Seventh-day Adventist Aged Care (Greater Sydney) Trust

Financial Statements

For the Year Ended 30 June 2022

ABN: 75 108 311 655

Seventh-day Adventist Aged Care (Greater Sydney) Trust

For the Year Ended 30 June 2022

CONTENTS

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Revenue from services provided			
Residential care revenue	7	**20,905,185**	19,400,225
Independent living units revenue	8	**2,996,355**	2,622,045
Total revenue		**23,901,540**	22,022,270
Cost of services provided			
Residential care expenses	9	**(24,231,115)**	(19,523,827)
Independent living units expenses	10	**(2,700,064)**	(2,629,003)
Total cost of services provided		**(26,931,179)**	(22,152,830)
Gross earnings		**(3,029,639)**	(130,560)
Finance costs		**(660,604)**	(339,536)
Deficit before income tax		**(3,690,243)**	(470,096)
Income tax expense	5	**-**	-
Deficit for the year		**(3,690,243)**	(470,096)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(3,690,243)**	(470,096)

The financial statements should be read in conjunction with the accompanying notes.

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Statement of Financial Position

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	12	**33,381,485**	30,310,733
Trade and other receivables	13	**2,349,569**	1,958,393
Other current assets	14	**331,207**	289,704
Total current assets		**36,062,261**	32,558,830
Non-current assets			
Trade and other receivables	13	**44,759,130**	46,798,387
Property, plant and equipment	16	**1,843,417**	1,855,859
Right-of-use assets	15	**24,114,437**	19,937,207
Intangible assets	17	**4,661,818**	6,410,000
Total non-current assets		**75,378,802**	75,001,453
TOTAL ASSETS		**111,441,063**	107,560,283
LIABILITIES			
Current liabilities			
Trade and other payables	18	**892,686**	1,527,989
Borrowings	19	**1,299,829**	977,886
Short-term provisions	20	**1,920,629**	1,699,962
Other current liabilities	21	**38,782**	35,965
Future payments due to exiting residents	22	**75,397,932**	72,087,777
Total current liabilities		**79,549,858**	76,329,579
Non-current liabilities			
Borrowings	19	**23,570,129**	19,226,545
Long-term provisions	20	**195,542**	188,382
Total non-current liabilities		**23,765,671**	19,414,927
TOTAL LIABILITIES		**103,315,529**	95,744,506
NET ASSETS		**8,125,534**	11,815,777
EQUITY			
Reserves	23	**4,469,537**	4,119,998
Denominational equity	24	**3,655,997**	7,695,779
TOTAL EQUITY		**8,125,534**	11,815,777

The financial statements should be read in conjunction with the accompanying notes.

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Statement of Changes in Equity

For the Year Ended 30 June 2022

	Denominational Equity	Fixed Assets Replacement Reserve	Total
	$	$	$
Balance at 01 July 2021	**6,801,830**	**5,013,947**	**11,815,777**
Total comprehensive income for the year	**(3,690,243)**	**-**	**(3,690,243)**
Transfers to and from reserves			
- fixed asset replacement reserve	**531,431**	**(531,431)**	**-**
Balance at 30 June 2022	**3,643,018**	**4,482,516**	**8,125,534**

	Denominational Equity	Fixed Assets Replacement Reserve	Total
	$	$	$
Balance at 01 July 2020	6,781,224	5,504,649	12,285,873
Total comprehensive income for the year	(470,096)	-	(470,096)
Transfers to and from reserves			
- fixed asset replacement reserve	490,702	(490,702)	-
Balance at 30 June 2021	6,801,830	5,013,947	11,815,777

The financial statements should be read in conjunction with the accompanying notes.

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities:			
Receipts and other income		**23,331,206**	21,662,904
Payments to suppliers, employees and others		**(30,548,517)**	(22,059,216)
Receipts from investment income		**166,817**	116,833
Finance cost paid		**(660,604)**	(339,536)
Movement in trust funds		**2,817**	(3,394)
Net cash provided by operating activities	26	**(7,708,281)**	(622,409)
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		**27,000**	-
Acquisition of property, plant and equipment		**(532,471)**	(712,223)
Net cash used in investing activities		**(505,471)**	(712,223)
Cash flows from financing activities:			
Accommodation bonds and refundable accommodation deposits received		**10,921,680**	14,865,000
Accommodation bonds and refundable accommodation deposits refunded		**(8,179,662)**	(8,120,805)
ILU contributions received		**6,881,385**	10,663,000
ILU contributions refunded		**(4,982,117)**	(2,125,621)
Financing of development expenditure		**2,039,257**	(1,229,474)
Repayment of lease liabilities		**(285,059)**	(1,186,576)
Payment of finance lease liabilities		**4,950,586**	-
Provision of refund adjustment		**(61,566)**	-
Net cash provided by financing activities		**11,284,504**	12,865,524
Net change in cash and cash equivalents		**3,070,752**	11,530,892
Cash and cash equivalents at beginning of year		**30,310,733**	18,779,841
Cash and cash equivalents at end of year		**33,381,485**	30,310,733

The financial statements should be read in conjunction with the accompanying notes.

1 Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012, the Aged Care Act 1997 and Retirement Villages Act 1999.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Nature of operations

The Seventh-day Adventist Aged Care (Greater Sydney) Trust, a purpose driven trust, reflects the interest of the Greater Sydney Conference of the Seventh-day Adventist Church in the activities of Seventh-day Adventist Aged Care (Greater Sydney) Limited (the company) which is a public company limited by guarantee, incorporated in Australia and responsible for the operational activities as delegated by the Executive Committee of the Greater Sydney Conference.

The company was established to facilitate the mission of the Greater Sydney Conference relative to aged care services. It acts as the Approved Provider and employs staff associated with the following facilities:

Elizabeth Lodge and Esther Somerville
Hornsby Retirement Village
Kings Langley Nursing Home
Kings Langley Retirement Village
Wahroonga Retirement Village

3 Adoption of new and revised accounting standards

The Trust has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4 Accounting policies

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards and Accounting Interpretations, Australian Charities and Not-for-profits Commission Act 2012, Aged Care Act 1997 and Retirement Villages Act 1999.

a. Going concern

The financial report has been prepared on the going concern basis which assumes the Trust will be able to meet its obligations as when they fall due.

The Trust's current liabilities exceed current assets by $43,487,597 as at 30 June 2021 (2021: $43,770,749) resulting in a net deficiency of current assets. This mainly arises because of the

4 Accounting policies continued

a. Going concern continued

requirement to classify Refundable Accommodation Deposits (RAD) and the Independent Living Unit Ingoing Contributions (IGC) of $75,397,932 (2021: $72,087,777). These resident loans are classified as a current liability as the Trust does not have an unconditional right to defer settlement of any specific resident loan for at least twelve months after the reporting date. The total RAD and IGC liability represents the sum of separate payments from individuals' residents and frequently a departing RAD and IGC paying resident is replaced shortly afterwards with a new RAD or ILU loan paying resident. The repayment of individual balances depend on the tenure of individual residents. The Trust applies its liquidity benchmark in managing its cash flow obligations for RAD paying residents.

b. Comparative figures

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

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

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

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

d. Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

4 Accounting policies continued

d. Financial instruments continued

Classification and subsequent measurement of financial assets continued

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classification are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposit that were previously classified as held-to-maturity under AASB 139.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those

4 Accounting policies continued

d. Financial instruments continued

Subsequent measurement of financial assets continued
designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Classification and subsequent measurement of financial liabilities

The Trust's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Trust designated a financial liability at fair value through profit and loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method exempt for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Impairment of financial assets

AASB 9’s impairment requirements use more forward looking information to recognize expected credit losses - the ‘expected credit losses (ECL) model’. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Trust considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date. ‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

4 Accounting policies continued

d. Financial instruments continued

Trade and other receivables

The Trust makes use of a simplified approach in accounting for trade and other receivables records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Trust uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Trust assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Trust allows 100% for amounts that are 90 days past due.

e. Property, plant and equipment

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

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the depreciable replacement cost from these assets.

Items of plant and equipment are not capitalised unless their values exceed $1,000 per item or $1,000 per sub-class.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over their useful lives to the Trust/Trustee company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Trust, commencing when the asset is ready for use.

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

Class of fixed asset	
Plant and equipment	5% - 33%
Furniture, Fixtures and Fittings	10% - 20%
Motor vehicles	12.5% - 20%

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

4 Accounting policies continued

f. Intangible assets

Bed licenses

When the Trust assumed the responsibilities of the operational activities of residential care from the Greater Sydney Conference bed licenses were transferred at market value. These bed licenses are now held at this deemed cost. Subsequently acquired bed licenses are also held at cost.

Bed licenses allocated free of charge subsequent to the commencement of the company still have to be valued. Bed licenses acquired as part of a business combination have been recognised at cost at the time of acquisition.

Bed licenses for Aged Care facilities which are not currently utilised are separately recognised at the cost of acquisition. No amortisation has been provided as the Trust believes the useful lives of these assets are indefinite and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. The Trust believes the bed licences have an indefinite life because they are perpetual.

During the year, the Federal Government indicated its intention to end the Aged Care Approvals Round (ACAR) process by July 2024. Given the preliminary nature of the announcement at year-end, no changes were made in the Trust's accounting policy and bed licenses are still deemed to have an indefinite useful life. Refer to Note 30 for further developments of this matter subsequent to year-end.

Software

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

g. Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the depreciable replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

h. Future payments due to exiting residents

Resident loans

Resident loan liabilities represent the assessed amount payable to a resident at balance sheet date in respect to the termination of the resident's occupation rights to an independent living unit in a retirement village. Resident loans are measured at face value plus the resident's share of any capital gains or losses, less any fees and charges accrued. Capital gains or losses are based on the market value of the underlying property as at reporting date. Notwithstanding the expected term of an occupancy is several years, the resident has the option to terminate the residency agreement at any time. As this option constitutes a demand feature and the Trust does not have the right to defer

4 Accounting policies continued

h. Future payments due to exiting residents continued

settlement for greater than 12 months, these loans are classified as current liabilities. Resident loans are stated net of deferred management fees. Experience has shown that the mean duration of occupation is between 8 to 10 years.

Accommodation bonds/Refundable accommodation deposits

Refundable Accommodation Deposits (RADs) and accommodation bonds are non-interest bearing deposits made by the aged care facility residents to the Trust upon their admission. The liability for the RAD and accommodation bond is carried at the assessed amount that would be payable on exit of the resident. This is based on the amount received on entry of the resident less deductions for fees and retention pursuant to the Aged Care Act 1997. RADs and accommodation bonds are classified as current liabilities as the Trust does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The obligation to settle could occur at any time up tp 14 days after the notification of departure. These amounts have been included in resident liabilities. Experience has shown that the average period of stay of the residents is between 5 and 8 years.

i. Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j. Employee benefits

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Personal leave

Some employees have a non-vesting entitlement to personal leave. Included in the provision for employee entitlements is the Trust's liability for accumulated entitlement to such leave expected to be taken within the next year.

k. Finance costs

Finance expense comprises interest expense on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during period of time that is necessary to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

4 Accounting policies continued

k. Finance costs continued

Following the adoption of AASB 16 Leases from 1 July 2019, the Trust has determined that it is a lessor where a resident has chosen a RAD or Bond arrangement under which to receive residential aged care services. The Trust has recognised an imputed non-cash interest cost on the outstanding RAD and Bond liability. The Trust has various leases, which were previously classified as operating leases under AASB 117 and classified within rent expense. Following the adoption of AASB 16 Leases from 1 July 2019, these leases are now accounted for by recognising a depreciation right of use asset and corresponding lease liability subject to an interest cost, similar to accounting for finance leases under AASB 117.

Following the adoption of AASB 16 Leases, the Trust has determined the use of the Maximum Permissible Interest Rate (MPIR) as the interest rate to be used in the calculation of the Imputed Revenue on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the Daily Accommodation Payment to applicable

l. Leases

Right-of-use asset

At the lease commencement, the Trust recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Trust believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Trust's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Trust's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

4 Accounting policies continued

l. Leases continued

The Trust has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Trust recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

m. Revenue and other income

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Trust expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Trust have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

In cases where there is an "enforceable" contract with a customer with "sufficiently specific" performance obligations, the transaction is accounted for under AASB 15 where income is recognised as or when the performance obligations are satisfied. In all other cases, the transaction is accounted for under AASB 1058 where income is recognised upon receipt.

The recognition of the revenue types are as follows:

Revenue recognised under AASB 15

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Trust and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is recognised when performance obligations under the contract are passed to the customer at an amount which reflects the expected consideration. The timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance

4 Accounting policies continued

m. Revenue and other income continued

Revenue recognised under AASB 15 continued
obligations. Revenue can be recognised over a period of time or at a point in time depending on when the performance obligation is satisfied:

- Over a period of time - if the performance obligation is satisfied over a period of time, revenue will be recognised by being spread over this period.

- At a point in time - if the performance obligation is satisfied at a point in time, for example, services are delivered, or goods are transferred to customers, revenue is recognised at this point.

Where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

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

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Imputed Revenue on RAD and Bond Balances under AASB 16

For residents who have chosen a RAD or Bond arrangement to receive residential aged care service, the Trust has determined that following the adoption of AASB 16, these are lease arrangements for accounting purposes with the entity acting as lessor. The Trust has recognised as revenue imputed non-cash purposes with the Trust acting as the lessor. The Trust has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement. The accounting treatment required a non-cash increase in revenue for accommodation and a non-cash increase in finance cost on the outstanding RAD and Bond balance, with no net impact on the result for the period.

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the Trust obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

4 Accounting policies continued

m. Revenue and other income continued

Revenue recognised under AASB 15 continued

Interest revenue

Interest is recognised using the effective interest method.

Revenue recognised under AASB 1058

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

Donations and bequests are recognised as revenue when received.

Other income

Other income is recognised on an accruals basis when Trust is entitled to it.

n. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Critical accounting estimates and judgments

Key estimates - liquidity

The Trust is required to maintain a certain level of liquidity in satisfying its obligations as an Approved Provider under the Aged Care Act 1997. This assessment requires judgement around the benchmark applied to monitor the adequacy of liquidity. The Trust determines the benchmark by reference to a percentage of the refundable accommodation deposits and a percentage of the resident loans and compares that benchmark against its available liquid funds which includes its cash and cash equivalents as well as its financing facility limits. At 30 June 2021, on the basis of its cash balance, it assessed that it had sufficient liquidity to satisfy its obligations under the Aged Care Act 1997 and the Fees and Payments Principles 2014 (No. 2).

4 Accounting policies continued

o. Critical accounting estimates and judgments continued

Key estimates - lease term

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Trust expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Trust has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred

Key estimates - maximum permissible interest rate

Following the adoption of AASB 16 Leases from 1 July 2019, the Trust has determined the use of the Maximum Permissible Interest Rate (MPIR) as the interest rate to be used in the calculation of the Imputed Revenue on RAD and Bond Balances. The MPIR is a rate set by the Government and is used to calculate the Daily Accommodation Payment to applicable residents.

Key estimates - incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Trust estimates it would have to pay a third party to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Key estimates - bed licenses

Bed licenses are stated at cost less any accumulated impairment losses. The Directors test bed licenses for impairment annually. An independent valuation of bed licenses was performed in the year ended 30 June 2021. In the current year an internal impairment assessment was performed by management with no indicators of impairment identified. The Trust commences amortisation of bed licenses during the year.

Key estimates - extension options

The Trust assesses at lease commencement whether it is reasonably certain to exercise extension options, and where it is reasonably certain, the extension period is included in the lease liability.

Key judgments

Allowances for credit losses

In making provision for impairment of receivables the Trust uses the following criteria:

4 Accounting policies continued

o. Critical accounting estimates and judgments continued

Key judgments continued

Unless there is an agreement with the debtor to the contrary, where no payment has been received in relation to any debt within the last 3 months the receivable is considered doubtful.

q. Trade and other payables accounting policy

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Trust during the reporting period but which remain unpaid. The balances recognised as a current liability are normally paid within 30 days of recognition of the liability.

5 Tax

Seventh-day Adventist Aged Care (Greater Sydney) Limited, a Public Benevolent Institution, is endorsed to access the following tax concessions:

Tax concession	From
GST Concession	1 July 2005
FBT Exemption	1 July 2005
Income Tax Exemption	1 July 2004

The company is endorsed as a deductible gift recipient from 1 July 2005.

6 Related party transactions

The Trust's related parties include its key management personnel, employees and related entities.

a. Key Management Personnel

Key management of the Trust are the members of the administration committees. One member of the administration committees is also a responsible entity of the Trustee Company. Totals of remuneration paid to key management personnel of the Trust during the year are as follows:

	2022 $	2021 $
Short term - wages	**742,034**	855,379
Superannuation benefits	**79,573**	80,096
Long service leave entitlement	**74,495**	57,780
Total key management personnel remuneration	**896,102**	993,255

No remuneration was paid to any member of key management by any of the entities related parties.

6 Related party transactions continued

b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

During 2022, the Trust incurred management costs from Seventh-day Adventist Church (Greater Sydney Conference) Limited. Three responsible parties exercise significant influence over this entity. The amounts billed, related to this service are $383,457 (2021: $403,804). The amounts are based on normal market rates and the amount outstanding at reporting date is $0 (2021: $0).

During 2022, the Trust incurred building usage fees and bush management expenses from Greater Sydney Conference of the Seventh-day Adventist Church. The amounts billed, related to this service, are $1,654,966 (2021: $1,495,352).

The Trust billed Greater Sydney Conference of the Seventh-day Adventist Church for capital purchases. The amounts received, related to this services are $18,711 (2021: $2,659,868). The amounts are based on normal market rates and the amount receivable outstanding at reporting date is $46,506,257 (2021: $48,234,673)

c. Other related party information

No advances were made to directors other than employees.

Except as mentioned below all transactions with employees and directors are made on the understanding that they will be cleared through regular payroll activity. Outstanding balances resulting from such transactions are disclosed in Notes 13 and 18.

Employees remunerated under the South Pacific Division wage schedule are entitled, after completing a required period of employment to borrow funds from the Trust towards the purchase of a home. All loan funds advanced attract an interest rate as set by the South Pacific Division of the Seventh-day Adventist Church. Outstanding employee loans receivable are reflected in Note 13.

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Notes to the Financial Statements

For the Year Ended 30 June 2022

7 Residential care revenue

	2022	2021
	$	$
Revenue from contracts with customers (AASB 15)		
Residential care fees - recognised over time	**4,583,055**	3,826,607
Government subsidies income from - recognised over time	**14,068,253**	11,877,172
Income from Not-for-profit entity (AASB 1058)		
Donations and bequest - recognised at a point in time	**15,857**	28,068
Recognition of bed licences - recognised at a point in time	**-**	1,670,000
	-	-
Other revenue		
Imputed revenue on RAD and bond balances (under AASB 16)	**1,399,049**	1,217,548
Other income	**340,246**	520,315
Grant revenue	**405,368**	211,004
Interest revenue	**81,016**	49,511
Gain on disposal of property, plant and equipment	**12,341**	-
Total residential care revenue	**20,905,185**	19,400,225

8 Independent living units revenue

	2022	2021
Revenue from contracts with customers (AASB 15)		
Amortisation of entry contributions - recognised over time	**1,269,565**	1,041,070
Maintenance fee - recognised over time	**984,364**	928,552
Income from Not-for-profit entity (AASB 1058)		
Donations and bequests	**-**	-
Other revenue		
Rent maintenance fee	**621,603**	567,152
Other revenue	**35,022**	17,949
Interest revenue	**85,801**	67,322
Total independent living units revenue	**2,996,355**	2,622,045

9 Residential care expenses

	2022	2021
	$	$
Wages & allowances	**14,245,840**	12,291,828
Superannuation	**1,288,328**	1,138,255
Other employee related expenses	**824,527**	633,973
Administration	**1,139,068**	1,059,120
Utilities	**413,114**	407,396
Clinical care expenses	**599,339**	554,429
Laundry and cleaning	**130,941**	145,878
Kitchen	**842,271**	729,836
Repair and maintenance	**335,114**	293,527
Imputed expense on RAD and bond balances under AASB 16	**1,399,049**	1,217,548
Depreciation - residential care	**1,265,342**	1,052,037
Amortisation of bed licences - residential care	**1,748,182**	-
	24,231,115	19,523,827

10 Independent living units expenses

	2022	2021
	$	$
Wages & allowances	**701,006**	763,071
Superannuation	**57,463**	53,500
Other employee related expenses	**68,409**	49,378
Utilities	**164,888**	152,834
Other operating expenses	**648,129**	628,007
Repair and maintenance	**361,027**	422,178
Depreciation - independent living units	**699,142**	560,035
	2,700,064	2,629,003

11 Other information relevant to operating

Expenses

	2022 $	2021 $
Depreciation of property, plant and equipment	**531,431**	490,700
Depreciation of Leases	**1,433,053**	1,121,370
Remuneration of auditor		
Auditing of the financial report	**48,500**	44,100
Employee remuneration		
Total employee expenses	**14,949,846**	13,054,899
Superannuation	**1,345,791**	1,191,755

12 Cash and cash equivalents

	2022	2021
	$	$
Cash on hand	**5,145**	5,145
Cash at bank	**3,760,195**	5,298,500
Cash Management Facility call deposits	**29,616,145**	25,007,088
	33,381,485	30,310,733

The average effective interest rate on short-term bank deposits was 1.60% (2021: 0.40%)

Cash Management Facility

In order to ensure that denominational funds in hand are always fully utilised, the South Pacific Division of the Seventh-day Adventist Church has established Division CCMF Limited to provide facilities for their pooling. Funds deposited in the Cash Management Facility operated by that company are unsecured but are available at call. Distributions, paid quarterly to participating denominational entities, are disclosed together with other investment income received by the Trust.

	2022	2021
	$	$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**33,381,485**	30,310,733
	33,381,485	30,310,733

13 Trade and other receivables

Current

	2022	2021
	$	$
Denominational higher entity	**1,747,127**	1,436,286
Aged care residents/clients	**7,229**	38,326
Trade receivables	**258,768**	251,762
Other receivables	**385,915**	233,606
Allowance for expected credit losses	**(49,470)**	(1,587)
	2,349,569	1,958,393

Non-current

	2022	2021
	$	$
Denominational higher entity	**44,759,130**	46,798,387
	44,759,130	46,798,387

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Loans to denominational entities

An at-call interest-free loan has been given to Greater Sydney Conference of the Seventh-day Adventist Church to assist with the construction of buildings, used by the entity, on land held by Australasian Conference Association Limited on behalf of the conference.

14 Other assets

Current

	2022	2021
	$	$
Prepayments	**250,049**	289,704
Income accrued	**81,158**	-
	331,207	289,704

15 Leases

Land and buildings used by the Trust are owned by the Australasian Conference Association Limited on behalf of the Greater Sydney Conference of the Seventh-day Adventist Church. That company, at the request of the Greater Sydney Conference, has permitted the Trustee Company to use the property for an agreed fee in conjunction with the activities of the Trust. This Trust has determined that this is a lease agreement under AASB 16 and in line with the requirements of the Standard, has recognised a right-of-use asset and a lease liability for the lease of these properties over an estimated lease term. In addition, the Trust has recognised a right-of-use asset and lease liability for printers it leases.

Right-of-use assets

	Properties	**Printers**	**Total**
	$	**$**	**$**
Opening balance at 1 July 2021	**19,887,714**	**49,493**	**19,937,207**
Remeasurement of lease	**5,610,283**	**-**	**5,610,283**
Depreciation expense	**(1,416,556)**	**(16,497)**	**(1,433,053)**
Closing balance at 30 June 2022	**24,081,441**	**32,996**	**24,114,437**

	Properties	Printers	Total
	$	$	$
Opening balance at 1 July 2020	21,187,888	65,989	21,253,877
Remeasurement of lease	(195,300)	-	(195,300)
Depreciation expense	(1,104,874)	(16,496)	(1,121,370)
Closing balance at 30 June 2021	19,887,714	49,493	19,937,207

16 Property, plant and equipment

	2022	**2021**
	$	**$**
Plant and equipment		
At cost	**7,117,229**	6,723,073
Less accumulated depreciation	**(5,336,272)**	(4,919,234)
Total plant and equipment	**1,780,957**	1,803,839
Motor vehicles		
At cost	**219,773**	198,816
Less accumulated depreciation	**(157,313)**	(146,796)
Total motor vehicles	**62,460**	52,020
Total property, plant and equipment	**1,843,417**	1,855,859

16 Property, plant and equipment continued

Movements in Carrying Amounts

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

	Plant and Equipment $	Motor Vehicles $	Total $
2022			
Cost			
Balance at the beginning of the year	**6,723,073**	**198,816**	**6,921,889**
Additions	**489,514**	**42,957**	**532,471**
Disposals	**(95,358)**	**(22,000)**	**(117,358)**
Balance at end of year	**7,117,229**	**219,773**	**7,337,002**
Depreciation and impairment losses			
Balance at beginning of year	**(4,919,234)**	**(146,796)**	**(5,066,030)**
Charges for the year	**(513,573)**	**(17,858)**	**(531,431)**
Disposals	**96,535**	**7,341**	**103,876**
Balance at end of year	**(5,336,272)**	**(157,313)**	**(5,493,585)**
Balance at 30 June 2021	**1,780,957**	**62,460**	**1,843,417**
2021			
Cost			
Balance at beginning of year	6,090,391	159,691	6,250,082
Additions	673,097	39,125	712,222
Disposals	(40,415)	-	(40,415)
Balance at end of year	6,723,073	198,816	6,921,889
Depreciation and impairment losses			
Balance at beginning of year	(4,483,610)	(132,136)	(4,615,746)
Charges for year	(476,040)	(14,660)	(490,700)
Disposals	40,416	-	40,416
Balance at end of year	(4,919,234)	(146,796)	(5,066,030)
Balance at 30 June 2020	1,803,839	52,020	1,855,859

17 Intangible assets

Intellectual property used by the Trust is owned by Australasian Conference Association Limited on behalf of the Greater Sydney Conference of the Seventh-day Adventist Church. That company, at the request of the Greater Sydney Conference, has permitted the trustee company to use the property for an agreed fee, in conjunction with the activities of the Trust.

Seventh-day Adventist Aged Care (Greater Sydney) Trust

17 Intangible assets continued

While intellectual property contained in intangible assets is owned by Australasian Conference Association Limited, intangible assets such as business/trading names and computer software are held in the name of Seventh-day Adventist Aged Care (Greater Sydney) Limited.

	2022	2021
	$	$
Bed licenses		
Cost	**6,410,000**	4,740,000
Additions	**-**	1,670,000
Accumulated amortisation and impairment	**(1,748,182)**	-
	4,661,818	6,410,000
Computer software		
Cost	**140,101**	140,101
Accumulated amortisation and impairment	**(140,101)**	(140,101)
	4,661,818	6,410,000

Bed licenses are held at cost. Management review this on an annual basis to ensure that no adjustment for impairment is necessary. The Trust commences amortisation of bed licenses during the year.

18 Trade and other payables

Current

	2022	2021
	$	$
Unsecured liabilities		
Employees	**-**	70,150
Trade payables	**717,489**	780,954
Other payables	**175,197**	676,885
	892,686	1,527,989

19 Borrowings

Current

	2022	2021
	$	$
Finance lease obligation	**1,299,829**	977,886
	1,299,829	977,886

Non-current

	2022	2021
Finance lease obligation	**23,570,129**	19,226,545
	23,570,129	19,226,545

Movement in lease liabilities

The Trust has lease contracts for buildings, printers used in its operations.

	Properties	Printers	Total
	$	$	$
Opening balance at 1 July 2021	**20,154,599**	**49,832**	**20,204,431**
Repayments	**(928,599)**	**(17,063)**	**(945,662)**
Remeasurement of lease	**4,950,586**	**-**	**4,950,586**
Interest component	**659,697**	**906**	**660,603**
Closing balance at 30 June 2022	**24,836,283**	**33,675**	**24,869,958**

	Properties	Printers	Total
	$	$	$
Opening balance at 1 July 2020	21,325,018	65,989	21,391,007
Repayments	(1,300,358)	(17,063)	(1,317,421)
Remeasurement of lease	(208,690)	-	(208,690)
Interest component	338,629	906	339,535
Closing balance at 30 June 2021	20,154,599	49,832	20,204,431

19 Borrowings continued

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Lease liabilities included in this Statement Of Financial Position
	$	$	$	$
Printers	16,497	17,178	-	33,675
Properties	1,882,852	9,414,260	13,539,171	24,836,283

Lease impact in the statement of profit and loss and other comprehensive income

The amounts recognised in the statement of profit and loss and other comprehensive income relating to leases where the Trust is lessee are shown below:

	2022	2021
	$	$
Interest on lease liabilities	**660,604**	339,535
Expenses relating to short term leases	**1,604,453**	1,317,421
	2,265,057	1,656,956

Lease impact in statement of cash flows

	2022	2021
	$	$
Total cash outflows for leases	**285,059**	1,186,576

20 Provisions

Current

	2022	2021
	$	$
Employee entitlements	**1,920,629**	1,699,962
	1,920,629	1,699,962

20 Provisions continued

Non-current

	2022	2021
	$	$
Employee entitlements	**195,542**	188,382
	195,542	188,382

Provision for employee entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

The measurement and recognition criteria for employee benefits has been included in note 4.j.

Movements in carrying amounts

	2022	2021
	$	$
Opening balance	**1,888,344**	1,583,440
Provision made during the year	**863,406**	884,364
Provision used during the year	**(635,579)**	(579,460)
	2,116,171	1,888,344

21 Other liabilities

Current

	2022	2021
	$	$
Trust accounts	**38,782**	35,965
	38,782	35,965

22 Future payments due to exiting residents

	2022	2021
	$	$
Accommodation bonds and refundable accommodation deposits	**37,849,761**	35,107,743
ILU entry contributions	**37,491,388**	36,861,684
Provision for outgoing payments	**56,783**	118,350
	75,397,932	72,087,777

All payments due to exiting residents during the financial year have been paid in accordance with residential agreements and application of law. The operator is not aware of any circumstances that would affect amounts due to current residents.

Movements in future payments due to exiting residents

	2022	2021
	$	$
Opening balance	**72,087,777**	57,847,273
Accommodation bonds and refundable accommodation deposits received	**10,921,680**	14,865,000
Accommodation bonds and refundable accommodation deposits refunded	**(8,179,662)**	(8,120,805)
ILU contributions received	**6,881,385**	10,663,000
ILU contributions refunded	**(4,982,117)**	(2,125,621)
ILU contributions retention	**(1,269,565)**	(1,041,070)
Adjustment to provision	**(61,566)**	-
Closing balance	**75,397,932**	72,087,777

23 Reserves

Fixed asset replacement reserve

The fixed asset replacement reserve records funds to be used for the future purchase of plant and equipment.

24 Denominational equity

The concept of ownership is not appropriate as all dispositions received by the entity are to be applied to the charitable purposes set out in its constitution. While the constitution indicates that property and income is to be held and applied for the purposes of the company the property and income held belongs to the company as Trustee of that purpose Trust. Hence all such dispositions received have been recorded as revenue regardless of intended use whether stipulated by the donor or not. Consequently equity has been classified as retained earnings rather than as contributed equity and is termed Denominational equity.

Capital management

When managing capital, management's objective is to ensure the Trust continues as a going concern. Management also aims to maintain a cost structure that ensures the lowest cost of capital available to the Trust. The liquidity management strategy assists the company in meeting the requirements of the Aged Care Act 1997 and determines the level of funding required to meet expected accommodation bond refunds as they fall due.

Management also monitors working capital in accordance with the recommendations as outlined in the South Pacific Division Working Policy FIN.10.10 *Working Capital*.

When the available working capital is less than 100% of the recommendation, the Trust will make provision for covering such deficiencies in ensuing years in accordance with South Pacific Division Working Policy FIN.10.50 *Financial Control*.

The Trust has no other externally imposed capital management requirements.

There were no changes in the Trust's approach to capital management during the year.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities are:

	2022 $	2021 $
Property, plant and equipment		
not later than one year	**2,093,657**	1,460,905

25 Contingent liabilities

The Australian Government has a scheme that guarantees the refund of accommodation bonds and refundable accommodation deposits paid by residents to approved providers. In the event that an approved provider defaults in returning a bond when it falls due, the Department of Health and Ageing may initiate a levy on other approved providers to recover any funds it has paid out as a result of this scheme.

26 Cash flow information

Reconciliation of cash flow from operations with net surplus

	2022	2021
	$	$
Net (deficit)	**(3,690,243)**	(470,096)
Non-cash flows in surplus/(deficit)		
Acquisition of bed licenses	**-**	(1,670,000)
Depreciation	**1,964,485**	1,612,070
Amortisation of bed licences	**1,748,182**	-
Remeasurement of leased properties	**(5,611,461)**	195,300
Net (gain)/loss on disposal of property, plant and equipment	**(12,341)**	-
Amortisation of ILU contribution	**(1,269,565)**	(1,041,070)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	**(2,865,176)**	975,015
(Increase)/decrease in prepayments	**(41,503)**	(25,789)
Increase/(decrease) in trade payables and accruals	**1,838,697**	(499,349)
Increase/(decrease) in other current liabilities	**2,817**	(3,394)
Increase/(decrease) in provisions	**227,827**	304,904
Cash flows from operating activities	**(7,708,281)**	(622,409)

27 Financial risk management

Seventh-day Adventist Aged Care (Greater Sydney) Trust's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, residential bonds and licenses or equivalent, loans and leases.

The main purpose for residential bonds and licenses or equivalent is to assist with the provision and maintenance of accommodation.

Seventh-day Adventist Aged Care (Greater Sydney) Trust does not have any derivative financial instruments.

Seventh-day Adventist Aged Care (Greater Sydney) Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk.

27 Financial risk management continued

This note presents information about the Trust's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The company's directors are responsible for monitoring and managing the financial risks of the Trust. They monitor these risks through six-weekly board meetings where monthly management accounts are presented and analysed. Any changes identified are communicated to the finance team who implement the changes.

Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from customers and other financial assets.

Trade and other receivables

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Trust's customers primarily consist of individual residents occupying the self-care units and residential aged care facilities, the state government and financial institutions.

The Trust does not require any collateral in respect of trade and other receivables.

Other financial assets

The Trust limits its exposure to credit risk by only investing in liquid securities and only with counterparts that have very high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

27 Financial risk management continued

Exposure to credit risk

The carrying amount of the Trust's financial assets represents the maximum credit exposure. The Trust's maximum exposure to credit risk at the reporting date was:

	2022	2021
	$	$
Cash and cash equivalents	**33,381,485**	30,310,733
Trade and other receivables	**2,349,569**	1,958,393
	35,731,054	32,269,126

The Trust's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	2022	2021
	$	$
Denominational entities	**46,506,257**	48,234,673
Trade receivables	**258,768**	38,326
Aged care residents/clients	**7,229**	251,762
Other receivables	**385,915**	233,606
	47,158,169	48,758,367

27 Financial risk management continued

Impairment losses

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectible.

The aging of the Trust's trade and other receivables at reporting date was:

	2022		2021	
	Gross	**Impairment**	**Gross**	**Impairment**
	$	**$**	**$**	**$**
Not past due	**3,160,988**	-	**618,468**	-
Past due 0 - 30 days	**133,974**	-	**122,638**	-
Past due 31 - 120 days	**504,937**	-	**380,463**	-
Past due 121 days to one year	**1,073,140**	-	**838,412**	-
More than one year	**44,759,130**	49,470	**46,798,386**	1,587
	49,632,169	49,470	**48,758,367**	1,587

Included within trade and other debtors is $0 (2021:$0) in unpaid accommodation bonds and refundable accommodation deposits and $2,747,000 (2021:$0) in unpaid independent living units entry commitments, from residents who have contractually committed to entering into the Trust's residential aged care facilities at balance date. Unpaid accommodation bonds and refundable accommodation deposits have been presented as not past due as, in accordance with the Aged Care Act 1997, a resident must not be required to pay a lump sum accommodation bond until six months after entry to the residential aged care facility.

Credit risk - Impairment losses - movement

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2022	2021
	$	**$**
Balance at 1 July	**1,587**	14,142
Impairment loss recognised	**47,883**	(12,555)
Balance at 30 June	**49,470**	1,587

Based on historic default rates, the Trust has allowed for impairment of receivables where no activity has been recorded for the 12 months prior to reporting date.

27 Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

The Aged Care Act 1997 places various prudential requirements on the approved provider. Among these is the Liquidity Standard which requires providers to develop, implement and adhere to a liquidity management strategy.

The Company has a documented Liquidity Management Strategy which assists the company in meeting the requirements of the Aged Care Act 1997 by determining the level of funding that will be required to meet expected accommodation bond refunds as they fall due.

The Retirement Villages Act 1999 NSW requires the operator to refund any liability to outgoing residents following the entry of incoming resident within the specified time.

In accordance with the South Pacific Division Working Policy FIN.20.60, liquidity is recommended to be maintained at a level at least equivalent to the sum of liabilities, reserves and Denominational equity that has been tagged for specific projects in future periods.

The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

Typically the Trust ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

Cash flows from accommodation bonds, refundable accommodation deposits and resident loans are not expected to result in a net outflow - as the liability is settled there are expected to be simultaneous inflows of a greater amount.

27 Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

Foreign currency risk

The entity is not exposed to fluctuations in foreign currencies.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from interest-bearing financial assets and liabilities that the Company utilises. Such risk arising from interest bearing financial assets is managed largely by depositing funds with Seventh-day Adventist Church Limited in its cash management facility which invests in a spread of mainly AAA rated interest bearing securities.

The risk the entity faces is the exposure to the interest rate fluctuations as determined by the Seventh-day Adventist Church Limited, which is normally in line with the movements approved by the Reserve Bank of Australia.

The Trust has limited exposure to interest rate risk on financial liabilities. Interest is payable on refundable accommodation deposits if not paid within the allowable period after the resident leaves the facility.

27 Financial risk management continued

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	$	$	$	$	$	$
Financial Assets:								
Cash	**1.60**	0.40	**33,381,485**	30,310,733	**-**	-	**33,381,485**	30,310,733
Receivables	**-**	-	**-**	-	**49,582,699**	48,756,780	**49,582,699**	48,756,780
Total Financial Assets			**33,381,485**	30,310,733	**49,582,699**	48,756,780	**82,964,184**	79,067,513
Financial Liabilities:								
Trade and sundry creditors	**-**	-	**-**	-	**3,366,686**	1,521,137	**3,366,686**	1,521,137
Future payments due to exiting residents	**-**	-	**-**	-	**75,397,932**	72,087,777	**75,397,932**	72,087,777
Total Financial Liabilities			**-**	-	**78,764,618**	73,608,914	**78,764,618**	73,608,914

27 Financial risk management continued

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased surplus or deficit by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2021.

	Surplus or deficit	
	100 bp increase	**100 bp decrease**
	$	**$**
30 June 2022		
Floating rate instruments - cash flow sensitivity	**333,814**	**(333,814)**
30 June 2021		
Floating rate instruments - cash flow sensitivity	**303,107**	**(303,107)**

Net fair values

The net fair values of:

- Term receivables and government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Bed licenses are determined by reference to the ability to trade such instruments and an average of licenses within the locality recently traded.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowing to their present value.
- Other assets and other liabilities approximate their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down to as the economic entity intends to hold these assets to maturity.

27 Financial risk management continued

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2022		2021	
	Net Carrying Value	Net Fair value	Net Carrying Value	Net Fair value
	$	$	$	$
Financial assets				
Loans and receivables	**49,632,169**	**49,582,699**	48,758,367	48,756,780
	49,632,169	**49,582,699**	48,758,367	48,756,780
Financial liabilities				
Accommodation bonds and refundable accommodation deposits	**37,849,761**	**37,849,761**	35,107,743	35,107,743
ILU residential occupancy agreement	**37,548,171**	**38,153,188**	36,980,034	36,980,034
Total financial liabilities	**75,397,932**	**76,002,949**	72,087,777	72,087,777

Fair values are materially in line with carrying values.

Liabilities will mature when a resident exits the facility. They are due for payment within legislated time frames. This is usually within 14 days of departure, but in some circumstances may be earlier.

28 Provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation, Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Trust can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

The Trust did no have any contingent assets. Contingent liabilities are disclosed in Note 25.

29 Impact of COVID-19

The impact of the COVID-19 pandemic is ongoing and there is significant uncertainty around the breadth and duration of business disruptions related to the pandemic as well as the impact on the Australian and International economies. We cannot reasonably estimate the length or the severity of this pandemic after the reporting date.

The Trust has carefully considered the impact of COVID-19 in preparing its financial statements for the year ended 30 June 2022. The key impacts on the financial statements, including the application of critical estimates and judgements are as follows:

Provision for credit losses

The Trust has assessed impact of COVID-19 when assessing credit risk and measuring expected future credit losses including past events and current conditions. There were no material provisions for credit losses reported as result of COVID-19.

Assessment of impairment of non-financial assets

The Trust assessed property, plant and equipment, intangible assets and right-of-use assets for indicators of impairment. The Trust prepared an assessment of impairment on its non-financial assets and no impairment has been recorded as result of COVID-19.

30 Events after the balance sheet date

The financial report was authorised for issue on 26 October 2022 by the board of directors.

The Trust has adhered to relevant government safety policy measures in response to dealing with the containment of the pandemic. The Trust did not identify any subsequent events in relation to any COVID-19 related developments which would require adjustment to the amounts or any further disclosures in the financial statements.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future financial years.

31 Company details

The registered office of the trustee company is:

Shannon Building SAH
185 Fox Valley Road,
Wahroonga NSW 2076

Principal places of business are:

WAHROONGA	KINGS LANGLEY	HORNSBY
79 Mount Pleasant Avenue	56 Elsom Street	47-49 Dural Street
Wahroonga NSW 2076	Kings Langley NSW 2147	48-50 William Street
		Hornsby NSW 2077

Seventh-day Adventist Aged Care (Greater Sydney) Trust

Trustee Company Declaration

The directors of the Trust declare that:

1. The financial statements and notes of the Trust, as set out on pages 1 to 43 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

   (a) giving a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Trust; and

   (b) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013; and

2. There are reasonable grounds to believe that the Trust 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 Board of Directors of the Trustee Company.

Director ....
Mr. C Raymond

Dated this 26th day of October 2022

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Independent Auditor's Report

To the Members of Seventh-day Adventist Aged Care (Greater Sydney) Trust

Report on the audit of the financial report

Opinion

We have audited the financial report of Seventh-day Adventist Aged Care (Greater Sydney) Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Trustees' declaration.

In our opinion, the financial report of the Seventh-day Adventist Aged Care (Greater Sydney) Trust has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* ("ACNC Act"), including:

a. giving a true and fair view of the Trust's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

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

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

Those charged with governance are responsible for the other information. The other information comprises the information included in the Trust's annual report for the year ended 30 June 2022, 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, 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 the Trustees for the financial report

The Trustees of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial report that is from material misstatement, whether due to fraud or error.

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

The Trustees are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B Narsey
Partner – Audit & Assurance

Sydney, 26 October 2022