**	337,669
Accumulated depreciation	**(233,016)**	(245,833)
	91,261	91,836
IT hardware		
At cost	**625,350**	535,168
Accumulated depreciation	**(494,749)**	(441,475)
	130,601	93,693

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

9 Property, plant and equipment continued

	2016 $	2015 $
Leasehold Improvements		
At cost	**2,068,369**	1,660,475
Accumulated amortisation	**(309,221)**	(218,591)
	1,759,148	1,441,884
Total property, plant and equipment	**8,273,357**	6,993,764

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings $	Leasehold Improvements $	Plant & Equipment $	Furniture& Fittings $	IT Hardware $	Motor vehicles $	Total $
Year ended 30 June 2015							
Balance at the beginning of year	4,771,857	1,284,216	116,106	552,930	33,915	27,447	6,786,471
Additions	-	235,024	39,608	211,073	86,826	72,042	644,573
Depreciation expense	(163,817)	(77,356)	(46,453)	(114,953)	(27,048)	(7,653)	(437,280)
Balance at the end of the year	**4,608,040**	**1,441,884**	**109,261**	**649,050**	**93,693**	**91,836**	**6,993,764**
Year ended 30 June 2016							
Balance at the beginning of year	4,608,040	1,441,884	109,261	649,050	93,693	91,836	6,993,764
Additions	1,058,196	407,894	147,472	79,596	90,182	37,850	1,821,190
Disposals	-	-	-	-	-	(51,242)	(51,242)
Depreciation expense	(173,016)	(90,630)	(63,537)	(122,715)	(53,274)	(25,005)	(528,177)
Write back of depreciation	-	-	-	-	-	37,822	37,822
Balance at the end of the year	**5,493,220**	**1,759,148**	**193,196**	**605,931**	**130,601**	**91,261**	**8,273,357**

Included under additions of property, plant and equipment are land and buildings, furniture and fittings, plant and equipment and IT hardware amounting to $544,474, which were assumed from the acquisition of Bethlehem Community Inc on 1 July 2015 (Note 18).

10 Intangible Assets

	2016	2015
Bed licences - Residential Aged Care		
Deemed cost	**2,075,000**	2,075,000
Software		
Cost	**220,205**	205,000
Accumulated amortisation	**(154,521)**	(121,960)
	65,684	83,040
Total intangibles	**2,140,684**	2,158,040

10 Intangible Assets continued

Movements in carrying amounts of intangible assets

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of the year	2,158,040	2,088,542
Additions	15,204	87,496
Amortisation	(32,560)	(17,998)
Balance at end of the year	**2,140,684**	**2,158,040**

11 Trade and Other Payables

	2016	2015
CURRENT		
Trade payables	**256,391**	425,381
Other payables	**768,257**	805,845
	1,024,648	1,231,226

Collateral pledged

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

12 Provisions

	2016	2015
CURRENT		
Provision for annual leave entitlements	**933,851**	790,400
Provision for long service leave entitlements	**272,928**	324,929
	1,206,779	1,115,329
NON-CURRENT		
Provision for long service leave entitlements	**419,524**	315,311

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

12 Provisions continued

Provisions include the amount accrued for annual leave entitlements that have vested with the employees. Based on past experience, the association does not expect the full amount of annual leave balance, although classified as current, to be settled within the next 12 months. However, 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 entitlement.

13 Other Liabilities

	2016 $	2015 $
CURRENT		
Grants received in advance	**339,210**	251,609
Refundable Accommodation deposit liability	**1,415,742**	1,253,841
Deferred income from capital campaign	**1,453,472**	414,505
	3,208,424	1,919,955

14 Reserves

Capital works reserve

The capital works reserve provided specifically for Capital Works for the association. It was merged with the previously established capital improvement reserve which identified any claim on unspent capital grants received for the Mission's Aged Care and Rooming House Plus Facilities prior to 2005.

Financial asset reserve

The financial assets reserve records changes in fair value of available-for-sale financial assets.

15 Issued Capital

Share capital in subsidiary	**1,000,010**	1,000,010
Subsidiary of Sacred Heart Mission Inc		
Sacred Heart Mission Foundation - controlled	**100%**	100%

16 Leasing Commitments

Operating Leases

Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**1,032,323**	887,794
- later than one year but not later than five years	**1,072,571**	1,528,580
	2,104,894	2,416,374

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements for property leases and motor vehicle operating leases.

16 Leasing Commitments continued

Operating Leases continued

The property lease commitments are for non-cancellable operating leases of various lease-year terms, with rent payable monthly in advance.

Contingent rental 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 2-3% per annum.

An option exists to renew some of the lease at the end of the year term for an additional term of number years. The leases allows for subletting of all lease areas.

17 Operating Segments

Identification of reportable segments

The Association has identified its operating segments based on the internal reports that are reviewed and used by the Members of the Board in assessing performance and determining the allocation of resources.

The Association is managed primarily on the basis of product category and service offerings as the diversification of the parent entity's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the services provided by the segment;
- the type of client for the services;
- any external regulatory requirements.

Types of products and services by reportable segment

(i) Residential Aged Care Services

The Aged Care segment provides residential aged care accommodation to older special needs residents. Assets include primarily the Accommodation bonds held on behalf of residents and buildings.

(ii) Community Services

The Community Services segment provides support and / or accommodation to a group of clients with similar complex needs. Services are aggregated as clients have similar needs for the way in which service is delivered, are subject to a similar regulatory environment and have similarities in funding / revenue source.

(iii) Opportunity Shops

The opportunity shop segment is made up of 9 similar retail outlets which are operated in a consistent way with a consistent method of generating revenue.

17 Operating Segments continued

Types of products and services by reportable segment continued

(iv) Homecare Services

The Homecare services segment provides homecare personal services to aged individuals within the community.

(v) CEO and Support Services

The CEO and Support Services provide support to the board and the other segments either in provision of income or professional services.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of Sacred Heart Mission Inc and Controlled Entity.

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment.

(d) Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- contribution of non-current assets
- impairment of assets

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

17 Operating Segments continued

	CEO and Support Services	Opportunity Shops	Community Services	Residential Aged Care	Home Care	Total
	$	$	$	$	$	$
Segment Information 2014/15						
Total Revenue	1,555,647	4,816,141	3,214,280	5,996,597	1,069,284	16,651,949
Total Segment Net Surplus / Deficit	223,254	1,671,025	1,806,026	337,177	25,157	450,592
- Unallocated Items	-	-	-	-	-	-
- Contributions for non-current assets	-	-	-	-	-	-
Total Net Surplus for the year	-	-	-	-	-	450,592
Total Segment Assets	4,592,657	1,183,090	1,958,125	8,810,294	17,642	16,561,808
Total Segment Liabilities	(560,304)	(359,329)	(828,994)	(2,439,501)	(135,678)	(4,323,806)
Segment Information 2015/16						
Total Revenue	3,004,598	5,350,205	4,138,186	6,261,154	977,593	19,731,735
Total Segment Net Surplus / Deficit	(538,404)	(1,769,094)	2,102,488	(750,462)	41,532	(913,904)
- Unallocated Items	-	-	-	-	-	-
- Contributions for non-current assets	-	-	-	-	-	-
Total Net Surplus for the year	565,988	1,769,094	(2,102,488)	750,462	(41,532)	941,524
Total Segment Assets	2,628,616	2,379,321	2,595,494	10,713,530	158,412	18,475,373
Total Segment Liabilities	(2,106,127)	(610,228)	(922,769)	(2,015,045)	(118,172)	(5,772,341)

18 Business combination

On 1 July 2015, the group through its parent entity, Sacred Heart Mission Inc. completed the transfer of assets and charitable activity of Bethlehem Community, Inc. ("Bethlehem") under the terms and conditions of the asset transfer agreement signed on 12 May 2015. As a result of the transfer, the parent obtained Bethlehem's assets and liabilities including, business agreements, client records, contracts and others at $nil consideration. The fair value of the net assets assumed by the parent amounted to $995,452. Bethlehem wound up on 25 October 2015

	Fair value $000
Purchase consideration	-
Less:	
Property, plant and equipment (i)	544,474
Cash – restricted (ii)	557,363
Payables	(106,385)
Identifiable assets acquired and liabilities assumed	995,452
Gain on transfer of assets from Bethlehem Community Inc.	995,452

(i) Included in property, plant and equipment is land and building with a fair value of $495,000 at the acquisition date.

(ii) The restricted cash will be used for future operational and capital requirements of Bethlehem-related business activities.

19 Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2016	Percentage Owned (%) 2015
Subsidiaries of Sacred Heart Mission Inc:			
Sacred Heart Mission Foundation	Australia	100	100

20 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of Sacred Heart Mission Inc and Controlled Entity during the year are as follows:

	2016	2015
	$	$
Key management personnel compensation	747,507	581,708

21 Related Parties

During the year ended 30 June 2016 there were no related party transactions except those which have been eliminated on consolidation with the controlled entity.

22 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, and leases.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets			
Cash and cash equivalents	5	**8,094,349**	4,730,925
Trade and other receivables	6	**59,835**	361,028
Financial assets - held to maturity	8	**-**	2,180,000
Available-for-sale financial assets:			
- listed investments	8	**1,455,859**	1,657,119
Total financial assets		**9,610,043**	8,929,072
Financial Liabilities			
Trade and other payables	11	**1,024,648**	1,231,226
Total financial liabilities		**1,024,648**	1,231,226

Fair values

For listed available-for-sale financial assets and financial assets at fair value through profit or loss, the fair values have been based on closing quoted bid prices at the end of the reporting period.

In determining the fair values of the unlisted available-for-sale financial assets, the board members have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Sacred Heart Mission Inc and Controlled Entity

Notes to the Financial Statements
For the Year Ended 30 June 2016

23 Fair Value Measurement

The group has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The group does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

		2016	2015
		$	$
Recurring fair value measurements			
Financial assets			
Available-for-sale financial assets: shares in listed corporations	8	**1,455,859**	1,657,119

(i) For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

24 Events after the end of the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

a. On 24th August 2016, the City of Port Phillip issued the planning permit for the redevelopment of 99-101 Grey Street and 65-71 Robe Street, St Kilda, Victoria. It is expected that early works will commence in November 2016 and tenders are currently being prepared.
b. It is anticipated that the redevelopment of 101 Grey Street (Aged Care Building) will commence during the first six months in 2017 and will be in process for approximately two years.
c. The anticipated cost of the full project including 101 Grey Street and 65-71 Robe Street, St Kilda, as well as redevelopment of the Hands on Health Clinic, Women's House and new Rooming house is $27.3m. The increased cost is partly due to conditions set by the City of Port Phillip, some negotiated additional conditions negotiated with VCAT and the objector, as well as additional amenities within the facility.
d. As part of the loan conditions, Sacred Heart Mission has appointed a project management firm to manage the project even while the Aged Care unit is operating. The project management firm will manage the project.

25 Association Details

The registered office and principal place of the association is:

Sacred Heart Mission Inc
87 Grey Street
St Kilda Victoria
Australia 3182

Sacred Heart Mission Inc and Controlled Entity

True and fair certification by members of the board

In the opinion of the committee the financial report as set out on pages 3 to 30:

1. Present fairly the financial position of Sacred Heart Mission Inc as at 30 June 2016 and its performance for the year ended on that date.

2. At the date of this statement, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

Chairman ....
Mark Dohrmann

Treasurer ....
David O'Brien

Dated this ....27th.................. day of ...September... 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE COMMITTEE OF SACRED HEART MISSION INC AND CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying financial report of Sacred Heart Mission Inc ('the Association') and controlled entity, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification by the members of the Committee.

Committee's Responsibility for the Financial Report

The Committee 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, the Associations Incorporation Reform Act 2012 (Vic) and the financial reporting requirements of the *Australian Charities and Not-for-profits Commission Act 2012.* The committee's responsibility also includes establishing and maintaining internal controls relevant to 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 judgment, 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 association's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the committee, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Australian Professional Ethical Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012.*

Basis for Qualified Opinion

Income from retail sales is a significant source of revenue for the Association. The Association has implemented controls over the collection of income from these sources prior to entry into its financial records. The controls implemented are of the nature that we are unable to perform testing on the effective operation of these controls. Accordingly, as the evidence available to us regarding revenue from these sources was limited, our audit procedures with respect to retail sales had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion as to whether the income from these sources is complete.

Qualified Opinion

In our opinion, except for the effects on the matter described in the Basis for Qualified Opinion paragraph:

The financial report of Sacred Heart Mission Inc is in accordance with the *Associations Incorporation Reform Act 2012 (VIC)* and the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the Association's financial position as at 30 June 2016 and of its performance and its cash flows for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the financial reporting requirements of the *Australian Charities and Not-for-profits Regulation 2013*.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 28 September 2016