

Sunnyfield

ABN 72 000 415 127

Annual financial report for the
year ended 30 June 2014

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Directors' report

For the year ended 30 June 2014

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Sunnyfield and the entity it controlled for the year ended 30 June 2014.

Principal activities

The principal activities of the Company, and its controlled entity, are for the purpose of providing a range of services to people with a disability, including employment, community services and accommodation. Sunnyfield has been supporting people with intellectual disability for over 60 years, with a core purpose to enrich the lives of people with disability to create choice, opportunities and skills for life. Sunnyfield had 1,213 employees as at 30 June 2014 (2013: 1,160 employees). The Group's activities during the year included:

- Support to 243 (2013:238) residents in Supported Living including group homes, Independent Living Drop-in Support (ILDS), Independent Living Support Initiative (ILSI) and New England Supported Living settings.
- Support to 181 (2013:183) clients in Community Based Respite, 261 (2013: 265) in Day Option Programs, 212 (2013: 20) are in Individualised including Self-Managed/Supported Living Programs and 546 (2013: 670) are in Respite Care for a total of 1200 (2013:1,193) clients as at the end of June 2014.
- Operation of 5 factories across the Sydney area providing employment to 286 (2013: 292) government funded supported people with disabilities, 1 Enterprise funded supported employees and 14 (2013: 9) people in a transition to work program.

Short and long-term objectives and strategies

The Group's short and long-term objectives and strategies are framed around:

- **Vision:**
Excellence in supporting people with intellectual disabilities.
- **Mission:**
To enrich the lives of people with intellectual disability by creating choice, opportunities and skills for life.
- **Values:**
 - Respect
 - Trust
 - Honesty
 - Innovation
- **Goals:**
 - Person-Centred, Value for Money Services - we tailor support to the needs of our clients, and provide them with value for money. We actively support and skill people for their daily lives and work in partnership with families and communities to facilitate opportunities for true inclusion.
 - Dedicated and Skilled Staff - We are an employer of choice - our skilled staff love their job because they believe in our vision, provide person-centred, value for money support services and are ambassadors for Sunnyfield. We provide learning opportunities and career pathways for staff.
 - Professional, Value for Money Organisation - our system and processes make life easy for clients and our support offices provide value for money. This will guarantee Sunnyfield's long term sustainability and enable investments in further improving and growing our services.

These goals will be achieved within an appropriate risk framework and within prudent financial management.

Directors' report (continued)

For the year ended 30 June 2014

Operating and financial review

The consolidated entity generated a surplus for the year comprising results from operations of \$1,953,187 (2013: \$1,471,659) and investment income of \$704,711 (2013: \$590,761), totalling \$2,657,898 (2013: \$2,062,420).

Performance measures

The Board measures and monitors the performance against the strategic plans through to the operating plans and detailed monthly budgets, and also against external benchmarking. Sunnyfield tracks and reports internally on numerous metrics, comparing these to internal benchmarks (including budgets, prior year data) and external benchmarks. Some of these are as follows:

- (i) Financial
 - Financial Performance versus Budget by Division
 - Liquidity Ratios
 - Debtor Days Outstanding
 - Labour/Agency KPI's
- (ii) Non-Financial
 - Staff Turnover
 - Feedback (complaints and praises)

Directors

The names of each person who has been a director during the year and up to the date of this report are noted below.

Directors' qualifications, experience and special responsibilities

Dr J Carter, AO B Sc (Med), M.B.B.S, M.D, F.R.A.C.P. (appointed 29 August 2011)

Dr. John Carter is a Clinical Professor of Medicine at the University of Sydney and is a visiting Endocrinologist at Concord Hospital, Sydney Adventist Hospital and Hornsby Ku-ring-gai Hospital. John has many medical publications to his credit. In 2000 John was made an Officer of the Order of Australia (AO). John is the Chair of the Fundraising, Branding & Communications Committee.

Mr I Fraser, FCPA, FAICD (appointed 11 May 2013)

Ian has over 40 years' experience in various industries in Australia, South East Asia and the USA. Senior management positions held included Managing Director Pioneer Sugar Mills Ltd, Managing Director Clyde Industries Ltd, Managing Director TNT Australia and Managing Director Australian Chemical Holdings Ltd. In 1998 Ian became a professional Non-Executive Director and has served on over fifteen Company Boards. He is presently a Non-Executive Director of Structural Systems Limited and Legend Corporation Limited.

Ms M Hammel, RN, Dip. Mgmt (appointed 31 October 2012)

Melissa is the Health Manager at Cerebral Palsy Alliance as well as managing their high health needs facility - Venee Burges House. Melissa is a Registered Nurse, with qualifications in Management, Palliative Care, Disability and Aged Care. Melissa is the daughter of Sunnyfield Patron, Bryan Whiddon OAM and granddaughter of founder Hazel Whiddon.

Directors' report (continued)

For the year ended 30 June 2014

Directors (continued)

Ms J Heinrich*, MSc, OEduc, Centenary Medal (appointed 19 February 2013)

June Heinrich has a long career in roles servicing the community, including over 16 years as the CEO for Baptist Community Services (BCS) - NSW & ACT and is currently the CEO of the Macquarie Community College. June is also a Director of the Aged Care Standards and Accreditation Agency, a Director of the Central Coast Local District Health Board and a Member of the NSW HomeCare Advisory Board. In 2003, June was awarded an Order of Australia Medal AM for services to the community, a Centenary Medal for services to Aged Care and in 2011, she was made a Member of the Order of Australia for service to the Australian Baptist Ministries, particularly in the area of aged and community care, and to a range of health sector organisations. June was also awarded the inaugural Minister's Award in 2000 for Excellence in Staff Development in the Aged Care sector.

Ms K Ingram*, BA, LLB (Hons), MDR (appointed 12 February 2014)

Karen is a Partner at Clayton Utz. She has a Bachelor of Arts Communication Studies, Bachelor of Law First Class Honours and a Master of Dispute Resolution as well as being in charge of the Clayton Utz Community Connect volunteering and in-kind support program in Sydney. She is responsible for developing and maintaining relationships between the partners and staff of Clayton Utz and 10 not-for-profit organisations, including Sunnyfield, in the areas of volunteering, in-kind support and Foundation grants.

Ms J Levis*, BA LLB, FAPI (appointed 3 January 2011, resigned 12 February 2014)

Julie Levis has been a partner of the national law firm, Clayton Utz for 23 years practising in the field of real estate transactions and property development, and has worked on large scale development projects here and overseas. She is currently the Managing Partner of the Sydney office of Clayton Utz. She became a Fellow of the Australian Property Institute in 2006. Julie was a member of the Housing, Property & Equipment Committee.

Ms H Milnes (appointed 25 October 2010)

Heather Milnes is a former Director, having been involved with Sunnyfield since 1988. She is a licensed real estate agent and owned her own businesses, and now provides consultancy services to local firms in property management. Heather is a member of the Fundraising, Branding & Communications Committee and the Housing, Property & Equipment Committee.

Mr M Park, BSc (Eng) FAICD (appointed 29 August 2011)

Mal Park is semi-retired from the NSW Power Supply industry with extensive experience in long term strategic planning and presently acts as an Advisor to NSW Treasury. He has previously served on Boards of a number of organisations as well as Co-operative Research Centre Boards. Mal has been re-appointed to the board in August 2011 and is the Chairman and serves as a member of the Housing, Property & Equipment Committee and Audit, Finance & Risk Committee.

Mr T Pockett*, B Com, FCA (appointed 9 December 2010)

Tom is currently a Director of Stockland Corporation Limited and a Director of three Woolworths Limited subsidiaries. Previously Tom was Finance Director of Woolworths Limited. Prior to Woolworths limited he held positions including Deputy Chief Financial Officer at the Commonwealth Bank; General Manager Finance for Lend Lease Corporation and was with Chartered Accounting firm Deloitte. He is a Fellow of the Institute of Chartered Accountants in Australia (FCA). He was a member of the G100 and was a member of the Financial Reporting Council. In 2011, he was appointed Chairman of the Business Council of Taxation Reform. Tom is Chair of the Audit, Finance and Risk Committee, and a director of the Independence Fund No 1 & No 2 Limited.

Directors' report (continued)

For the year ended 30 June 2014

Directors (continued)

Mr R Rathmell* BEc, MAICD (appointed 25 October 2010)

Ross Rathmell has over 30 year's financial and corporate experience in Australia and overseas, in both private and listed companies. He has an economics degree and sporting Blue from Sydney University. Ross worked as a Chartered Accountant for eight years with Pricewaterhouse and has ten years' experience as a non- executive Director, including two ASX listed companies. Ross is Chair of the Human Resources, Nomination & Remuneration Committee, plus a member of the Audit, Finance & Risk Committee. Ross is also a director of the Independence Fund No 1 & No 2 Limited.

Mr P Walsh*, BBus, MBA, FCPA (appointed 9 July 2013)

Paul is currently CFO for Lend Lease's property business in Australia. Prior to that Paul was Managing Director of Lend Lease Retirement Living and Aged Care comprising over 70 retirement villages and 30 aged care facilities. Having been with Lend Lease for 24 years, he previously held positions such as Global CFO for Bovis Lend Lease and Head of Project Finance. Paul has worked with Lend Lease in Australia, the UK and USA.

* - Non-executive director who is not a member of Sunnyfield

Corporate governance statement

The Board of Directors of Sunnyfield is responsible for the corporate governance of Sunnyfield. The Board guides and monitors the business and affairs of Sunnyfield on behalf of the people we support, and its members by whom they are elected and to whom they are accountable.

Sunnyfield's corporate governance statement is structured along the following lines which are in compliance with the Governance Standards prescribed by the Australia Charities and Not-For-Profits Commission:

- Lay solid foundations for management and oversight
- Structure the board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of members
- Recognise and manage risk
- Remunerate fairly and responsibly

Sunnyfield's corporate governance practices were in place throughout the year ended 30 June 2014. It is noted that Board of Directors currently must be comprised of at least 50% Members as per Sunnyfield's constitution.

Review of Board Committees

A summary of the purpose and function of each of the board committees is explained below.

Human Resources, Nomination and Remuneration Committee

The Human Resources, Nomination and Remuneration Committee operate under a charter approved by the Board to oversee, implement and maintain the right strategies, policies and processes regarding remuneration, performance management, safety and health objectives, succession planning plus training and professional development of Directors, plus the CEO and direct reports.

Directors' report (continued)

For the year ended 30 June 2014

Corporate governance statement (continued)

Review of Board Committees (continued)

Audit, Risk and Finance Committee

The Audit, Risk and Finance Committee operate under a charter approved by the Board. The role of the Committee is to assist the Board in its collective responsibilities in regard to Sunnyfield's financial affairs and reports by a systematic oversight of financial and corporate governance policies, internal systems integrity and controls, statutory auditing processes and reporting, to support the achievement of Sunnyfield's business objectives and sustained viability within established limits of risk management.

Fundraising, Branding and Communications Committee

The Fundraising, Branding and Communications Committee operate under a charter approved by the Board. It is the Board's responsibility to oversee the implementation and effectiveness of Sunnyfield's brand and fundraising strategies and to ensure that goals are affected in a timely and professional manner. This reformed committee takes on the responsibility formerly held by Family and Communications Committee.

Housing, Property and Equipment Committee

The Committee works under a charter approved by the Board to oversee the implementation and effectiveness of Sunnyfield's strategies in relation to the use, lease and purchase of all land and buildings, plus other major fixed assets and equipment involved in its operations.

The Sunnyfield Independence Fund

The Sunnyfield Independence Fund is a discretionary Trust. Any distribution from the Trust Fund is to be applied to the advancement of Sunnyfield, or generally in projects designed for the support and nurturing of people with an intellectual disability. Trustees are responsible for the governance and running of the Trust under a Deed of Trust dated 30 January 2006.

The Independence Fund No. 1 Limited and The Independence Fund No. 2 Limited are companies limited by guarantee, formed on 15 March 2010 and are the Trustees of the Sunnyfield Independence Fund. The two companies have the following directors in common:

Mrs J F Hay (appointed 15 March 2010)
Mr J Harston (appointed 28 April 2011)
Mr T Pockett (appointed 28 April 2011)
Mr R Rathmell (appointed 28 April 2011)
Mr M Brent (appointed 20 September 2012)

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Directors' report (continued)

For the year ended 30 June 2014

Corporate governance statement (continued)

Review of Board Committees (continued)

Directors' meetings (continued)

Board Members	Board		Human Resources, Nomination and Remuneration Committee		Fundraising, Brand and Communications Committee		Audit, Risk and Finance Committee		Housing, Property and Equipment Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr J Carter	6	6	-	-	4	4	-	-	-	-
Mr I Fraser	6	5	-	-	4	3	-	-	-	-
Ms M Hammel	6	4	7	6	4	2	-	-	-	-
Ms J Heinrich	6	3	-	-	-	-	-	-	-	-
Ms K Ingram	2	1	-	-	1	-	-	-	-	-
Ms J Levis	4	4	-	-	-	-	-	-	3	1
Ms H Milnes	6	5	-	-	4	4	-	-	3	3
Mr M Park	6	5	7	7	-	-	4	3	3	3
Mr T Pockett	6	4	-	-	-	-	4	4	-	-
Mr P Walsh	6	5	-	-	-	-	-	-	3	2
Mr R Rathmell	6	6	7	7	-	-	4	4	-	-

Directors' report (continued)

For the year ended 30 June 2014

Directors' benefits

The board members of Sunnyfield provide their time and expertise on an entirely voluntary basis and receive no fees, salaries or benefits for the work they undertake on behalf of Sunnyfield.

Members' guarantee

Sunnyfield has one class of member and in the event of the Company being wound up, each member would be required to contribute a maximum of \$20 towards meeting any outstanding obligations of the Company. At 30 June 2014, the number of members was 576 (2013: 573), and the total amount members would contribute is \$11,520 (2013: \$11,460).

Economic dependency

Sunnyfield is dependent upon continuing support from the NSW State and Federal Governments for funding and Crown Land leases. Refer to Note 19 in the financial statements for further details.

Significant events after the balance date

After extensive advice and review, The Sunnyfield Independence Fund are currently in the process of winding up the Trust. Subject to due diligence review, Sunnyfield will accept the transfer of all assets in The Sunnyfield Independence Fund. This is expected to be completed by December 2014.

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Auditor independence and non-audit services

The auditor's declaration of independence appears on the following page and forms part of the Directors' report for the year ended 30 June 2014. Non-audit services were provided by the entity's auditor, Ernst & Young as outlined in the notes to the accounts. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors' report was authorised for issue by the directors dated at Sydney, this 1 October 2014.



Mr M Park
Chair
1 October 2014



Mr T Pockett
Director
1 October 2014

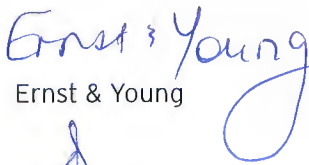


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Auditor's Independence Declaration to the Directors of Sunnyfield

In relation to our audit of the financial report of Sunnyfield for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.


Ernst & Young



Loretta Di Mento
Partner
1 October 2014

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue			
Government subsidies	4.1	42,847,252	42,456,645
Other revenue	4.1	10,165,896	9,505,453
Total revenue		53,013,148	51,962,098
Expenses			
Cost of sale of goods		(1,537,481)	(2,119,742)
Employee benefits expense	4.3	(39,264,927)	(38,610,144)
Occupancy expenses	4.4	(5,331,557)	(4,818,709)
Finance costs	4.6	(46,734)	(27,233)
Other expenses	4.5	(4,230,287)	(3,978,764)
Depreciation expense		(1,191,002)	(1,406,606)
Total expenses		(51,601,988)	(50,961,198)
Other income	4.2	542,027	470,759
Operating surplus		1,953,187	1,471,659
Investment income		704,711	590,761
Surplus for the year		2,657,898	2,062,420
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,657,898	2,062,420

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

Consolidated statement of financial position

As at 30 June 2014

	Notes	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	6	15,144,234	14,500,811
Trade and other receivables	7	1,667,381	1,706,566
Inventories	8	110,371	146,755
Other current assets	9	108,423	63,222
Total current assets		<u>17,030,409</u>	<u>16,417,354</u>
Non-current assets			
Property, plant and equipment	10	6,239,294	7,066,732
Total non-current assets		<u>6,239,294</u>	<u>7,066,732</u>
Total assets		<u>23,269,703</u>	<u>23,484,086</u>
Current liabilities			
Trade and other payables	11	3,704,865	4,445,334
Funding in advance		2,813,684	4,786,475
Employee benefit liabilities	13	2,949,493	2,931,203
Provisions	12	471,404	656,217
Interest-bearing liabilities	14	16,941	50,089
Total current liabilities		<u>9,956,387</u>	<u>12,869,318</u>
Non-current liabilities			
Employee benefit liabilities	13	562,511	504,920
Interest-bearing liabilities	14	16,208	33,149
Total non-current liabilities		<u>578,719</u>	<u>538,069</u>
Total liabilities		<u>10,535,106</u>	<u>13,407,387</u>
Net Assets		<u>12,734,597</u>	<u>10,076,699</u>
Funds			
Settlor's account		10	10
General funds	15	12,634,353	9,754,190
Asset revaluation reserve	15	100,234	322,499
Total funds		<u>12,734,597</u>	<u>10,076,699</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in funds

For the year ended 30 June 2014

	Settlor's account (Note 15)	General funds	Asset revaluation reserve (Note 15)	Total funds
	\$	\$	\$	\$
At 1 July 2013	10	9,754,190	322,499	10,076,699
Surplus for the year	-	2,657,898	-	2,657,898
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	2,657,898	-	2,657,898
Transfer in equity	-	222,265	(222,265)	-
At 30 June 2014	10	12,634,353	100,234	12,734,597
At 1 July 2012	10	7,691,770	322,499	8,014,279
Surplus for the year	-	2,062,420	-	2,062,420
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	2,062,420	-	2,062,420
At 30 June 2013	10	9,754,190	322,499	10,076,699

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

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Operating activities			
Receipts from customers		5,771,323	6,167,376
Payments to suppliers and employees		(51,739,398)	(48,522,347)
Receipts from fees, fundraising & subsidies		45,800,505	48,140,601
Interest received		704,711	590,761
Interest paid		(46,734)	(27,233)
Net cash flows from operating activities		490,407	6,349,158
Investing activities			
Proceeds from sale of property, plant and equipment		1,287,537	-
Purchase of property, plant and equipment	10	(1,134,521)	(868,847)
Net cash flows from/(used in) investing activities		153,016	(868,847)
Financing activities			
Net cash flows from/(used in) financing activities		-	-
Net increase in cash and cash equivalents		643,423	5,480,311
Cash and cash equivalents at opening balance date	6	14,500,811	9,020,500
Cash and cash equivalents at 30 June	6	15,144,234	14,500,811

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

Notes to the consolidated financial statements

For the year ended 30 June 2014

1. Corporate information

The financial report of Sunnyfield (the "Company") and its subsidiary (the "Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors.

Sunnyfield is a not for profit company limited by guarantee incorporated and domiciled in Australia.

The registered office of the Company is: 185 Allambie Road, Allambie Heights, NSW 2100.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, *Australian Charities and Not-for-Profits Commission Act 2012*, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (\$) unless otherwise stated.

The financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board.

The financial report also complies with Australian Accounting Standards specific to not-for-profit entities, including standards AASB 116 Property, Plant and Equipment, AASB 136 Impairment of Assets and AASB 1004 Contributions.

2.2 Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

Several amendments apply for the first time in 2014. However they do not impact the annual financial statements of the Company.

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of Sunnyfield and the entity it controls, The Sunnyfield Independence Fund as at 30 June each year (Group).

The financial statements of the controlled entity are prepared for the same reporting period as the parent entity using consistent accounting policies.

In preparing the consolidated financial statements, all inter-entity balances and transactions, income and expenses and surpluses and deficits resulting from the intra-Group transactions have been eliminated in full.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

(c) Comparatives

When applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits and are readily convertible to known amounts of cash.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Trade and other receivables

Trade and other receivables, which comprise amounts due from sales of merchandise and from services provided to residents, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Normal terms of settlement vary from 30 to 90 days. The carrying amount of the receivables is deemed to reflect fair value. A provision for doubtful debts is made when there is objective evidence that Sunnyfield will not be able to collect the debts. Bad debts are written off when identified.

(f) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: weighted average cost basis
- Finished goods: a standard costing approach is adopted using cost of direct materials and labour plus a proportion of variable and fixed manufacturing overheads based on normal operating capacity.

(i) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the estimated useful life of the improvement or over the expected remaining lease term, whichever is the shorter.

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Freehold land and buildings

Freehold land and buildings are depreciated over the estimated useful lives being 33 years.

Leasehold land and improvements

Sunnyfield premises are located on Leasehold Land 185 Allambie Road, Allambie Heights. Buildings and other structures located on the land are leasehold improvements and are written off over the term of the lease.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Plant and equipment and motor vehicles

Plant and equipment, furniture and motor vehicles are depreciated over the estimated life of each asset from 2 to 5 years on a straight-line basis as follows:

- Plant and equipment	2 to 5 years
- Motor vehicles	4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or where annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds recoverable amount, which is defined for not for profit entities as the higher of an asset's fair value less costs to sell or depreciated replacement cost. For the purpose of assessing impairment, assets are grouped at the level for which there are separately identifiable cash flows. An impairment loss is recognised in the consolidated statement of comprehensive income.

(l) Provisions and employee benefit liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Make good provision

Costs required to return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision in the financial statements. The provision has been calculated as an estimate of future costs.

Provision for legal claims

Provisions for legal claims are recognised when claims are made against Sunnyfield, based on the probable outcome of specific cases and well as historical experience. The provision for legal claims is revised annually.

Provision for inventory obsolescence

Provision for inventory obsolescence is recognised when stock is slow moving for periods greater than 12 months or where significant doubt exists over the realisable value of the inventory. Analysis is performed monthly by stock line monthly and takes into account previous experience.

Wages, salaries, annual leave and sick 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 respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(l) Provisions and employee benefit liabilities (continued)

Long service leave

The liability for long service leave is recognised 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 using the projected unit credit method. 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 government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(m) Funding in advance

The liability for funding in advance is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions are usually fulfilled within 12 months of receipt of the grant. In some cases funding received will be paid directly to third parties.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Board and lodging fees from residents

Revenue is recognised when the service is provided.

Fundraising and donation income

Donations and amounts collected in respect of fundraising, including cash and goods for resale, are recognised as revenue when Sunnyfield gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Bequests

From time to time Sunnyfield is nominated as a beneficiary under a will or other form of trust. Amounts under these arrangements are recognised as revenue only when a beneficial entitlement to the bequest exists.

Government subsidies

Sunnyfield's residential care and employment activities are supported by grants received from the Commonwealth and state governments. Grants received on the condition that specified services are delivered, or conditions are fulfilled are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the Group obtains control of the funds.

Interest income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in investment income in the consolidated statement of comprehensive income.

(o) Taxes

Sunnyfield and The Sunnyfield Independence Fund have both received endorsement as an income tax exempt charity. Both organisations also hold deductible gift recipient status

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Summary of significant accounting policies (continued)

(p) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. These amounts are usually settled in 45 days. The carrying amount of the trade and other payables is deemed to reflect fair value.

(q) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

As a not-for-profit organisation, Sunnyfield is primarily dependent on subsidies from the Commonwealth and State Governments and the continuation of crown land leases to provide the funding and facilities necessary for its operations each year. The annual results will continue to be affected by the levels of subsidies received and further detail of these subsidy agreements and leases is included in notes 18 & 19 to the accounts.

The directors and management believe the level of subsidies required to maintain the current programs and services are likely to continue, and reassesses this position annually. Based on these assumptions and strategies in place to continue to improve the operating result, the directors believe Sunnyfield will be able to pay its debts as and when they fall due and can continue on a going concern basis.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – group as lessee

The Group has entered into operating leases on property, plant and equipment as disclosed in note 18. Management has determined that all of the risks and rewards of ownership remain with the lessor and has therefore classified the leases as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for legal claims

Provisions for legal claims are based on assessments of specific cases and the Group's past experience. These estimates may vary from the actual costs incurred.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Make good provisions

Provisions for future costs to return certain leased premises to their original condition are based on the Group's past experience with similar premises and estimates of likely restoration costs. These estimates may vary from the actual costs incurred as a result of conditions existing at the date the premises are vacated.

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service, as discussed in note 2(l). The amount of these provisions would change should any of these factors change in the next 12 months.

Inventory obsolescence provisions

Provision for inventory obsolescence is recognised when stock is slow moving for periods greater than 12 months or where significant doubt exists over the realisable value of the inventory. Analysis is performed monthly by stock line monthly and takes into account previous experience.

Pro bono policy

Sunnyfield has been provided with pro bono services but these have not been quantified or reflected in the accounts for the current year.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

4. Revenue and expenses

4.1 Revenue

(i) Government subsidies

	2014	2013
	\$	\$
Department Family & Community Services	3,428,483	3,429,073
Department Ageing, Disability & Home Care	39,186,448	38,262,572
Special Carinya/Hostel funding from ADHC	232,321	765,000
Total government subsidies	<u>42,847,252</u>	<u>42,456,645</u>

(ii) Other revenue

	2014	2013
	\$	\$
Sale of goods	5,239,852	5,687,958
Board and lodging fees	3,048,931	2,744,849
Fundraising income (iii)	505,567	476,185
Other fees	1,371,546	596,461
Total other revenue	<u>10,165,896</u>	<u>9,505,453</u>

(iii) Fundraising income

	2014	2013
	\$	\$
Events and fundraising	234,984	282,704
Donations	140,432	106,177
Bequests	81,740	21,903
Grants	48,411	65,401
Total fundraising income (note 20.2)	<u>505,567</u>	<u>476,185</u>

4.2 Other income

	2014	2013
	\$	\$
Net gain on disposal of property, plant and equipment	542,027	119,338
Other income	-	351,421
Total other income	<u>542,027</u>	<u>470,759</u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

4. Revenue and expenses (continued)

4.3 Employee benefits expenses

	2014	2013
	\$	\$
Salaries and wages	29,679,205	28,926,536
Workers' compensation costs	959,564	727,589
Agency staff	2,683,675	3,010,716
Sub-contractors	432,332	329,698
Superannuation costs	2,802,550	2,638,009
Recruitment, training and amenities	597,697	529,099
Annual leave	1,845,843	2,231,578
Long service leave	264,061	216,919
Total employee benefits expenses	<u>39,264,927</u>	<u>38,610,144</u>

4.4 Occupancy expenses

	2014	2013
	\$	\$
Operating leases rental	1,817,385	1,673,346
Food and household costs	627,381	649,745
Utilities	628,860	644,925
Cleaning	541,349	514,453
Repairs and maintenance	1,524,428	892,963
Other items	192,154	443,277
Total occupancy expenses	<u>5,331,557</u>	<u>4,818,709</u>

4.5 Other expenses

	2014	2013
	\$	\$
Insurance	640,978	627,742
Fundraising expenses	6,203	23,799
Printing and stationery	236,902	335,405
Professional fees	350,368	449,528
Communication expenses	463,427	476,357
Transport expenses	512,010	464,435
Individual package costs	373,221	374,353
Computer maintenance	497,026	502,759
Other	1,150,152	724,386
Total other expenses	<u>4,230,287</u>	<u>3,978,764</u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

4. Revenue and expenses (continued)

4.6 Finance costs

	<u>2014</u>	<u>2013</u>
	\$	\$
Hire purchase	46,734	27,233
Total finance costs	<u>46,734</u>	<u>27,233</u>

5. Income and expenditure statement for Druid's Court

Sunnyfield is the operator of the retirement village known as Druid's Court which is situated on crown leasehold land in Allambie Heights NSW 2100. This activity commenced in May 2010 and the village consists of 20 one-bed apartments owned by The Sunnyfield Independence Fund of which 18 (2013: 19) are currently occupied. The amounts below for Druid's Court are included in the consolidated statement of comprehensive income and are presented for the purposes of the Retirement Villages Act 1999.

	<u>2014</u>	<u>2013</u>
	\$	\$
Revenue		
Fees	127,704	120,160
Total revenue	<u>127,704</u>	<u>120,160</u>
Occupancy expenses	(22,165)	(7,459)
Repairs and maintenance	(11,444)	(22,038)
Other	(3,201)	(1,565)
Total expenditure	<u>(36,810)</u>	<u>(31,062)</u>
Surplus from continuing operations	<u>90,894</u>	<u>89,098</u>

6. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
	\$	\$
Cash at bank	6,588,557	5,312,287
Cash on hand	69,505	67,511
Short-term deposits	8,486,172	9,121,013
	<u>15,144,234</u>	<u>14,500,811</u>

For the purposes of consolidated statement of cash flows, cash and cash equivalents comprise of the above.

Cash at bank earns interest at floating rates based on daily deposit rates.

Short term deposits are made for varying periods and are readily convertible to known cash depending on the immediate cash requirements of Sunnyfield, and earn interest at the respective short-term deposit rates.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

7. Trade and other receivables

	2014	2013
	\$	\$
Trade and other receivables	1,374,707	1,501,501
Provision for doubtful debts	(77,199)	(20,053)
Deposits	369,873	225,118
	<u>1,667,381</u>	<u>1,706,566</u>

Movements in the provision for doubtful debts were as follows:

At 1 July 2012	98,808
(Reversal)/charge for the year	(62,862)
Amounts written off	(15,893)
At 30 June 2013	<u>20,053</u>
(Reversal)/charge for the year	57,146
At 30 June 2014	<u>77,199</u>

8. Inventories

	2014	2013
	\$	\$
Raw materials		
Raw materials at cost	116,525	112,053
Provision for diminution in value	(50,000)	(50,000)
	<u>66,525</u>	<u>62,053</u>
Finished goods		
Finished goods at cost	42,823	37,106
	<u>42,823</u>	<u>37,106</u>
Work in progress		
Work in progress at cost	1,023	47,596
	<u>1,023</u>	<u>47,596</u>
Total inventories at the lower of cost and net realisable value	<u>110,371</u>	<u>146,755</u>

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to \$Nil (2013: \$Nil).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

9. Other current assets

	2014	2013
	\$	\$
Prepayments	108,423	63,222
	108,423	63,222

10. Property, plant and equipment

	2014	2013
	\$	\$
<i>Buildings on leasehold land</i>		
At cost	2,964,077	2,570,143
Accumulated depreciation	(2,149,685)	(1,965,529)
Net carrying amount	814,392	604,614
 <i>Freehold land and buildings</i>		
At cost	4,409,294	5,269,454
Accumulated depreciation	(722,790)	(807,995)
Net carrying amount	3,686,504	4,461,459
 <i>Plant and equipment</i>		
At cost	1,307,143	1,243,067
Accumulated depreciation	(871,006)	(694,201)
Net carrying amount	436,137	548,866
 <i>Motor vehicles</i>		
At cost	3,941,068	4,265,040
Accumulated depreciation	(2,908,212)	(2,957,494)
Net carrying amount	1,032,856	1,307,546
 <i>Computers - Hardware</i>		
At cost	625,798	395,820
Accumulated depreciation	(356,393)	(251,573)
Net carrying amount	269,405	144,247
 <i>Total property, plant and equipment</i>		
At cost	13,247,380	13,743,524
Accumulated depreciation	(7,008,086)	(6,676,792)
Net carrying amount	6,239,294	7,066,732

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

10. Property, plant and equipment (continued)

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liability.

As outlined in note 19, Sunnyfield has use of three crown leases, on which it does not pay rent or recognise within property, plant and equipment.

Reconciliation of carrying amounts at the beginning and the end of the year

	<u>2014</u>
	\$
<i>Buildings on leasehold land</i>	
Balance at the beginning of the year	
At 1 July	604,614
Additions	393,935
Depreciation charge for the year	(184,157)
Balance at the end of the year - Net carrying amount	<u><u>814,392</u></u>
<i>Freehold land and buildings</i>	
Balance at the beginning of the year	
At 1 July	4,461,459
Additions	21,818
Disposals	(881,979)
Depreciation charge for the year	(102,286)
Depreciation disposals for the year	187,492
Balance at the end of the year - Net carrying amount	<u><u>3,686,504</u></u>
<i>Plant and equipment</i>	
Balance at the beginning of the year	
At 1 July	548,866
Additions	64,077
Depreciation charge for the year	(176,806)
Balance at the end of the year - Net carrying amount	<u><u>436,137</u></u>
<i>Motor vehicles</i>	
Balance at the beginning of the year	
At 1 July	1,307,546
Additions	424,713
Disposals	(748,686)
Depreciation charge for the year	(622,934)
Depreciation disposals for the year	672,217
Balance at the end of the year - Net carrying amount	<u><u>1,032,856</u></u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

10. Property, plant and equipment (continued)

	<u>2014</u>
	\$
<i>Computers - Hardware</i>	
Balance at the beginning of the year	
At 1 July	144,247
Additions	229,978
Depreciation charge for the year	<u>(104,820)</u>
Balance at the end of the year - Net carrying amount	<u><u>269,405</u></u>

Total property, plant and equipment

Balance at the beginning of the year	
At 1 July	7,066,732
Additions	1,134,521
Disposals	(1,630,665)
Depreciation charge for the year	(1,191,003)
Depreciation disposals for the year	<u>859,709</u>
Balance at the end of the year - Net carrying amount	<u><u>6,239,294</u></u>

11. Trade and other payables

	<u>2014</u>	<u>2013</u>
	\$	\$
Trade and other payables	<u>3,704,865</u>	<u>4,445,334</u>
Carrying amount of trade and other payables	<u><u>3,704,865</u></u>	<u><u>4,445,334</u></u>

12. Provisions

	<u>2014</u>	<u>2013</u>
	\$	\$
Current		
Legal claim	75,000	275,977
Make good provision	<u>396,404</u>	<u>380,240</u>
	<u><u>471,404</u></u>	<u><u>656,217</u></u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

12. Provisions (continued)

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	<u>Legal claim</u>	<u>Make good provisions</u>	<u>Total</u>
	\$	\$	\$
At 1 July 2013	275,977	380,240	656,217
Arising during the year	-	100,000	100,000
Utilised	(25,000)	(83,836)	(108,836)
Unused amounts reversed	(175,977)	-	(175,977)
At 30 June 2014	<u>75,000</u>	<u>396,404</u>	<u>471,404</u>

13. Employee benefit liabilities

	<u>2014</u>	<u>2013</u>
	\$	\$
Current		
Annual leave	1,952,119	1,993,049
Long service leave	997,374	938,154
	<u>2,949,493</u>	<u>2,931,203</u>
Non current		
Long service leave	562,511	504,920
	<u>562,511</u>	<u>504,920</u>

14. Interest-bearing liabilities

	<u>2014</u>	<u>2013</u>
	\$	\$
Current		
Hire purchase liability	16,941	50,089
	<u>16,941</u>	<u>50,089</u>
	-	-
Non current		
Hire purchase liability	16,208	33,149
	<u>16,208</u>	<u>33,149</u>

(a) Secured bank loans at 30 June 2014

Sunnyfield has a \$1,920,000 (2013: \$1,920,000) unused debt facility at Westpac should it be required.

This facility has not been drawn down as at 30 June 2014 or during the year.

(b) Bank guarantee

Sunnyfield has bank guarantees with Westpac to the value of \$286,081 (2013: \$Nil) and with Commonwealth Bank of Australia to the value of \$186,172 (2013: \$186,172).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

15. Funds

(a) Details of reserves and funds included in consolidated statement of changes in funds

General Funds

General Funds represent the funds of Sunnyfield that are not designated for particular purposes.

Asset Revaluation Reserve

This reserve is used to record increases in the fair value of freehold land and buildings and decreases to the extent that such decreases relate to an increase in the value of that class of assets previously recognised in the reserve.

During 2014, one property was sold and the associated surplus in the asset revaluation reserve was transferred to general funds.

(b) Members' guarantee

Sunnyfield is a company limited by guarantee. Sunnyfield has one class of members of Sunnyfield and in the event of the Company being wound up, each member would be required to contribute a maximum of \$20 towards meeting any outstanding obligations of the Company. At 30 June 2014, the number of members was 576 (2013: 573), and the total amount members would contribute is \$11,520 (2013: \$11,460).

16. Information relating to Sunnyfield (the Parent)

	2014	2013
	\$	\$
Current assets		
Cash and cash equivalents	13,738,603	12,868,833
Trade and other receivables	1,677,076	1,836,045
Inventories	110,371	146,755
Other current assets	108,423	63,222
Total current assets	15,634,473	14,914,855
Non-current assets		
Property, plant and equipment	5,293,628	6,108,235
Total non-current assets	5,293,628	6,108,235
Total assets	20,928,101	21,023,090
Current liabilities		
Trade and other payables	3,654,862	4,395,334
Interest-bearing liabilities	16,941	50,089
Funding in advance	2,813,684	4,786,475
Employee benefit liabilities	2,949,493	2,931,203
Provisions	471,404	656,217
Total current liabilities	9,906,384	12,819,318
Non-current liabilities		
Interest-bearing liabilities	16,208	33,149
Employee benefit liabilities	562,511	504,920
Total non-current liabilities	578,719	538,069
Total liabilities	10,485,103	13,357,387

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

16. Information relating to Sunnyfield (the Parent) (continued)

	2014	2013
	\$	\$
Funds		
General funds	10,342,764	7,343,204
Asset revaluation reserve	100,234	322,499
	<u>10,442,998</u>	<u>7,665,703</u>
Surplus for the year	2,777,293	2,199,768

17. Related party disclosures

The Sunnyfield Independence Fund

The Sunnyfield Independence Fund is a discretionary trust and it is intended that any distribution from the trust fund be applied to the advancement of Sunnyfield, or generally in projects designed for the support and nurturing of people with an intellectual disability.

For the year ended 30 June 2014, The Sunnyfield Independence Fund had a net surplus of \$10,608 (2013: net deficit of \$17,398) and net assets of \$2,291,604 (2013: \$2,410,996). The Sunnyfield Independence Fund Accounts for the year ended 30 June 2014 have been included in Sunnyfield's consolidated accounts.

17.1 Directors' compensation

The directors act in an honorary capacity and receive no compensation for their services.

17.2 Transactions with director-related entities

During the years ended 30 June 2014 and 30 June 2013, the following transactions with director-related entities took place:

2014

- Many of the member directors had family who received services from Sunnyfield Housing, Community and/or Enterprises.
- Sunnyfield was charged rent for its Druid's Court retirement village and Horst Place from The Sunnyfield Independence Fund.
- Directors' J Levis, K Ingram and their firm Clayton Utz performed both paid and pro-bono work on legal matters for Sunnyfield. The paid work was performed on normal commercial terms.
- A person related to director Rathmell was engaged on arms length hourly basis for a short period of time.

2013

- Many of the member directors had family who received services from Sunnyfield Housing, Community and/or Enterprises.
- Sunnyfield was charged rent for its Druid's Court retirement village and Horst Place from The Sunnyfield Independence Fund.
- Director J Levis and her firm Clayton Utz performed both paid and pro-bono work on legal matters for Sunnyfield. The paid work was performed on normal commercial terms.
- A person related to director Rathmell was engaged on arms length hourly basis for a short period of time.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

17. Related party disclosures (continued)

17.2 Transactions with director-related entities (continued)

Other than the transactions disclosed above, no other amounts were paid or received from directors or director-related entities at the reporting dates.

17.3 Key management personnel compensation

Refer to note 21 for key management personnel compensation.

18. Commitments and contingencies

(a) Operating lease commitments

Sunnyfield has entered into commercial property leases. These leases are non-cancellable leases having remaining terms up to 5 years. All property leases include a clause to enable upward revision of rental charges. Sunnyfield has also entered into commercial leases on certain plant and equipment. These leases have a maximum life of 5 years with no renewal option included in the contract.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	1,509,311	1,603,820
After one year but not more than five years	2,158,877	1,372,385
	<u><u>3,668,188</u></u>	<u><u>2,976,205</u></u>

The above figures do not include any commitment for properties where the lease is currently on a month to month basis at 30 June 2014.

(b) Finance lease and hire purchase commitments

Sunnyfield has one finance lease for plant and equipment as at 30 June 2014.

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	50,089	50,089
After one year but not more than five years	33,149	83,238
	<u><u>83,238</u></u>	<u><u>133,327</u></u>

19. Economic dependency

Sunnyfield as a going concern is dependent upon the continuing support from the NSW State and Federal Governments. A very significant portion of income is derived from Government grants and subsidies, with 8.0% (2013: 7.7%) from the Federal Government and 85% (2013: 86%) from the NSW State Government.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

19. Economic dependency (continued)

The terms of the largest Federal and State Government agreements are broadly summarised in the below analysis.

	2014 \$	2013 \$	Contract term
<u>Federal Government</u>			
FAHCSIA	3,428,843	3,233,052	This funding has been in place since 1984 and the current contract runs to 30 June 2015
<u>State Government</u>			
ADHC	36,389,211	34,913,483	NSW Government funding has been provided in some form for many years. The current Recurring funding contracts have various Service Models, with the latest signed contract period being for the 12 months to 30 June 2016
Post School Options	379,950	651,680	Portable funding transition to work
CPP Funding	2,255,038	2,730,140	Portable individual funding
Stronger Together	161,889	278,148	Portable individual funding to 30 June 2015
One Off Funding (other)	-	650,142	One off funding

The premises at 185 Allambie Road, Allambie Heights and Aquatic Drive, Allambie Heights, are subject to crown land leases (with no rental costs) which expired in November 2010 and the new long term positions are actively being pursued. It is our understanding that the leases will be renegotiated in unison. The premises at Druid's Court are also under a crown land lease which is due to expire in December 2014.

20. Information and declarations to be furnished under the Charitable Fundraising Act, 1991

20.1 Fundraising appeals conducted during the financial year ended 30 June 2014

Fundraising appeals conducted during the financial year included raffles, direct mailing and sundry unsolicited donations and bequests.

20.2 Results of fundraising appeals

Included in the consolidated statement of comprehensive income are the following:

	SUNNYFIELD	
	2014	2013
	\$	\$
Fundraising income	505,567	476,185
Direct costs	(6,203)	(23,799)
Net surplus	<u>499,364</u>	<u>452,386</u>

20.3 Application of net surplus obtained from fundraising appeals

During the year Sunnyfield received gross proceeds and grants of \$505,567 from funding appeals, these funds were spent on direct care and plant and equipment acquisitions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

20. Information and declarations to be furnished under the Charitable Fundraising Act, 1991 (continued)

20.4 Comparison of certain monetary figures and percentages from fundraising appeals

	SUNNYFIELD 2014		SUNNYFIELD 2013	
	\$	%	\$	%
Fundraising income	505,567	100	476,185	100
Direct costs	(6,203)	(1)	(23,799)	(5)
Net surplus	499,364	99	452,386	95

21. Key management personnel

21.1 Details of key management personnel

(i) Directors (non-executive)

Dr J Carter	(Appointed: 29 August 2011)
Mr I Fraser	(Appointed: 11 May 2013)
Ms M Hammel	(Appointed: 31 October 2012)
Ms J Heinrich	(Appointed: 19 February 2013)
Ms K Ingram	(Appointed: 12 February 2014)
Ms J Levis	(Appointed: 3 January 2011, Resigned: 12 February 2014)
Ms H Milnes	(Appointed: 25 October 2010)
Mr M Park	(Appointed: 29 August 2011)
Mr T Pockett	(Appointed: 9 December 2010)
Mr R Rathmell	(Appointed: 25 October 2010)
Mr P Walsh	(Appointed: 9 July 2013)

(ii) Senior leadership team executives

At 30 June 2014 the team comprised:

Ms C Cuddihy	CEO
Ms A Doyle	CFO
Mr M Churchman	Company Secretary
Mr. W. Curry	General Manager Community Services
Mr S Robb	General Manager Enterprises General
Dr M Clayton	General Manager Supported Living
Ms M Loumbos	Executive Manager Human Resources

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Key management personnel (continued)

21.2 Compensation of key management personnel

Compensation of key management personnel comprises the Senior Leadership Team.

	SUNNYFIELD	
	2014	2013
	\$	\$
Total compensation	<u>1,262,268</u>	<u>1,299,003</u>

22. Statement of cash flows reconciliation

	2014	2013
	\$	\$
Cash flow reconciliation		
Reconciliation of surplus after tax to net cash flows from operations:		
Surplus for the year	2,657,898	2,062,420
Adjustments to reconcile surplus after tax to net cash flows:		
Depreciation expense of property, plant and equipment	1,191,002	1,406,606
Gain on disposal of property, plant and equipment	(542,027)	(119,338)
Provision for doubtful debts	57,146	(78,755)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	7,486	(180,909)
(Increase)/decrease in inventories	36,384	142,075
(Increase)/decrease in other assets	(45,201)	38,765
Increase/(decrease) in employee benefit liabilities	75,881	38,818
Increase/(decrease) in trade and other payables	(740,469)	1,086,302
Increase/(decrease) in provisions	(184,813)	88,178
Increase/(decrease) in other liabilities	(2,022,880)	1,864,996
Net cash flows from operating activities	<u>490,407</u>	<u>6,349,158</u>

23. Events after the reporting period

After extensive advice and review, The Sunnyfield Independence Fund are currently in the process of winding up the Trust. Subject to due diligence review, Sunnyfield will accept the transfer of all assets in The Sunnyfield Independence Fund. This is expected to be completed by December 2014.

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

24. Auditors' remuneration

The auditor of Sunnyfield is Ernst & Young.

	<u>2014</u>	<u>2013</u>
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young for:</i>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	42,000	42,616
Other services in relation to the entity and any other entity in the consolidated group		
Financial statements preparation	6,750	6,489
Specific reviews	5,500	21,321
	<u>54,250</u>	<u>70,426</u>

Directors' declaration

In accordance with a resolution of the directors of Sunnyfield, we state that.

In the opinion of the directors:

- (a) the consolidated financial statements and notes of Sunnyfield and of the consolidated entity for the financial year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and *Australian Charities and Not-for-Profits Commission Act 2012*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) In respect of Sunnyfield:
 - (i) the provisions of the NSW Charitable Fundraising Act 1991, the Regulations under the Act and the conditions attached to the fundraising authority have been complied with; and
 - (ii) the internal controls exercised by Sunnyfield are appropriate and effective in accounting for all income received.

On behalf of the board



Mr M Park
Chair
1 October 2014



Mr T Pockett
Director
1 October 2014

Independent auditor's report to the members of Sunnyfield

Report on the financial report

We have audited the accompanying financial report of Sunnyfield, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement comprehensive income, consolidated statement of changes in funds and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion the financial report of Sunnyfield is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of Sunnyfield at 30 June 2014 and of its performance for the year ended on that date; and

- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*

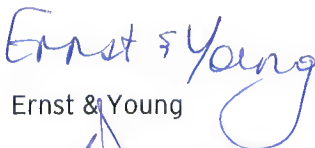
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the requirements described in the above-mentioned Acts and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.


Opinion

In our opinion:

- a) the financial report of Sunnyfield has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2014, in all material respects, in accordance with:
- i sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*;
- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2014 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.



Ernst & Young



Loretta Di Mento

Loretta Di Mento
Partner
Sydney
1 October 2014