Staying true to purpose

2020 Annual Report

About us

Acknowledgment

The Benevolent Society acknowledges the Traditional Owners of country throughout Australia and recognises continuing connection to land, waters and community. We pay our respects to them and their cultures, and to Elders past, present and emerging.

Our vision

A just society where all Australians can live their best life.

Our values

Our values guide us to stand strong, to never give up, to speak out on the issue that matter and make a difference every day for people of all ages and backgrounds.

Optimism
Respect
Integrity
Collaboration
Effectiveness

What we do

- Advocacy
- Specialist support to people with disability
- Support for older people and their carers
- Support for Children, parents and families

Who we help

- Children
- Families
- Older people
- People with disabilities
- Carers
- Communities

Chair & CEO message

In our 207-year history, 2020 has brought many unexpected challenges to the world, our environment and our people. This included bushfires in many states in Australia starting in regional NSW in August 2019, to a global pandemic which continues to impact our communities today. Through our enriched history of advocacy and resilience through many tough times in the past, our organisation has held constant and stayed true to our purpose. We are pleased to provide our Annual Report for FY2020.

Our organisation over the years, has seen several transformations and will continue to create agility and flexibility whilst ensuring safety for all of our clients and our people within the workplace. Our strong governance framework has put us in good stead to address these challenges. We reflect on lessons learnt from recent Royal Commissions and how these lessons may be applied in times of uncertainty. For our organisation, now more than ever, must operate responsibly and ethically, and remain transparent. We continue to question whether we are advancing our purpose and meeting our community's expectations, whilst maintaining our organisation integrity.

At this critical moment it has given our organisation the opportunity to relook at our strategy, and sharpen our focus on the reasons why we do what do and to allow time to reflect and remain committed to our community.

During times of crisis, every organisation has a plan to mitigate the impact it may have. We met this challenge head on, implemented our strategies and continued to listen to our clients and staff and communicate effectively across our various hubs and remote locations for all of teams. Within our operations we saw strong progress in the financial performance and in particular, the turnaround in Disability services and its sustainability and the growth of our carers work, with the launch of Carer Gateway in April. It is pleasing to note the significant turnaround in the financial position of the organisation from a $30Mill deficit to a $5Mill surplus position in the current year. As we continue to deliver positive returns and cashflow this will enable us to rebuild our Endowment funds and deliver on our strategy for future generations.

In the face of COVID-19, we continue to deliver services to all our clients through traditional face-to-face methods as well as expand our capability in telehealth, digital and virtual services.

Whilst we continue to deliver, we also focus on opportunities to support more Australians and look at growing our services across our communities. Engaging with our partners and empowering our organisation to sustain a high quality, evidence-based provision of essential services.

We advocate for our community, our clients and our people and will continue to stay true to our purpose and continue to do so into the future.

We would like to thank all our stakeholders, including Directors, Executives, Management and all staff, volunteers, partners, funders and government. We know the work we achieve is the result of collective work.

Tim Beresford
Chair

Jo Toohey
CEO

Core focus

Supporting and advocating for clients during these unprecedented times

We continued to deliver essential face-to-face support amid the enormously challenging period caused by the COVID-19 pandemic.

As an essential service provider, we were permitted to offer in-person services where we assessed it to be appropriate and absolutely necessary for the client. Our specialist operations teams were trained in COVID-19 safety protocols, provided with Personal Protective Equipment (PPE) and always followed the latest health advice as set by the Australian Government Department of Health.

Our operations teams have their eyes and ears out in communities every day. They know the challenges that people are facing, they can see where things are working, and others are not. These insights have always been essential to informing our service delivery and they are also deeply embedded in our advocacy work.

While our service delivery teams advocate for their clients at the individual level, The Benevolent Society's advocacy team does it at the systems level. Both levels are deeply connected; all our advocacy work is geared towards creating a just society where people can lead their best life. With EveryAGE Counts, we want Australians to think differently about ageing and older people; with Every Child, we want governments to make child wellbeing a national priority. Those are our objectives.

Our advocacy team takes invaluable, practice-led information obtained by our operations teams and reflects it upon governments, so national and state leaders can make the best-informed policy, service delivery model and investment decisions that support good outcomes for our clients and communities. We have built on our practice-led advocacy, working closely with people across our organisation to take more of an integrated advocacy approach, combining our expertise and evidence to build our movements for change.

We've continued to contribute our voice to national decision-making and debate, through media coverage about our mission, as well as working with like-minded organisations and engaging politicians and government agencies. Spearheading these campaigns is a long-term commitment to social change in order to make life better for people and communities.

Advocacy

It’s in the DNA of The Benevolent Society

We already have the facts and solutions. All we have to do is change.” Greta Thunberg.

We agree, Greta. We have the evidence. We know what works to improve the quality of life for all people. What we don’t have is the national systems, investment and public awareness needed, to make transformational change happen. At The Benevolent Society we are on a mission to change that through our enduring commitment to advocacy, systems change, and two targeted campaigns: Every Age Counts and Every Child.

Every Age Counts

Negative attitudes and beliefs about ageing and older people drive ageism. Ageism can have profound impacts on job prospects, confidence, participation, health, quality of life and control over life decisions.

EveryAGE Counts exists to change these negative social norms and build systems and public policies to improve outcomes for older people. The first priority is to build awareness of ageism and its impacts.

Over the year, EveryAGE Counts grew its supporter base and increased its reach and impact. Resources, policy and research to build awareness of ageism were made available including “The Real Old’, the ‘Am I Ageist?’ Quiz and submissions to the Aged Care Royal Commission. The campaign also hosted a national speaker tour for anti-ageism activist, Ashton Applewhite. Ashton’s tour included public speaking engagements, smaller targeted industry events and a comprehensive media strategy. Key events included addresses to the National Press Club, Ted X Melbourne, and the Australian Association of Gerontology.

The tour-built awareness of ageism and EveryAGE Counts significantly grew its supporter base. All measures on the breadth, quality, engagement and impact of mainstream and social media coverage were also significantly increased.

EveryAGE Counts campaign highlights: www.everyagecounts.org.au

Every Child campaign

Every Child has 'turned up the volume' to amplify the wellbeing of children and young people as a nation-building priority. This ambition takes on greater significance as we rebuild from COVID-19.

COVID-19 has compounded hardship and stress related to disrupted education, housing, isolation, the challenges of living with disabilities, and more.

Every Child is building engagement with the public, young people and cross-sector agencies to impact on policy and systems change via 3 main projects:

- *Build Back Better*: Every Child is a coordinating partner in the Australia Together 'National Community Recovery Summit', post-Summit political impact and budget submission: https://australiatogether.org.

- *Every Child/ANZSOG partnership* - This is set to be a game changer. Senior public sector, NFP and First Nation's leaders will strategise to achieve better integrated government and systems that work better for children and young people.

- *It Takes 6* – a communications tool to be used in partnership with ARACY. It is designed to help the service sector; the public and decision makers think across silos about what's needed to support children's wellbeing consistent with the ARACY Nest wellbeing framework.

Get involved with us.
everychild.co/join

Agility

Mobilising our frontline

We are addressing a gap in allied health services in remote South Australian communities by adopting drive in drive out and fly in fly out models. In the Riverland and Roxby Downs communities, a shortage of service providers means long waitlists for people with disability, and in some cases, participants do not have access to quality service providers.

By using drive in drive out and fly in fly out models, our team in Adelaide can enter these communities to provide services, without the delay associated with establishing offices and recruiting local staff. Where the long-term goal is to become an established provider in these areas, staff can, in the short-term, build rapport with local communities and identify further gaps that need to be addressed before permanently settling, in addition to providing high-quality services.

In adopting this model of service delivery, we are approaching these communities in a sustainable way. Many service providers are hesitant to enter remote communities due to a number of challenges, one being the lack of trust with outsiders. By entering these communities through this model, we can prove our commitment to servicing these regions when establishing an office/clinic space isn't an immediate option.

Entering these communities has been positively received, and our brand continues to grow throughout the state. The Benevolent Society is the only provider offering Occupational Therapy services to people above the age of eight who can no longer access government funded services. In some areas, such as Roxby and Andamooka, we are the only service provider offering paediatric occupational therapy.

Flexibility

A swift and innovative service response to the COVID-19 crisis

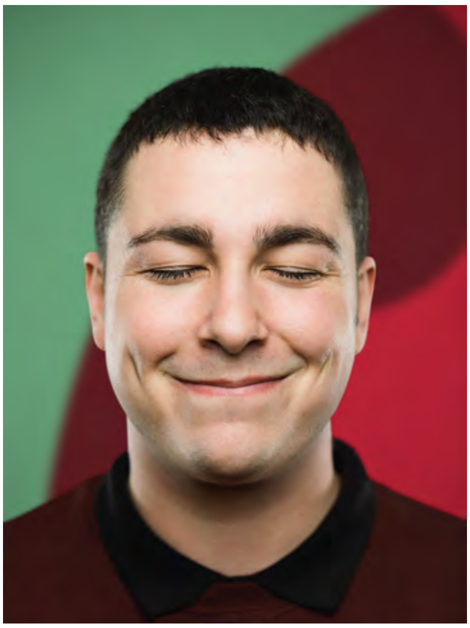
Many of our teams introduced new ways to support their clients when some face-to-face services were challenging due to COVID-19 restrictions.

Pivoting our approach where necessary to ensure the continued health and wellbeing of our people, clients and community included making Telehealth and virtual support available where necessary. These technologies were used to maintain some of our disability services, including behaviour support, occupational therapy, speech pathology, dietetics, physiotherapy and support coordination.

Clients could engage with a Benevolent Society specialist from the comfort and safety of their own home. Our aim was to make these new delivery options as close to an in-person consultation as possible, ensuring clients received quality, evidence-based services at all times. We worked closely with clients to tailor an approach that would meet their needs and goals.

Some of our Early Years Centres established private Facebook groups and live social media sessions to help ensure children and families could still access group work, as well as participate in fun activities. Increasing the amount of contact with clients was particularly important for those who were socially isolated prior to COVID-19 or didn't have a support network. Due to the popularity of these new ways of connecting, many of our teams plan on continuing them even as restrictions ease.

No more than this year has frequent and supportive communication with our clients been important. We developed a dedicated COVID-19 information hub on The Benevolent Society website where clients were able to obtain the latest updates on any changes to their service as a result of the pandemic, including fact sheets translated into 16 different languages. We also developed advice articles for parents which were published on leading parenting websites and distributed via our quarterly newsletter.



Opportunities

Holistic approach to service delivery

At The Benevolent Society, we are committed to ensuring that children get the best possible start in life. Our integrated service delivery models mean that a range of professionals with various qualifications, skills, and knowledge can work together to provide a holistic service to our clients, as we have done with our services in Queensland.

Our Early Childhood Early Intervention (ECEI) and Short-Term Intervention teams based in Queensland have adopted this integrated, holistic approach to service delivery by empowering parents' and building their capacity to support their child aged 0-6 with developmental delay or disability.

Where our Disability Services team work directly with a person with disability, through allied health and support coordination, our ECEI and Short-Term Intervention teams work primarily with parents. They work with parents who have a child with disability to develop strategies, build their awareness, and educate them on how they can best support their child's development in their early years – a pivotal time in their learning and growth. Research shows that one hour of parental support and training equates to 84 hours of child-based therapy delivered by the parents throughout the week.

By empowering parents and upskilling them, they have the freedom and flexibility to choose how to best use their child's NDIS package – an initiative built on autonomy and choice - and where the NDIS isn't an option, giving parents the tools to help their children at home, outside of a therapeutic setting, and helping them link with other services.

Snapshot

In 2019 – 2020

5,889 Total number of Disability Services clients

4,732 Total number of Ageing and Carer clients

- Includes 3,803 Age Care Support clients
- Includes 929 Carers registered since 6 April 2020

1,292 Number of referrals to Headspace Liverpool

30,913 Total number of clients

6,238 ECEI number of children's NDIS plan completed

1,115 Total Staff

314 Volunteers

5,955 Advocacy campaign supporters for EveryChild

7,829 Advocacy campaign supporters for EveryAGE Counts

Financials

Directors report

Directors' report for the year ended 30 June 2020

Your Directors present their report on the consolidated entity consisting of The Benevolent Society and the entities it controlled at the end of, or during, the year ended 30 June 2020.

The Benevolent Society and its wholly-owned subsidiary, Benevolent Australia - Disability Services Limited are both registered charities and public benevolent institutions with deductible gift recipient status endorsed by the Australian Charities and Not-for-profits Commission (ACCC) and accepted by the Australian Taxation Office (ATO).

Vision and values

As Australia's first charity, The Benevolent Society is a not-for-profit and non-religious organisation that has helped people, families and communities achieve positive change since 1813.

Our vision is for a just society where all Australians can live their best life. Creating a just society means advocating for fundamental changes. For over 200 years, The Benevolent Society has pioneered new solutions to social problems and spoken out against disadvantage.

Our values guide us to stand strong, to never give up, to speak out on the issues that matter and to make a difference every day for people of all ages and backgrounds.

Directors

The following people were Directors of The Benevolent Society during the whole of the financial year up to the date of this report, except where noted:

- **Tim Beresford** (Chair)
- **Andrew Yates** (Chair of the Audit, Finance and Risk Committee)
- **Kathleen Conlon** (Chair of the People and Culture Committee)
- **Robert Warren**
- **Professor Karen Healy AM**
- **Mike Beckerleg**
- **Charles Prouse**
- **Rod Young**
- **Elaine Leong** (Group Company Secretary)

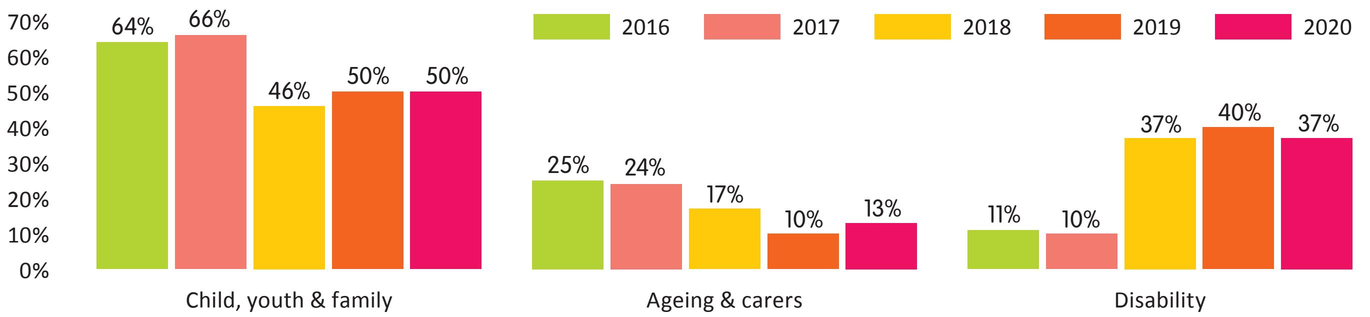
All Directors are members of The Benevolent Society (see Note 21(a) on page 49 for more information).

Principal activities

Our principal activities are summarised in **Figure 1 below.**

Supporting child development and parenting, older people and people with a disability are our main areas of focus.

Figure 1: principle activities (percentages based on income by Service)



Directors' report for the year ended 30 June 2020

We work with people of all ages and backgrounds across New South Wales, Queensland, Australian Capital Territory and South Australia, delivering positive social change and quality services while influencing policy through our advocacy work.

Everything we do is underpinned by the skills of our workforce, the passion of our volunteers and the generosity of our donors, corporate partners and funders. The Benevolent Society employs 1,115 staff, the equivalent of 978 full-time staff throughout New South Wales, Queensland, Australian Capital Territory and South Australia. Approximately 314 volunteers are involved in our service delivery and supporting our corporate functions at any given time during the year. We also continue to partner with a wide range of for-purpose organisations, academic bodies and government agencies.

Our strategy and significant changes

Our strategic plan gives us direction, defines the impact we want to achieve and helps us bring our vision to life. The growth and sustainability targets in our current strategic plan also provide the foundations for our future and reflect the rapidly changing and increasingly competitive external environment.

Disability services

In order to ensure the long-term financial viability of The Benevolent Society, a new operating model was implemented on 29 July 2019. This resulted in a significant restructure of the Disability Services workforce and property portfolio. The timing of the restructure coincided with the end of the two year employment guarantee imposed at the time of acquisition by the NSW Government. The Benevolent Society is committed to continue providing services in as many of the geographic locations and communities as possible under a financially sustainable model.

Property strategy

On 4 June 2018 the Directors of The Benevolent Society decided to sell several operational sites comprising land and buildings as part of the overall strategic objective of the organisation. The site located at 27 Nelson St, Woollahra NSW, was sold by private treaty on 9 March 2020.

JobKeeper

Due to the fall in revenue as a result of the Coronavirus pandemic, The Benevolent Society was an eligible employer to receive JobKeeper. The Benevolent Society received $7,587,000 JobKeeper wage subsidies for the financial year ending 30 June 2020.

Performance

The Benevolent Society monitors performance through management reporting, performance scorecards, KPIs and benchmarks, including:

- outcome measures of service delivery;
- actual performance versus budgeted performance;
- the cost-effectiveness of fundraising activities; and
- the cost of administration and indirect costs to support operations.

We also assess client experience through a range of feedback mechanisms and regular net promoter score surveys.

Review of operations and results

Operating results

The Consolidated Group surplus from continuing operations amounted to $2,186,000 (2019: deficit $30,221,000).

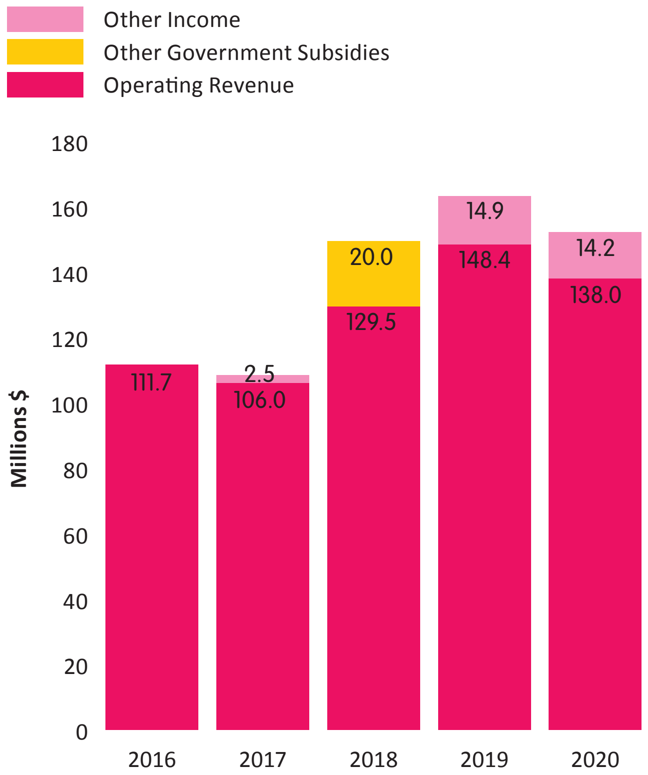
Review of operations

A review of operations of the Consolidated Group during the financial year shows total revenue decreasing by 6.8% (2019: 9.2% increase). This decrease is mainly due to the rationalisation of Disability Services.

Directors' report for the year ended 30 June 2020

Operating expenses for the year decreased by 22.5% (2019: 13.5% increase) due to a reduction in salaries and wages, as a result of the new Disability Services operating model implementation.

Figure 2: Revenue



Endowment investments

The Benevolent Society manages the Endowment investments through the Endowment Investment Advisory Committee.

The Endowment Fund's purpose is to secure the long-term sustainability of The Benevolent Society and fund strategic initiatives and activities.

In addition to this, the Endowment Investment Advisory Committee also gives advice to the Board on the following aspects of the Endowment:

- investment and disbursement policy;
- investment strategy;
- implementation of strategy and review of outcomes; and
- reporting.

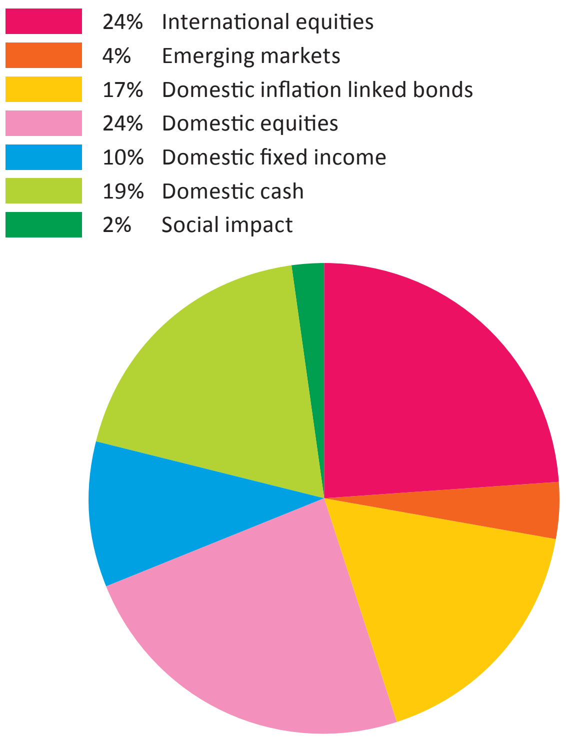
The Committee Members are appointed by the Board.

- Chair: **Craig Ueland** AB Ec, MBA (Hons), CFA (appointed May 2013)
- **Paul Heath** SF Fin, B Com. (appointed March 2009)
- **Justin Wood** PhD Fin, B Com (Hons), CFA (appointed July 2009)
- **Robert Warren** BEc, CA, A Fin, GAICD (appointed June 2015)
- **Sally Collier** BEc, GAICD (appointed September 2016).

During the year the Endowment Fund moved as follows:

Figure 3: Endowment Fund allocations

The fund allocation chart below reflects the actual allocation and is aligned with the Endowment Fund's strategic allocation.



Directors' report for the year ended 30 June 2020

Investment performance

The endowment returned 0.9% (2019: 5.4%), which represents a real return after inflation of 1.2%. The primary reasons for the lower nominal return of the portfolio during the year were the COVID-19 related market uncertainties and the operational need to maintain an unusually high level of liquidity.

The Endowment Fund balance at 30 June 2020 is $54,705,000.

Endowment Fund Strategy

The short term goal is to retain current levels of funding in the Endowment and gradually increase the Fund over the short to medium term.

Matters subsequent to the end of the financial year

No matter of circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or state of affairs of the group in future financial years.

Australia's economy, communities and families have been adversely impacted by the COVID-19 pandemic. At the reporting date, we cannot predict the future impact COVID-19 may have on The Benevolent Society's operational results. It will depend on the duration and extent of the economic downturn which remains unknown. The Federal Government has announced further fiscal stimulus measures, which includes the extension of the JobKeeper and JobSeeker programs to March 2021. These stimulus measures will provide further support to businesses and individuals, and assist in offsetting the economic impacts of COVID-19. Given the revised eligibility requirements for the extended JobKeeper, the Group is not expecting to receive JobKeeper support beyond September 2020.

Likely developments and expected results of operations

In the opinion of the Directors, there are no likely changes in The Benevolent Society's operations which may adversely affect The Benevolent Society.

The Benevolent Society is committed to responding with respect, empathy, compassion and support to individuals making claims or allegations of child abuse who were in the care of The Benevolent Society at Scarba House.

On 4 June 2020, The Benevolent Society submitted an intention to join the National Redress Scheme and is committed to undertake the steps to join by 31 December 2020. The National Redress Scheme started on 1 July 2018 and will run for 10 years. It was a key recommendation arising from the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Benevolent Society has been operating its own redress scheme since 2016.

In 2004, The Benevolent Society provided a full and unreserved apology for all abuse, mistreatment or harm experienced by children in our care. A copy of our apology is available on The Benevolent Society's website - www.benevolent.org.au

Dividends

The Benevolent Society is a company limited by guarantee. It is prohibited by its Constitution from paying dividends to members.

Directors' report for the year ended 30 June 2020

Information on Directors

The people listed in the **Table 1** below were Directors of The Benevolent Society during the financial year and up to the date of this report.

Directors' meetings

Table 1 shows the number of Board and Board subcommittee meetings held while the person was a Director, during the year ended 30 June 2020 and the number of meetings each attended.

Table 1: Directors' meetings

	Board of Directors		Audit, Finance and Risk Committee		People and Culture Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tim Beresford	10	10	4	4	4	4
Andrew Yates	10	9	4	4	4	0
Kathleen Conlon	10	10	4	4	4	4
Robert Warren	10	10	4	0	4	0
Professor Karen Healy AM	10	10	4	1*	4	4
Mike Beckerleg	10	9	4	0	4	4
Charles Prouse	10	7	4	1*	4	0
Rod Young	10	9	4	1*	4	0
Elaine Leong (Group Company Secretary)	10	10	4	1	4	4

* Non-committee Board members attending.

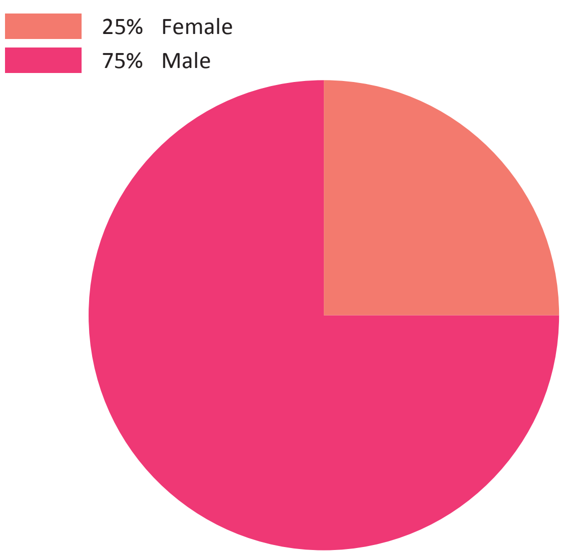
Remuneration of Directors

The Benevolent Society's Directors (excluding Group Company Secretary) are not remunerated.

Loans to Directors and executives

There are no loans to The Benevolent Society's Directors or executives.

Figure 4: Composition of the Board



Directors' report for the year ended 30 June 2020

Insurance of officers

During the financial year, The Benevolent Society paid premiums of $47,439 (2019: $44,669) to insure its Directors, Company Secretary, and all executive officers of The Benevolent Society against a liability incurred by them, to the extent permitted by the *Corporations Act 2001*.

The Benevolent Society is insured for any loss for which a Director or officer becomes legally obligated to pay resulting from a wrongful act, and any amount for which The Benevolent Society indemnifies any Director, Company Secretary or executive officer in respect of any claims made against the Director or officer arising from a wrongful act.

The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors, Company Secretary and executive officers.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of The Benevolent Society.

Proceedings on behalf of The Benevolent Society

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings against The Benevolent Society, nor to intervene in any proceedings to which The Benevolent Society is a party, for the purpose of taking responsibility on behalf of The Benevolent Society for all or part of those proceedings. No proceedings have been brought, or intervened in, on behalf of The Benevolent Society, with leave of the Court under section 237 of the *Corporations Act 2001*.

Other assurance services

The Benevolent Society may decide to engage the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties, where the auditor's expertise and previous experience with The Benevolent Society is relevant.

These assignments include:

- assurance on the acquittal of government grants; and
- JobKeeper advisory service.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Figure 5 on page 22.

In accordance with advice received from the Audit, Finance and Risk Committee, the Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor imposed by the *Australian Charities and Not-for-profits Commission Act 2012*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditors' independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration is set out on page 23 as required under section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*.

Directors' report for the year ended 30 June 2020

Rounding of amounts

In relation to the 'rounding off' of amounts in the Directors' Report, The Benevolent Society is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.*

Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, and in certain cases, to the nearest dollar.

Auditor

Figure 5: Assurance and other services provided by PricewaterhouseCoopers

	2020 $	2019 $
1. Audit services		
PricewaterhouseCoopers: Audit of financial reports and other audit work under the *Australian Charities and Not-for-profits Commission Act 2012*	101,100	89,400
Total remuneration for audit services	101,100	89,400
2. Other assurance services		
PricewaterhouseCoopers: Review of government grant financial reports	23,400	23,400
Total remuneration for other assurance services	23,400	23,400
3. Other services		
PricewaterhouseCoopers: JobKeeper advisory service	48,169	–
Total remuneration for other services	48,169	–
Total remuneration to PricewaterhouseCoopers	172,669	112,800

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

Tim Beresford

Chair
Sydney
28 September 2020

Auditor's independence declaration for the year ended 30 June 2020

Auditor's Independence Declaration

As lead auditor for the audit of The Benevolent Society for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Benevolent Society and the entities it controlled during the period.

Mark Valerio
Partner
PricewaterhouseCoopers

Sydney
28 September 2020

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Financial statements

Financial statements for the year ended 30 June 2020

Consolidated statement of income and comprehensive income

	Notes	2020 $'000	2019 $'000
Revenue			
Revenue from operating activities	2	137,983	148,338
Other income	2	14,204	14,910
Total revenue		**152,187**	**163,248**
Expenses			
Salaries and wages		(95,768)	(122,254)
Administration expenses		(13,339)	(13,998)
Information technology		(3,457)	(4,335)
Marketing, events and communications		(913)	(2,040)
Travel and transport		(2,011)	(3,787)
Client and brokerage expenditure		(10,237)	(10,109)
Community partners		(5,512)	(4,134)
Property and equipment maintenance		(4,479)	(11,425)
Impairment - Goodwill		–	(4,938)
Impairment - Property, plant and equipment		(1,091)	(5,838)
Depreciation and amortisation expense	3	(12,052)	(7,700)
Others		(1,142)	(2,911)
Total expenses from continuing operations		**(150,001)**	**(193,469)**
Surplus/(deficit) before income tax		**2,186**	**(30,221)**
Income tax expense	33(e)	–	–
Surplus/(deficit) before income tax		**2,186**	**(30,221)**
Other comprehensive income/(loss)			
Items that will not be reclassified to Statement of Income Actuarial gains on employee benefit obligations	19(a)	2,960	94
Total comprehensive income/(loss) for the year		**5,146**	**(30,127)**

The above consolidated statement of income and comprehensive income should be read in conjunction with the accompanying Notes.

Financial statements for the year ended 30 June 2020

Consolidated balance sheet

	Notes	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	4	20,397	20,746
Trade and other receivables	5	10,964	15,080
Assets classified as held for sale	6	–	3,698
Total current assets		**31,361**	**39,524**
Non-current assets			
Receivables	7	3,366	3,366
Financial assets at fair value through profit or loss	8	44,417	40,104
Other financial assets at amortized cost	9	100	100
Property, plant and equipment	10	57,161	61,930
Right-of-use assets	11	32,070	–
Intangible assets	12	1,815	3,106
Total non-current assets		**138,929**	**108,606**
Total assets		**170,290**	**148,130**
Liabilities			
Current liabilities			
Trade and other payables	13	17,673	27,414
Employee benefit obligations	14	12,235	19,111
Borrowings	15	777	647
Refundable loans	16	217	217
Lease liabilities	11	3,417	–
Total current liabilities		**34,319**	**47,389**
Non-current liabilities			
Borrowings	17	673	1,141
Provisions	18	1,012	928
Employee benefit obligations	19	4,078	6,557
Lease liabilities	11	37,045	–
Total non-current liabilities		**42,808**	**8,626**
Total liabilities		**77,127**	**56,015**
Net assets		**93,163**	**92,115**
The Benevolent Society Funds			
Retained earnings	20(b)	88,756	90,668
Defined benefit reserve	20(c)	4,407	1,447
Total funds		**93,163**	**92,115**

The above consolidated balance sheet should be read in conjunction with the accompanying Notes.

Financial statements for the year ended 30 June 2020

Consolidated statement of changes in funds

	Notes	Restricted grants reserve $'000	Defined Benefit Reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018		**215**	**1,353**	**120,674**	**122,242**
Deficit for the year	20(b)	–	–	(30,221)	(30,221)
Other comprehensive income	20(c)	–	94	–	94
Transfer restricted grants reserve to retained surplus	20(a)	(215)	–	215	–
Balance at 30 June 2019		**–**	**1,447**	**90,668**	**92,115**
Change in accounting policy	34(a)	–	–	(4,098)	(4,098)
Revised balance at 30 June 2019		**–**	**1,447**	**86,570**	**88,017**
Profit for the period	20(b)	–	–	2,186	2,186
Other comprehensive income	20(c)	–	2,960	–	2,960
Balance at 30 June 2020		**–**	**4,407**	**88,756**	**93,163**

The above consolidated statement of changes in funds should be read in conjunction with the accompanying Notes.

Financial statements for the year ended 30 June 2020

Consolidated statement of cash flows

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from government and clients (inclusive of goods and services tax)		161,046	151,590
Payments to suppliers and employees (inclusive of goods and services tax)		(160,236)	(176,104)
Net cash inflow/ (outflow) from operating activities		**810**	**(24,514)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,760)	(37,166)
Payments for intangible assets		(624)	(1,155)
Receipts from acquisition of subsidiary, net of cash acquired		–	669
Payments for purchase of investments		(11,633)	(578)
Distributions on financial assets at fair value through profit and loss		3,364	4,860
Proceeds from sale of investments		5,714	45,208
Proceeds from sale of property, plant and equipment		8,377	23,217
Net cash inflow from investing activities		**3,438**	**35,055**
Cash flows from financing activities			
Repayment of borrowings		(337)	–
Principal elements of lease payments		(4,260)	–
Net cash outflow from financing activities		**(4,597)**	**–**
Net (decrease)/increase in cash and cash equivalents		(349)	10,541
Cash and cash equivalents at the beginning of the financial year		20,746	10,205
Cash and cash equivalents at end of year	**4**	**20,397**	**20,746**

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

Notes to the financial statements

Notes to the financial statements for the year ended 30 June 2020

1. Significant changes in the current reporting period

For a detailed discussion about The Benevolent Society's performance and financial position please refer to our Review of operations and results in our Directors' report on page 17.

2. Revenue

(a) From contracts with customers

(b) Revenue from services subject to specific performance obligations.

	2020 $'000	2019 $'000
Government funding	106,220	102,513
Client fees and charges	26,787	38,954
Corporate funding	250	294
Trusts and foundations (refer to Note 29(a))	1,910	1,355
Revenue from contracts with customers	**135,167**	**143,116**
(b) From other operations		
Revenue streams which are either not enforceable or do not have sufficiently specific performance obligations		
Bequests and legacies	1,000	118
Social Benefit Bond Funding	–	500
Fundraising appeals and events (refer to Note 29(a))	429	401
Revenue from other operations	**1,429**	**1,019**
(c) From investments		
Interest	722	715
Investment distributions	2,376	2,126
Realised (loss)/gain on sale of investments	(105)	844
Unrealised (loss)/gain on sale of investments	(1,606)	518
Revenue from investments	**1,387**	**4,203**
Total revenue from continuing operations	**137,983**	**148,338**
(d) Other income		
Government subsidies (JobKeeper)	7,587	–
Rent	1,795	651
Reimbursements	342	679
Gain on bargain purchase	–	1,559
Sale of goods	2	1
Net profit on sale of property, plant and equipment	4,478	12,020
Total other income	**14,204**	**14,910**

Notes to the financial statements for the year ended 30 June 2020

2. Revenue (continued)

Contract balances

The following table provides information about contract liabilities from contracts from customers.

	2020 $'000	2019 $'000
Contract liabilities	8,919	10,862

See Note 34 for explanations regarding the change in accounting policy for revenue recognition following the adoption of AASB 15 and AASB 1058, and Note 33(d) for the remaining relevant accounting policies.

3. Expenses

Expenses from operations include the following specific expenses:

	2020 $'000	2019 $'000
Depreciation and amortisation		
Buildings	935	1,026
Right-of-use assets under finance leases	5,063	–
Software	1,858	1,670
Plant and equipment	4,196	5,004
Total depreciation and amortisation	**12,052**	**7,700**
Rental expenses relating to operating leases		
Lease Payments	72	6,380
Net transfers to provisions		
Employee entitlements	405	1,235
Receivables written off during the year as uncollectible	29	34

Notes to the financial statements for the year ended 30 June 2020

4. Current assets: cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and on hand	12,143	20,059
Short term deposits - Endowment	8,254	687
Total cash and cash equivalents	**20,397**	**20,746**

Cash and cash equivalents contains $9,260,000 held as part of the Endowment fund.

(a) Cash at bank and on hand

This consists of one at call interest bearing account of $10,122,440 at interest rate of 0.20%
(2019: $18,388,123 at interest rate of 1.20%).

(b) Short term deposits

Deposits are with the Commonwealth Bank of Australia and Westpac Banking Corporation. Deposit rates are between 0.05% and 0.20% (2019: 1.20% and 2.37%). These deposits have a maturity of 31 to 90 days.

(c) Interest rate risk exposure

The Benevolent Society's exposure to interest rate risk is discussed in Note 32

(d) Reconciliation of cash at the end of the year

The above figures are reconciled to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	2020 $'000	2019 $'000
Balances as above	20,397	20,746
Balances as per consolidated statement of cash flows	**20,397**	**20,746**

Notes to the financial statements for the year ended 30 June 2020

5. Current assets: trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	10,587	11,122
Endowment	–	3,000
Provision for impairment	(1,680)	(1,196)
Investment income	908	1,174
Trade receivables	**9,815**	**14,100**
Prepayments	1,149	963
Net other receivables	–	17
Trade and other receivables	**10,964**	**15,080**

$908,000 of investment income and $140,000 of trade receivable balance relates to the Endowment fund.

Movements in the provision for expected credit loss are as follows:

	2020 $'000	2019 $'000
At 1 July	1,196	131
Provision for impairment recognised during the year	513	1,099
Receivables written off during the year as uncollectible	(29)	(34)
As at 30 June	**1,680**	**1,196**

The creation and release of the provision for impaired receivables has been included in 'Administration expenses' in the consolidated statement of income and comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Notes to the financial statements for the year ended 30 June 2020

6. Current assets: assets classified as held for sale

	Land $'000	Buildings $'000	Plant and Equipment $'000	Total $'000
Cost Balance as at 1 July 2019	3,201	651	243	4,095
Disposals	(3,201)	(651)	(243)	(4,095)
Balance as at 30 June 2020	**–**	**–**	**–**	**–**
Accumulated depreciation Balance as at 1 July 2019	–	(276)	(121)	(397)
Depreciation expense	–	(12)	(15)	(27)
Disposals	–	288	136	424
Balance as at 30 June 2020	**–**	**–**	**–**	**–**
Net book value 2020	**–**	**–**	**–**	**–**
Net book value 2019	**3,201**	**375**	**122**	**3,698**

On 4 June 2018 the Directors of The Benevolent Society decided to sell several operational sites comprising land and buildings as part of the overall strategic objective of the organisation. The site located at 27 Nelson St Woollahra NSW, was sold by private treaty on 9 March 2020 for $8,500,000. Assets classified as held for sale during the reporting period were measured at the lower of the carrying amount and fair value less costs to sell at the time of the reclassification, resulting in a NIL adjustment. The fair value of the assets was determined using the sales comparison approach, which entails the following steps: research the market to obtain information pertaining to sales, and pending sales that are similar to the subject property; investigate the market data to determine whether they are factually correct and accurate; determine relevant units of comparison (e.g. sales price per square metre), and develop a comparative analysis for each; compare the subject and comparable sales according to the elements of comparison and adjust as appropriate; and reconcile the multiple value indications that result from the adjustment (upward or downward) of the comparable sales into a single value indication.

Notes to the financial statements for the year ended 30 June 2020

7. Non-current assets receivables

	2020 $'000	2019 $'000
Receivables	3,366	3,366
Total non-current receivables	**3,366**	**3,366**

The receivables outstanding at the end of the current year are deeply subordinated notes in Goodstart Early Learning of $2,500,000 and capitalised interest earned to date on these notes of $866,000. The deeply subordinated notes in Goodstart Early Learning has a maturity date of October 2030.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Risk exposure

Information about The Benevolent Society's exposure to credit risk and interest rate risk is provided in Note 32.

Notes to the financial statements for the year ended 30 June 2020

8. Non-current assets: financial assets at fair value through profit or loss

Classification of financial assets at fair value through profit or loss.

The group classifies the following financial assets at fair value through profit or loss (FVPL):

• debt investments that do not qualify for measurement at either amortised cost or FVOCI.

	2020 $'000	2019 $'000
Managed funds	44,397	40,084
Unlisted Shares	20	20
Total available-for-sale financial assets	**44,417**	**40,104**

See Note 33(j) for the relevant accounting policies.

(a) Managed funds

The managed funds hold assets in line with The Benevolent Society's approved Strategic Asset Allocation. A summary of the Endowment assets and income are shown in Note 30.

(b) Unlisted shares

Unlisted shares are held in Community 21 (4,000 shares at $5.00 each).

(c) Non-current assets pledged as security

The Benevolent Society does not hold any non-current assets pledged as security.

(d) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the fair value of the managed funds classified as financial assets at fair value through profit or loss.

All financial assets at fair value through profit or loss are denominated in Australian currency. For an analysis of the sensitivity of financial assets at fair value through profit or loss to price and interest rate risk refer to Note 32.

Notes to the financial statements for the year ended 30 June 2020

9. Non-current assets: other financial assets at amortised cost

	2020 $'000	2019 $'000
Newpin Social Benefit Bond Receivables	100	100
Total other financial assets at amortised cost	**100**	**100**

See Note 33(j) for the relevant accounting policies.

Impairment and risk exposure

The maximum exposure to credit risk for the Newpin Social Benefit Bond at the end of the reporting period is 25% of the carrying amount of the investment.

Notes to the financial statements for the year ended 30 June 2020

10. Non-current assets: property, plant and equipment

	Work in progress Assets in the course of construction $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Cost				
Balance as at 1 July 2019	371	36,952	35,066	72,389
Impairment	–	–	(1,553)	(1,553)
Additions	1,162	–	438	1,600
Reclassification	(1,517)	–	1,517	–
Disposals	–	–	(1,731)	(1,731)
Balance as at 30 June 2020	16	36,952	33,737	70,705
Accumulated depreciation				
Balance as at 1 July 2019	–	(1,588)	(8,871)	(10,459)
Impairment	–	–	462	462
Disposals	–	–	1,557	1,557
Depreciation expense	–	(923)	(4,181)	(5,104)
Balance as at 30 June 2020	–	2,511	11,033	13,544
Net Book Value 2020	**16**	**34,441**	**22,704**	**57,161**
Net Book Value 2019	**371**	**35,364**	**26,195**	**61,930**

(a) Leased assets

The Benevolent Society did not have any finance leases (2019: nil).

(b) Valuations of land and buildings

Land and buildings were deemed at cost as at transition to Australian equivalents to International Financial Reporting Standards ('AIFRS') date (1 July 2004). Valuations performed in June 2019 by Savills Valuations showed recoverable values as greater than carrying values thus an impairment loss did not occur (refer Note 33(h)).

Newly acquired buildings were valued at $36,000,000 in June 2019 with a carrying value of $35,684,000.

(c) Restricted assets

The Benevolent Society does not have any material restrictions on title, property, plant and equipment. Minor restrictions relating to approved plant and equipment purchases through government funded contracts may include asset maintenance, security, risk responsibility, any insurance and registration requirements, disposal approval requirements and using the asset for the purpose for which it was funded.

(d) Assets classified as held for sale

Refer to Note 6.

Notes to the financial statements for the year ended 30 June 2020

11. Leases

This note provides information for leases where the group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020 $'000	**2019 $'000**
Right-of-use assets*		
Right-of-use property lease	35,978	–
Right-of-use motor vehicle lease	1,155	–
Total Right-of-use Assets	**37,133**	**–**
Accumulated depreciation of Right-of-Use	**(5,063)**	**–**
Balance Right-of-Use Assets	**32,070**	**–**
Lease liabilities		
Lease liability property	3,397	–
Lease liability motor vehicle	20	–
Total current lease liabilities	**3,417**	**–**
Lease liability property	36,729	–
Lease liability motor vehicle	316	–
Total non-current lease liabilities	**37,045**	**–**
Total lease liabilities	**40,462**	**–**

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under *AASB 117 Leases.* The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB16 on 1 July 2019, please refer to note 34.

Notes to the financial statements for the year ended 30 June 2020

11. Leases (continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets		
Property leases	4,234	–
Motor vehicle leases	829	–
Total depreciation charge of right-of-use assets	**5,063**	**–**
Property leases interest expense (included in finance cost)	2,568	–
Motor vehicle interest expense (included in finance cost)	29	–
Total interest expense	**2,597**	**–**
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**423**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**251**	–
Expense relating to variable lease payments not included in leases liabilities (included in administrative expenses)	**487**	–

The total cash outflow for leases in 2020 was $6,856,918.

Notes to the financial statements for the year ended 30 June 2020

11. Leases (continued)

(c) The group's leasing activities and how these are accounted for

Method Chosen

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 33(f) for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third party financing,
- makes adjustments specific to the lease, e.g. term, country, currency and security, and
- restoration costs.

Notes to the financial statements for the year ended 30 June 2020

11. Leases (continued)

(c) The group's leasing activities and how these are accounted for (continued)

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs,and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Notes to the financial statements for the year ended 30 June 2020

12. Non-current assets: intangible assets

	Work in progress IT Development and Software $'000	IT Software $'000	Total $'000
Cost			
Balance as at 1 July 2019	444	6,563	7,007
Additions	567	–	567
Reclassification	(972)	972	–
Disposals	–	(1,112)	(1,112)
Balance as at 30 June 2020	39	6,423	6,462
Accumulated depreciation			
Balance as at 1 July 2019	–	(3,901)	(3,901)
Disposals	–	1,112	1,112
Depreciation expense	–	(1,858)	(1,858)
Balance as at 30 June 2020	–	4,647	4,647
Net book value 2020	**39**	**1,776**	**1,815**
Net book value 2019	**444**	**2,662**	**3,106**

13. Current liabilities: trade and other payables

	2020 $'000	2019 $'000
Trade payables	1,854	2,578
Other payables	4,079	6,829
Accruals	2,821	7,145
Government grants	8,919	10,862
Total current liabilities: trade and other payables	**17,673**	**27,414**

Risk exposure

Information about The Benevolent Society's exposure to foreign exchange risk is provided in Note 32.

14. Current liabilities: employee benefit obligations

	2020 $'000	2019 $'000
Employee benefits - annual leave	7,116	8,410
Employee benefits - long service leave	5,119	10,701
Total current liabilities: employee benefit obligations	**12,235**	**19,111**

Notes to the financial statements for the year ended 30 June 2020

15. Current liabilities: borrowings

	2020 $'000	2019 $'000
Hire purchase liabilities	820	712
Unexpired hire purchase liability	(43)	(65)
Total current liabilities: borrowings	**777**	**647**

16. Current liabilities: refundable loans

	2020 $'000	2019 $'000
Resident entry contributions	217	217
Total current liabilities: refundable loans	**217**	**217**

17. Non-current liabilities: borrowings

	2020 $'000	2019 $'000
Hire purchase liabilities	689	1,188
Unexpired hire purchase liability	(16)	(47)
Total non-current liabilities: borrowings	**673**	**1,141**

18. Non-current liabilities: provisions

	2020 $'000	2019 $'000
Property make good provisions	1,012	928
Total non-current liabilities: provisions	**1,012**	**928**

Make good provision

The Benevolent Society is required to restore several leased premises currently utilised as operational hubs to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Notes to the financial statements for the year ended 30 June 2020

19. Non-current liabilities: employee benefit obligations

	2020 $'000	2019 $'000
Employee benefits - long service leave	615	648
Defined superannuation benefit	3,463	5,909
Total non-current liabilities: employee benefit obligations	**4,078**	**6,557**

(a) Defined superannuation benefit

On acquisition of the New South Wales State Government Family and Community Services Disability operations on 28 July 2017, a commitment was made by the organisation to a number of employees to continue their arrangements in respect of their defined superannuation benefits plan.

Accordingly The Benevolent Society will be the new employer for the purpose of the following public sector defined benefit schemes:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS);and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The above schemes (along with the Police Superannuation Scheme (PSS)) are collectively known as the NSW Pooled Fund (Pooled Fund).

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

(a) Investment risk

The risk that investment returns will be lower than assumed and the group will need to increase contributions to offset this shortfall.

(b) Pension indexation risk

The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

(c) Salary growth risk

The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Notes to the financial statements for the year ended 30 June 2020

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit (continued)

(d) Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(i) Balance Sheet amounts

The amounts recognised in the Balance Sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation $'000	Fair Value of Plan assets $'000	Total $'000
1 Jul 2019	(21,922)	16,013	(5,909)
Total amount recognised in profit and loss	(1,063)	427	(636)
Total amount recognised in other comprehensive income	2,978	(18)	2,960
Contributions by fund participants	(195)	195	–
Contribution by the employer	–	122	122
Benefits paid by the plan	9,409	(9,409)	–
Taxes, premiums and expenses paid	39	(39)	–
30 June 2020	**(10,754)**	**7,291**	**(3,463)**

Net liability disclosed above relates to funded obligations.

	2020 $'000	2019 $'000
Present value of funded obligations	(10,754)	(21,922)
Fair value of plan assets	7,291	16,013
Deficit of funded plans	**(3,463)**	**(5,909)**

The Benevolent Society has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The Benevolent Society intends to continue to contribute to the defined benefit section of the plan at the following rates in line with the actuary's latest recommendations.

Notes to the financial statements for the year ended 30 June 2020

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit (continued)

(d) Legislative risk (continued)

Superannuation schemes	Basis of contribution	Rate
SASS	Multiple of Member Contributions	1.4% p.a.
SANCS	% of Member Salary	3.1% p.a.
SSS	Multiple of Member Contributions	0.8% p.a.

(ii) Categories of plan assets

The percentage invested in each asset class at the reporting date are as follows:

Category of Assets	As at 30 June 2020
Short Term Securities	10.20%
Australian Fixed Interest	2.70%
International Fixed Interest	4.80%
Australian Equities	18.10%
International Equities	29.70%
Property	8.30%
Alternatives	26.20%
Total	**100.00%**

(iii) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

Assumptions	As at 30 June 2020
Discount rate	3.07% p.a.
Salary increase rate (excluding promotional increases)	3.20% p.a.
Rate of CPI increase	1.00% p.a. for 2019/20 0.25% p.a. for 2020/21 1.50% p.a. for 2021/22 1.25% p.a. for 2022/23 1.75% p.a. for 2023/24 2.00% p.a. for 2024/25 and 2025/26 2.25% p.a. for 2029/30 2.50% p.a. thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund

Notes to the financial statements for the year ended 30 June 2020

19. Non-current liabilities: employee benefit obligations (continued)

(a) Defined superannuation benefit (continued)

(d) Legislative risk (continued)

(iii) Principal actuarial assumptions (continued)

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review. The review will be performed by the actuary in accordance with AASB 1056 Accounting Standard 'Superannuation Entities'.

The economic assumptions adopted for 30 June 2020 AASB 1056 Accounting Standard 'Superannuation Entities'.

Weighted-Average Assumptions	As at 30 June 2020
Expected rate of return on Fund assets backing current pension liabilities	7.0%p.a.
Expected rate of return on Fund assets backing other liabilities	6.0%p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2%p.a.
Expected rate of CPI increase	2.0%p.a.

Notes to the financial statements for the year ended 30 June 2020

20. Reserves and retained surplus

(a) Restricted grants reserve	2020 $'000	2019 $'000
Balance 1 July	–	215
Transfer to retained surplus	–	(215)
Balance 30 June	**–**	**–**

(b) Retained surplus	2020 $'000	2019 $'000
Balance 1 July	86,570	120,674
Net surplus/(deficit) for the period	2,186	(30,221)
Transfer from restricted grants reserve	–	215
Balance 30 June	**88,756**	**90,668**
Change in accounting policy (refer note 34(a))	–	(4,098)
Revised balance 30 June	**88,756**	**86,570**

(c) Defined benefit reserve	2020 $'000	2019 $'000
Balance 1 July	1,447	1,353
Re-measurement of employee benefit obligation	2,960	94
Balance 30 June	**4,407**	**1,447**

(d) Nature and purpose of reserves

Restricted grants reserve

Restricted grants received in advance from government, major donors, trusts and foundations are recognised when The Benevolent Society has control of the contribution. The reserve represents grants received during previous financial years over which The Benevolent Society was deemed to have control. The related expenditure the grants are intended to compensate will not occur until a future period and The Benevolent Society is restricted in its use of these funds by the terms and conditions of the grant.

Defined benefit reserve

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in reserve in the consolidated statement of changes in funds and in the consolidated balance sheet.

Notes to the financial statements for the year ended 30 June 2020

21. Key management personnel disclosures

(a) Directors and Group Company Secretary

The following people were non-executive Directors of The Benevolent Society during the financial year:

Tim Beresford (Chair) BEc (Hons), LLB MPhil (International Relations) ASIA, FAICD	Since 14 February 2013
Andrew Yates (Chair of the Audit, Finance and Risk Committee) BEc,CA	Since 9 November 2015
Kathleen Conlon (Chair of the People and Culture Committee) BA (Econ), MBA	Since 14 February 2013
Robert Warren BEc, CA, AFin, GAICD	Since 19 July 2010
Professor Karen Healy AM Ph D, BSocWk (Hons), GAICD	Since 4 April 2011
Mike Beckerleg	Since 22 September 2014
Charles Prouse	Since 10 August 2015 (Leave of absence 17 June 2017 to 25 February 2019)
Rod Young LLB, BHSM, MAICD, ACHSM	Since 1 November 2016
Elaine Leong (Group Company Secretary) BA, LLB, BA Comms (Hons), Grad Dip Legal Prac, GAICD	Since 2 December 2013

(b) Directors' compensation

Directors (excluding group company secretary) of The Benevolent Society are not remunerated.

(c) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of The Benevolent Society, directly or indirectly during the financial year:

Other key management personnel

Joanne Toohey RN	Chief Executive Officer
Nicholas Johnson CA (SA), AGIA ACIS	Executive Director, Finance and Corporate Services
Matthew Gardiner BSocSc (Couns), M.Clin.Couns	Executive Director, Child and Family (resigned 30 August 2019)
Leith Sterling BOccThy, AdDip Ldrshp & Mgt	Executive Director, Child and Family (appointed 26 August 2019)
Kirsty Nowlan BA (Hons), LLB (Hons), PhD	Executive Director, Strategic Engagement, Research and Advocacy
Josh Keech LLB, BintBus, GradDipLegalPrac, CAHRI, GAICD	Executive Director, People Learning and Engagement
Anna Robinson BA (Politics), MPPM	Executive Director, Disability Services
Andrew Collins BN, GradDipPubH	Executive Director, Ageing
Paul Harkin BA(Econ&Math), MCD, MBA	Executive Director, Growth and Business Excellence (appointed 19 July 2019, resigned 26 June 2020)

Notes to the financial statements for the year ended 30 June 2020

21. Key management personnel disclosures (continued)

(d) Other key management personnel compensation

Other key management personnel compensation increase is primarily driven by termination payments and prior year vacancies.

(e) Loans to key management personnel

The Benevolent Society does not hold any loans with key management personnel.

	2020 $'000	2019 $'000
Short term employee benefits (total compensation)	2,938	2,726

(f) Other transactions with key management personnel

The Benevolent Society does not have any other transactions with key management personnel.

22. Limitation of members' liabilities

The parent entity is registered with the Australian Charities and Not-for-Profits Commission as a company limited by guarantee, and in accordance with the constitution the liability of members in the event the parent entity is wound up would not exceed $100 per member. At 30 June 2020 the number of members of this company was 54 (2019: 54).

23. Contingencies

The Benevolent Society had $2,084,000 contingent liabilities at 30 June 2020 (2019: $2,160,000) in relation to security for property lease agreements. The Benevolent Society had no contingent assets at 30 June 2020 (2019: nil).

The Benevolent Society historically provided short-term residential care for children at Scarba House, located at Bondi in Sydney's eastern suburbs during the period 1917 to 1986.

In 2004, The Benevolent Society provided a full and unreserved apology for all abuse, mistreatment or harm experienced by children in our care. A copy of our apology is available on The Benevolent Society's website: www.benevolent.org.au.

The Benevolent Society has submitted an intention to join the National Redress Scheme and is committed to undertake the steps to join by 31 December 2020. The National Redress Scheme permits redress of up to $150,000 for each individual claim.

As at the date of this report, it is not possible to estimate reliably the number or value of applications payable under the National Redress Scheme. There are also too many uncertainties based on lack of volume of claims to The Benevolent Society redress scheme, hence the disclosure as a contingent liability.

Notes to the financial statements for the year ended 30 June 2020

24. Commitments

(a) Capital commitments

The Benevolent Society had capital commitments payable within one year as at 30 June 2020 of $354,000 in relation to property fit outs (2019: $265,000).

(b) Repairs and maintenance: investment property

The Benevolent Society had no contractual obligation for future repairs and maintenance in existence at the reporting date other than those recognised as liabilities.

25. Subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 33(g):

Name of entity	Country of incorporation	Class of shares	2020 %Owned	2019 %Owned
Benevolent Australia - Disability Services	Australia	Ordinary	100	100
Inclusive Directions SA	Australia	Ordinary	–	100
Benevolent Housing Australia	Australia	Ordinary	–	100

26. Parent entity financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	31,162	36,780
Total assets	170,091	148,787
Current liabilities	(29,999)	(32,782)
Total liabilities	(69,269)	(35,424)
Shareholder's equity		
Retained surplus	100,821	113,363
Total equity	100,822	113,363
Surplus/(deficit) for the year	13,416	(3,851)
Total comprehensive income/(loss) for the year	16,376	(3,851)

Notes to the financial statements for the year ended 30 June 2020

27. Related party transactions

(a) Social Ventures Australia

The Benevolent Society is one of the four founding members of Social Ventures Australia Limited. Social Ventures Australia Limited (SVA) is a company limited by guarantee, incorporated and operating in Australia. The Benevolent Society invested a sum of $1,048,876 in SVA. At Balance Sheet date the carrying value of this investment amounted to $997,950. During 2013 The Benevolent Society invested $100,000 in Newpin Social Benefit Bonds. Newpin SBB Pty Ltd is the Trustee and Social Ventures Australia is the manager of the Newpin SBB Trust. In 2020 The Benevolent Society received a coupon payment of $1,311 (2019: $15,082).

(b) Goodstart Early learning

The Benevolent Society is one of four founding members of Goodstart Early Learning. Goodstart is a company limited by guarantee, incorporated and operating in Australia. In 2019 The Benevolent Society received interest income of $506,224 (2019: $504,841) and held receivables of $3,366,000 (2019: $3,366,000) principal and interest in relation to deeply subordinated notes.

(c) Transactions with Directors

The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors.

(d) Key management personnel compensation

Disclosures relating to key management personnel are set out in Note 21.

28. Events occurring after the reporting period

No significant events have occurred since 1 July 2020.

Australia's economy, communities and families have been adversely impacted by the COVID-19 pandemic. At the reporting date, we cannot predict the future impact COVID-19 may have on The Benevolent Society's operational results. It will depend on the duration and extent of the economic downturn which remains unknown. The federal Government has announced further fiscal stimulus measures, which includes the extension of the JobKeeper and JobSeeker programs to March 2021. These stimulus measures will provide further support to businesses and individuals, and assist in offsetting the economic impacts of COVID-19. Given the revised eligibility requirements for the extended JobKeeper, the Group is not expecting to receive JobKeeper support beyond September 2020.

Notes to the financial statements for the year ended 30 June 2020

29. Additional information furnished under the *NSW Charitable Fundraising Act 1991 and the Regulations*

(a) Details of aggregate gross income and expenditure of fundraising appeals

	2020 $'000	2019 $'000
Gross proceeds of fundraising from trusts and foundations	1,910	1,355
Gross proceeds of fundraising appeals and events	429	401
Total proceeds of fundraising	2,339	1,756
Total direct costs of fundraising appeals and events (see (d) below)	(28)	(66)
Net surplus from fundraising	**2,311**	**1,690**

(b) Statement showing how funds received were applied to charitable purposes

	2020 $'000	2019 $'000
Net surplus from fundraising	(2,311)	(1,690)
This was applied to charitable purposes in the following manner:		
Community program expenditure	113,037	160,351
Administration expense (i)	36,936	33,052
Total cost of community programs	149,973	193,403
Total charitable purpose expenditure	**149,973**	**193,403**
Shortfall in funds available from fundraising (ii)	**147,662**	**191,713**

(i) Administration expenses include depreciation, impairment, bequest expenditure, and a portion of indirect overheads.

(ii) Shortfall in funds available from fundraising is funded through government contracts,Endowment income distributions, investment income, corporate funding, client fees and bequests.

Notes to the financial statements for the year ended 30 June 2020

29. Additional information furnished under the NSW Charitable Fundraising Act 1991 and the Regulations (continued)

(c) Shortfall of funds available from fundraising was financed from the following sources

	2020 $'000	2019 $'000
Government grants and subsidies	106,220	102,513
Client fees	26,787	38,954
Bequests and legacies	1,000	118
(Surplus)/deficit for the year	(2,186)	30,221
Interest, dividend and managed fund distribution revenue	1,387	4,203
Social Benefit Bond Funding	–	500
Corporate funding	250	294
Other income	14,204	14,910
Shortfall in funds available from fundraising	**147,662**	**191,713**

(d) Fundraising appeals and events conducted during the financial year

During 2020 the following fundraising activities were delivered: three direct mail appeals including a summer, autumn and winter appeal; digital fundraising appeals through social media and online banner advertising and direct marketing email appeals. Bequests, corporate giving and private donations also contributed to the overall fundraising activity.

(e) Fundraising ratios

	2020 $'000	%	2019 $'000	%
Total cost of fundraising : Gross income from fundraising	28 : 2,339	1	66 : 1,756	4
Net surplus from fundraising : Gross income from fundraising	2,311 : 2,339	99	1,690 : 1,756	96
Total cost of community programs : Total expenditure	113,037 : 150,001	75	160,351 : 193,469	83
Total cost of community programs : Total revenue from continuing activities	113,037 : 137,983	82	160,351 : 148,338	108

These comparisons and percentages are required to be disclosed under the *NSW Charitable Fundraising Act 1991*.

Notes to the financial statements for the year ended 30 June 2020

30. Endowment investments

The Endowment assets and income are included in The Benevolent Society's consolidated balance sheet and consolidated statement of income and comprehensive income as follows:

	Notes	Endowment $'000	Operations $'000	Total $'000
Current assets				
Cash and cash equivalents	4	9,260	11,137	20,397
Trade and other receivables	5	1,048	9,916	10,964
Non-current assets				
Receivables	7	–	3,366	3,366
Financial assets at fair value through profit or loss	8	44,397	20	44,417
Other financial assets at amortised costs	9	–	100	100
Property, plant and equipment	10	–	57,161	57,161
Right-of-use assets	11	–	32,070	32,070
Intangible assets	12	–	1,815	1,815
Total assets		**54,705**	**115,585**	**170,290**
Revenue from investments				
Interest		35	687	722
Investment distributions		2,367	9	2,376
Realised gain on sale of investments		(105)	–	(105)
Unrealised gain on sale of investments		(1,606)	–	(1,606)
Total revenue from investments	**2(c)**	**691**	**696**	**1,387**

31. Critical accounting estimates and judgements

The Benevolent Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. In addition,this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Significant estimates and judgements

The areas involving significant estimates or judgements are:

- estimation of defined benefit pension obligation - Note 19.

Notes to the financial statements for the year ended 30 June 2020

32. Financial risk management

The Benevolent Society's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Benevolent Society's overall financial risk management program focuses on financial markets and seeks to control potential adverse effects on our long-term financial performance. The Benevolent Society uses different investments to minimise certain risk exposures. Managed funds and bonds are used for medium and long-term investment purposes where a greater risk tolerance is accepted.

The Benevolent Society holds the following financial instruments:

	Notes	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	4	20,397	20,746
Trade and other receivables	5	10,964	15,080
Non-current receivables	7	3,366	3,366
Financial assets at fair value through profit or loss	8	44,417	40,104
Financial assets at amortised cost	9	100	100
Total financial assets		**79,244**	**79,396**
Financial liabilities			
Trade payables	13	1,854	2,578
Accruals	13	2,821	7,145
Other payables	13	4,079	6,829
Retirement village contributions	16	217	217
Government funding received in advance	13	8,919	10,862
Borrowings	15, 17	1,450	1,788
Total financial liabilities		**19,340**	**29,419**

(a) Market risk

(i) Foreign exchange risk

The Benevolent Society operates within Australia and therefore is not exposed to direct foreign exchange risk. The Benevolent Society is indirectly exposed to foreign exchange risk due to global equities included in funds under management.

(ii) Price risk

The Benevolent Society does not directly invest in equities and therefore is not exposed to direct price risk. The Benevolent Society is exposed to equity securities price risk as it invests indirectly in the equity market through its investment fund managers. The Benevolent Society is not exposed directly to commodity price risk but does have an indirect exposure via its investment in the equity market. Other financial assets at amortised cost (previously classified as held-to-maturity investments) are not exposed to price risk as they are carried at amortised cost and will be held to maturity.

Notes to the financial statements for the year ended 30 June 2020

32. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Benevolent Society's main interest rate risk arises from short-term investments and Goodstart Early Learning Loan notes. The risk is reduced due to the fixed rates associated with the Goodstart Notes.

The Benevolent Society uses a combination of variable and fixed rate investments to manage its interest rate risk.

The Benevolent Society's overall exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

			Fixed interest maturing in:					
	Average interest rate %	Variable interest rate $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total 2020 $'000	Total 2019 $'000
Financial assets								
Cash	0.62 (2019: 1.20)	10,122	–	–	–	2,021	12,143	20,059
Short term deposits	0.63 (2019: 1.79)	8,254	–	–	–	–	8,254	687
Trade and other receivables	–	–	–	–	–	10,964	10,964	12,080
Other receivables term deposits	0.20 (2019: 1.20)	–	–	–	–	–	–	3,000
Non-current term deposits	–	–	–	–	–	–	–	–
Non-current receivables	15.00 (2019: 15.00)	–	–	–	3,366	–	3,366	3,366
Other financial assets at amortised cost	8.72 (2019: 11.57)	100	–	–	–	–	100	100
Financial assets at fair value through profit and loss	–	–	–	–	–	44,417	44,417	40,104
Total financial assets		18,476	–	–	3,366	57,402	79,244	79,396
Financial liabilities								
Trade payables	–	–	–	–	–	1,854	1,854	2,578
Accruals	–	–	–	–	–	2,821	2,821	7,145
Other payables	–	–	–	–	–	4,079	4,079	6,829
Government funding received in advance	–	–	–	–	–	8,919	8,919	10,862
Retirement village contributions payable	–	–	–	–	–	217	217	217
Borrowings	4.60	–	777	673	–	–	1,450	1,788
Total financial liabilities		–	777	673	–	17,890	19,340	29,419
Net financial assets		**18,476**	**777**	**673**	**3,366**	**39,512**	**59,904**	**49,977**

Notes to the financial statements for the year ended 30 June 2020

32. Financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. The Benevolent Society uses banks and financial institutions with a minimum credit rating of AA. There is no concentration of credit risk with respect to current and non-current receivables, as The Benevolent Society has a large number of clients, dispersed throughout New South Wales, Queensland and South Australia, Australia. The funding provided by government is also spread between Australian Commonwealth and State government funding.

In 2014, The Benevolent Society invested $100,000 in Newpin Social Benefit Bonds. The Newpin Social Benefit Bonds pays a minimum coupon of 5% per annum over the first three years. Principal protection is 75% in the first three years and 50% from four to seven years. As the investment is held-to collect the maximum exposure to credit risk at the end of the reporting period is 25% of the carrying amount of the investment.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Benevolent Society manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Benevolent Society's funding is provided in advance by government and surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the financial statements for the year ended 30 June 2020

32. Financial risk management (continued)

(d) Fair value measurements (continued)

The following table presents The Benevolent Society's financial assets and liabilities measured and recognised at fair value at 30 June 2020 and 30 June 2019:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Financial assets at fair value through profit and loss				
Investments - managed funds	40,104	–	–	40,104
2020				
Financial assets at fair value through profit and loss				
Investments - managed funds	44,417	–	–	44,417

The Benevolent Society uses fair value estimation for medium to long-term investments in managed funds. The Benevolent Society's managed funds are carried at fair value which approximates current market value. The Benevolent Society enters into a range of managed fund portfolios to manage risk in accordance with our Investment Policy approved by the Board of Directors. This policy has been complied with during the financial year.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies

The principal accounting policies adopted in this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012* (*'ACNC Act 2012'*). The Benevolent Society is a large not-for-profit entity for the purpose of preparing this financial report.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The Benevolent Society's financial report complies with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The Benevolent Society has continued to disclose the following non-required disclosures to assist with transparency: financial risk management (Note 32), interest rate risk exposure (Note 32), movements in the position for impairment of receivables (Note 5), non-current receivables and receivables past due (Note 7) , and non-current receivables risk exposure (Note 7(a)).

(ii) Historical cost convention

The Financial Statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets), financial assets and liabilities; and
- defined benefit pensions plans - plan assets measured at fair value.

(iii) Presentation currency

The consolidated financial statements are presented in Australian dollar ($), which is The Benevolent Society's functional and presentation currency.

(iv) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*
- AASB 15 *Revenue from Contracts withCustomers*
- AASB 1058 *Income of Not-for-Profit Entities*

The group also elected to adopt the following amendments early:

- AASB 2019-7 *Amendments to Australian Accounting Standards - Definition of Material.*

The group had to change its accounting policies as a result of adopting AASB 16, AASB 15 and AASB 1058. This is disclosed in note 34. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Principles of consolidation and equity accounting

The consolidated Financial Statements comprise the Financial Statements of the parent entity, being The Benevolent Society and its controlled entity and together are referred to in this report as the group. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All inter-group balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the group during the year, their operating results have been included from the date control was obtained or until the date control ceased. There are no outside interests in the equity or results of the controlled entities.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(c) Going concern

For the year ended 30 June 2020, the consolidated entity had net current liabilities of $2,958,000 (2019: $7,865,000).

The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the Financial Statements:

(i) availability of the option to draw down from the endowment fund balance of $54,705,000, subject to appropriate approval of the Board;

(ii) the parent entity continues to meet its obligations from the cash flow generated from its operations; and

(iii) The Benevolent Society implemented a new operating model for Benevolent Australia Disability Services on 29 July 2019, reducing the cost base for Benevolent Australia Disability Services to ensure future sustainable and efficient service delivery. For the year ended 30 June 2020, the consolidated entity recorded a surplus of $2,186,000 (2019: Deficit $30,221,000).

As a result of the above matters, the Directors are of the view that the consolidated entity will continue as a going concern and, therefore, will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the Financial Statements.

(d) Revenue recognition

The group has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities for the first time in the current year with a date of initial application of 1 July 2019.

Revenue is recognised for the major business activities as follows:

(i) Revenue recognition policy for revenue from contracts with customers (AASB 15)

AASB 15 requires revenue to be recognised where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations being satisfied.

The basis for revenue recognition is a 5-step model as follows:

1. Identify the contract with the customer
2. Identify sufficiently specific performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue

Government funding

The customer for these contracts is the fund provider. Government funding revenue arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligations is satisfied over the life of the contract.

Client fees and charges

Revenue from providing services is recognised in the accounting period in which the performance obligations are satisfied. Where there is a difference in the timing, it will result in the recognition of a receivable, contract asset or contract liability.

Corporate funding, trusts and foundations

Income arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligations is satisfied. Within agreements with corporate funding, trusts and foundations there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, revenue recognition is based on cost completion.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Revenue recognition policy for income of not-for-profit entities (AASB 1058)

If it is not an enforceable arrangement and/or the performance are not sufficiently specific, then income is recognised under AASB 1058, almost always immediately.

Fundraising and bequests

Donations and bequests collected are recognised as revenue when the group gains control of the asset.

(e) Income tax

As a public benevolent institution, The Benevolent Society is endorsed for income tax exemption under subdivision 50-B of the *Income Tax Assessment Act 1997*.

(f) Leases

As explained in note 33(a) above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 11 and the impact of the change in note 34. Until 30 June 2019, leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(g) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For consolidated statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

  When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- **FVPL**: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which itarises. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(v) Measurement

At initial recognition, The Benevolent Society measures an available-for-sale financial asset at its fair value, plus, in the case of a financial asset not at fair value through the consolidated statement of income and comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the consolidated statement of income and comprehensive income are expensed in the consolidated statement of income and comprehensive income.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of investments classified as available-for-sale are recognised in Other comprehensive income.

Loans and receivables and held-to-maturity investments are measured at fair value at initial recognition and subsequently carried at amortised cost using the effective interest method.

(vi) Impairment

Impairment of assets carried at fair value

At each balance date, The Benevolent Society assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of managed funds classified as available-for-sale, a significant or prolonged decline in the fair value of a fund below its cost is considered as an indicator that the funds are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income and comprehensive income - is reclassified from The Benevolent Society's funds and recognised in the consolidated statement of income and comprehensive income.

Impairment losses recognised in the consolidated statement of income and comprehensive income on investments classified as available-for-sale are not reversed through the consolidated statement of income and comprehensive income.

Impairment of assets carried at amortised cost

For held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Benevolent Society may measure impairment on the basis of an instrument's fair value using an observable market price.

(vii) Trade and other receivables

Trade receivables were recognised at the amounts receivable as they were due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables was reviewed on an ongoing basis. Debts which were known to be uncollectible were written off by reducing the carrying amount directly. An allowance for doubtful debts was used when there was objective evidence that The Benevolent Society would not able to collect all amounts due, according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor would enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) were considered to be indicators that the trade receivable was doubtful. The amount of the impairment allowance and cash flows relating to short-term receivables were not discounted as the effect of discounting was immaterial.

The amount of the impairment loss was recognised in the consolidated statement of income and comprehensive income within bad debts expenses. When a trade receivable for which an impairment allowance had been recognised became uncollectable in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against bad debts in the consolidated statement of income and comprehensive income.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(k) Property, plant and equipment

Land and buildings are shown at deemed cost as at transition to AIFRS date. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Costs incurred in developing products or systems, and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

Information Technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

Assets are generally capitalised if greater than $5,000. If government funding contracts state a different level for capitalisation, then that level is applied in relation to assets purchased under the specific government contract.

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 Benevolent Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of income and comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Fitout, Furniture and Fittings	10 years
Equipment	6-7 years
Motor Vehicle	6-7 years
IT Hardware and Software	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income and comprehensive income.

(l) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT software. Costs capitalised include external direct costs of materials and service as well as internal labour cost directly attributable in developing products or services. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where The Benevolent Society has an intention and ability to use the asset.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to The Benevolent Society prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due later than 12 months from the reporting date. They are recognised at cost.

(n) Provisions

Provisions are recognised when The Benevolent Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the cost of the best estimate of the expenditure required to settle the present obligation at the reporting date. The amount of the expenditure relating to provisions are not discounted as the effect of discounting is immaterial.

Retirement village contributions are payable on vacation of a unit by a resident, and are defined as the amounts Village residents loan to The Benevolent Society by deed of loan, less the amount allowed to be retained by The Benevolent Society, as determined by the deed of the loan.

(o) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the consolidated balance sheet if The Benevolent Society does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) On-costs

Employee benefit on-costs, including superannuation and workers compensation, are recognised and included in employee benefit expenses when the employee benefits to which they relate are recognised as liabilities.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Benevolent Society recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Post-employment obligations

The group operates a post-employment schemes which is a defined benefit pension plan.

Pension obligations

The liability or asset recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Notes to the financial statements for the year ended 30 June 2020

33. Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(v) Post-employment obligations (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Accordingly the 10 year government bond yield rate is used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the consolidated balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other receivables or payables in the consolidated balance sheet.

(q) Rounding of amounts

The Benevolent Society is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 to the nearest thousand dollars, or in certain cases, the nearest dollar.

(r) Comparative Information

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Notes to the financial statements for the year ended 30 June 2020

34. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases*, AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* on the group's financial statements.

(a) Financial report impact of adoption of AASB 16

As indicated in note 33(a) above, the group has adopted AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach. Under the modified retrospective approach, an organisation does not have to restate comparative financial information. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 11.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The total impact on the group's retained surplus as at 1 July 2019 is as follows:

	2019 $'000
Closing retained earnings 30 June - AASB 117	90,668
Impact of adoption of AASB16	(4,098)
Opening retained earnings 1 July - AASB 16	**86,570**

On transition, the new standard provides an option to measure Right of Use at either the inception of the lease or at the value of lease liability recognised at 1 July 2019 on a lease by lease basis. The Benevolent Society measures Right of Use at inception of lease for leases that have a fixed percentage increase in rental payments stipulated in the contract. As a result, Right of Use on transition date is lower than lease liability and the difference and the cumulative effect of initially applying AASB16 is recognised as an adjustment to retained earnings at the date of initial application.

	2020 $'000
Operating lease commitments disclosed as at 30 June 2019	35,931
Add/(less): adjustments as a result of including extension option	23,574
Operating lease commitments disclosed as at 30 June 2019 including extension options	59,505
Discounted using the lessee's incremental borrowing rate	45,193
Add: finance lease liabilities recognised as at 30 June 2019	–
(less): short-term leases not recognised as a liability	(423)
(less):low-value leases not recognised as a liability	(251)
Add/(less): contracts reassessed as lease contracts	–
Add/(less): adjustments relating to changes in index or rate affecting variable payments	–
Lease liability recognised as at 1 July 2019	**44,519**
Of which are:	
Current lease liabilities	4,534
Non-current lease liabilities	39,985
	44,519

Notes to the financial statements for the year ended 30 June 2020

34. Changes in accounting policies (continued)

(a) Financial report impact of adoption of AASB 16 (continued)

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. As permitted by AASB16, onerous contracts to the value of $2,345,000 were used as at 1 July 2019 to reduce Right of Use.
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

The Group has recognised right of use assets of $38,075,880 and lease liabilities of $44,519,002 at 1 July 2019 leases previously classified as operating leases.

(b) AASB 15 Revenue from contracts with customers, AASB 1058 income of not-for-profitentities

The group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* for the first time in the current year with a date of initial application of years beginning 1 July 2019.

The group has applied AASB 15 and AASB 1058 using the modified retrospective (cumulative catch-up) method which means the comparative information has not been restated and continues to be reported under AASB 111 *Construction Contracts,* AASB 118 *Revenue,* AASB 1004 *Contributions and related interpretations.*

The following practical expedients have been applied on transition to AASB 15 and AASB 1058: For contracts modified prior to 1 July 2019, the group has elected not to restate the contract for the modifications and has instead reflected the aggregate effect of all the modifications that occur before the transition date on 1 July 2019.

Changes in presentation

There are no material changes in the presentation of the group's financial statements to align them with the requirements of AASB 15 and AASB 1058.

Declaration the year ended 30 June 2020

Directors' Declaration 30 June 2020

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 15 to 70 are in accordance with the ACNC Act 2012 including:

  (i) complying with Accounting Standards - Reduced Disclosure requirements, ACNC Act 2012, to the extend relevant *Corporations Act 2001* (Cth) and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the The Benevolent Society's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that The Benevolent Society will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Andrew Yates

Chair of the Audit, Finance and Risk Committee
Sydney
28 September 2020

Declaration by the Chair 30 June 2020

Declaration by Chair in respect of fundraising appeals

I, Tim Beresford, Chair of The Benevolent Society declare that in my opinion:

(a) the Statement of income and comprehensive income gives a true and fair view of all income and expenditure of The Benevolent Society with respect to fundraising appeals; and

(b) the Balance Sheet gives a true and fair view of the state of affairs with respect to fundraising appeals; and

(c) the provisions of the *NSW Charitable Fundraising Act 1991*, the Regulations under the Acts and the conditions attached to the authority have been complied with; and

(d) the internal controls exercised by The Benevolent Society are appropriate and effective in accounting for all income received and applied by The Benevolent Society from all of its fundraising appeals.

Tim Beresford

Chair
Sydney
28 September 2020

Independent Auditors Report

Independent Auditor's Report

Independent auditor's report

To the members of The Benevolent Society

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Benevolent Society (the Company) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of changes in funds for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of income and comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

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Independent Auditor's Report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and additional information furnished under NSW Charitable Fundraising Act 1991 and the Regulations for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of management and the directors for the financial report

Management 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 *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

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Independent Auditor's Report (continued)

Report on the requirements of the NSW Charitable Fundraising Act 1991 and NSW Charitable Fundraising Regulations 2015

We have audited the financial report as required by Section 24(2) of the NSW Charitable Fundraising Act 1991. The directors of the company are responsible for the preparation and presentation of the financial report in accordance with the Charitable Fundraising Act 1991 (NSW) and the NSW Charitable Fundraising Regulations 2015. Our responsibility is to express an opinion on the financial report based on our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers

Mark Valerio
Partner

Sydney
28 September 2020

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Team

Board

Tim Beresford (Chair)
Mike Beckerleg
Kathleen Conlon
Karen Healy AM
Charles Prouse
Robert Warren
Andrew Yates
Rod Young
Elaine Leong
(Company Secretary)

Leadership Team

Jo Toohey (CEO)
Andrew Collins
Nick Johnson
Josh Keech
Anna Robinson
Leith Sterling
Kirsty Nowlan (till Aug 2020)
Paul Harkin (till June 2020)

Endowment Investment Advisory Committee

Craig Ueland (Chair)
Sally Collier
Paul Heath
Robert Warren
Justin Wood

National Office

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