Sunnyfield

ABN 72 000 415 127

General purpose (RDR) report for the year ended 30 June 2017

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Directors' report

For the year ended 30 June 2017

The directors submit their report on the consolidated entities (referred to hereafter as the Group) consisting of Sunnyfield and the entities it controlled for the year ended 30 June 2017.

Principal activities

The Group provides a range of services to people with a disability, including employment, community services, shared living support services and accommodation. Sunnyfield has been supporting people with intellectual disability for over 65 years, with a core purpose to enrich the lives of people with disability to create choice, opportunities and skills for life. Sunnyfield had 1,548 employees as at 30 June 2017 (2016: 1,304 employees). The Group's activities during the year included:

- Supporting people with disability to live independently including shared living support services, independent living drop-in support (ILDS) and independent living support initiative (ILSI).

- Supporting people with disability in community services including community based respite, centre based social, recreational and skill development programs, community access, and other individualised and self-managed programs.

- Operation of 3 sites across the Sydney area providing employment to people with disability under Government funded supported employment programs and people in transition to work programs.

- Provision of clinical services for people with disability and support coordination for participants in the National Disability Insurance Scheme.

Short and long-term objectives and strategies

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

- Vision: Excellence in supporting people with intellectual disability.
- Mission: To enrich the lives of people with disability by creating choice, opportunities and skills for life.
- Values: Respect, Trust, Honesty and Innovation

During the year ended 30 June 2017, Sunnyfield’s key objectives as set out in the FY14 to FY17 strategic plan were as follows:

- To deliver person-centred support outcomes that are value for money. Sunnyfield tailors support to the needs of its clients, and provides them with value for money. Sunnyfield actively supports and skills people for their daily lives and works in partnership with families and communities to facilitate opportunities for true inclusion.

- To build a dedicated and skilled workforce. Sunnyfield is an employer of choice with skilled staff who love their jobs because they believe in Sunnyfield’s vision, provide person-centred, value for money support services and are ambassadors for Sunnyfield. Sunnyfield provides a range of appropriate learning opportunities and career pathways for its staff.

- To be a professional, value for money organisation. Sunnyfield’s systems and processes make life easy for clients and its support offices provide value for money. This will help to ensure Sunnyfield's long term sustainability and enable investments in further improving and growing Sunnyfield’s services.

Directors' report (continued)

For the year ended 30 June 2017

Short and long-term objectives and strategies (continued)

In May 2017, the Sunnyfield Board approved a new FY18 to FY20 strategic plan based on three key themes: Grow, Strengthen and Innovate. Sunnyfield's key objectives over this next 3 year period will be:

- To grow Sunnyfield so that clients and customers get more choice of what they want, where they want it. Sunnyfield will support more people with disability and their families, through expansion of services and developing and engaging greater numbers of qualified and capable staff.

- To strengthen Sunnyfield so that clients and customers experience the Sunnyfield way of quality service delivery every time. Sunnyfield will continue to deliver quality, person-centred, active support services but at the same time seek to ensure organisational security and sustainability through prudent financial management and more efficient and effective business processes.

- To deliver innovation so that clients and customers can better control how and when they engage with Sunnyfield. Sunnyfield will empower clients and their families and all Sunnyfield staff with technology, and will use new delivery models to better serve clients and customers.

As in the past, these objectives will be achieved within an appropriate risk framework and within prudent financial management.

Operating and financial review

Sunnyfield has had another successful year implementing the final year of its FY14 to FY17 strategic plan. The year's achievements build on the significant progress made by the organisation over the last 6 years to improve the quality and value for money of Sunnyfield's services and to strengthen the Group's financial position. Achieving these strategic outcomes is fundamental to ensuring Sunnyfield's long term viability in light of the major sector changes brought about by the introduction of the National Disability Insurance Scheme (NDIS), the full roll-out of which started on 1 July 2016. These changes include:

- Greater choice for participants in the NDIS, leading to a more competitive environment for service providers. This in turn will lead to an even greater focus on quality and value for money, as well as a greater emphasis on client retention and growth strategies.

- Reduction in the funding paid to service providers for the provision of certain services, with a consequent negative impact on revenues, and transition from payment in advance to payment in arrears.

- New processes for tracking and invoicing for services provided to clients, requiring significant investment in new systems and staff training.

These changes continue to present a major challenge for all organisations within the sector. However, the directors are confident that the successful execution of Sunnyfield's FY14 to FY17 strategic plan, and the strong financial outcomes for the last 2 financial years, mean that Sunnyfield is well placed to meet this challenge and to capitalise on the opportunities that the sector changes present. This confidence is reflected in the new FY18 to FY20 strategic plan which places a significant focus on growth and innovation, alongside a continuation of the strengthening of Sunnyfield which has been the focus over the last 6 years.

Key strategic achievements for the year included:

- More than 1,000 Sunnyfield clients successfully transitioned into the NDIS, with the vast majority choosing to retain Sunnyfield as their service provider through this process. Sunnyfield also provided extensive support to clients due to transition into the NDIS in FY18 and their families, through preparatory briefings and workshops.

Directors' report (continued)

For the year ended 30 June 2017

Operating and financial review (continued)

- Sunnyfield's client base and geographical reach grew though the opening of 6 new shared living homes and 2 new community services hubs in Blacktown and Parramatta, with a third new hub in Tweed Heads having commenced operations shortly after the end of the financial year. In addition, the Enterprise operations added significant new capacity to support the packaging of Therapeutic Goods Administration (TGA) approved products, and the platform was laid for our new Clinical Services Centre which opened its doors to clients in August 2017. Sunnyfield also introduced new services and supports including support co-ordination for NDIS participants, a new Work and Skills Training Centre for supported employees and innovative after school care programs in a number of locations.

- A long standing project funded by the NSW Government to develop 9 new homes on Sydney's Northern Beaches for residents of our Hostel and Carinya centres at Allambie moved into the final phase with the purchase by Sunnyfield of the final block of land and construction now well advanced on all 9 homes. The first residents are expected to move into their new homes in September 2017.

- Sunnyfield's quality management system was certified as compliant to the new International Standards Organisation standard 9001:2015 and the Enterprises business successfully completed external audits against the National Standards for Disability Services at all 3 sites and TGA accreditation at 2 sites.

- The roll-out and development of new software systems and business processes tailored to the new NDIS operating environment continued.

- Further significant improvements to Sunnyfield's long term financial position were realised to support the additional resources needed to deliver the FY18 to FY20 strategic objectives in the challenging financial environment for service providers under the NDIS.

Key financial outcomes for the year were as follows:

- Revenue increased by 13% to $73.0m. This growth was primarily related to the addition of 6 houses in the shared living division and increased funding for supported independent living clients under the NDIS.

- Expenses increased by 14% to $69.1m. Expenses increased at a higher rate than revenue, reflecting the investment by Sunnyfield to build organisational capability to operate in the new NDIS environment and to enable Sunnyfield to realise new growth opportunities under the NDIS. These costs were reflected in both an increase in employee costs and an increased investment in business systems whilst occupancy costs also rose as a result of the new shared living houses and community services hubs noted above plus further safety upgrades.

- An overall surplus of $8.4m (2016: $8.5m) after including additional Government funding of $3.2m (2016: $3.6m) and investment income of $0.7m (2016: $0.8m).

- Sunnyfield's financial position strengthened further with an increase in total assets to $51.3m (2016: $44.0m) and an increase in net assets to $32.5m (2016: $24.1m).

Performance measures

The Board measures and monitors Sunnyfield's performance against its strategic plan and more detailed business plans and budgets, and also against external benchmarks. 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:

- Financial performance measures, including financial performance versus budget by division, liquidity ratios, debtor days outstanding and various staff and labour related financial performance measures.

Directors' report (continued)

For the year ended 30 June 2017

Performance measures (continued)

- Non-financial performance measures including performance against Sunnyfield's internal service delivery quality and compliance audit tools, complaint numbers and resolution times, praise and other feedback, work health and safety performance measures, and various staff and labour related performance measures such as turnover and vacancy time to fill.

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

John is a Consultant Endocrinologist and a Clinical Professor at the University of Sydney. He is a past-President of the Australian Diabetes Society and was Chairman of the Commonwealth Ministerial Advisory Committee on Diabetes. He was made an Officer of the Order of Australia (AO) in 2000 for services to diabetes and endocrinology. In addition, he is Chairman of the Cromehurst Foundation. John was appointed to the Sunnyfield Board in August 2011 and is a member of the Human Resources Nomination and Remuneration Committee.

Mr Ian 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 include 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 Legend Corporation Limited. Ian is a member of the Audit, Finance and Risk Committee.

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

Melissa is the Health Manager at Cerebral Palsy Alliance. 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. Melissa is a member of the Human Resources, Nomination and Remuneration Committee.

Ms Karen 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. Karen is also in charge of the Clayton Utz Community Connect volunteering and in-kind support program in Sydney. This program develops and maintains relationships between the partners and staff of Clayton Utz and a number of not-for-profit organisations, including Sunnyfield, in the areas of volunteering, in-kind support and Foundation grants. Karen assumed the role of Chair of the Board in February 2016 and is a member of the Audit, Finance and Risk Committee and the Human Resources, Nomination and Remuneration Committee.

Ms Heather Milnes (appointed 25 October 2010)

Heather's background is in the real estate industry. She re-joined the Board in 2010 having previously served as a Director between 1996 and 2001. Heather is the Chair of the Housing, Property and Equipment Committee and is also a director of Gateway 2015 Properties Limited.

Directors' report (continued)

For the year ended 30 June 2017

Directors (continued)

Mr Mike Nicholls, BBA (appointed 24 February 2016)

Mike is currently the Head of Commercial Operations and Planning at Fox Sports and has over 10 years' experience in the media and sports industry in a variety of executive management roles. Mike is responsible for commercial and distribution management with Fox Sports suppliers, commercial partners and advertisers, and leads the Program Management Office delivering major projects across IT, digital platforms and content distribution solutions. He has previously led sales, marketing and retail distribution for Optus and IAG for an additional 15 years. Mike is a member of the Human Resources, Nomination and Remuneration Committee.

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

Mal has extensive experience in long term strategic planning within the NSW power supply industry and has acted as an advisor to NSW Treasury on a number of key projects. He has previously served on Boards of a number of organisations. Mal was re-appointed to the board in August 2011 having previously served as a Director between 2008 and 2010, and acted as Chair of the Board from November 2012 to February 2016. He now acts as one of the 2 Deputy Chairs of the Board, is the Chair of the Human Resources, Nomination and Remuneration Committee, and also serves as a member of the Housing, Property and Equipment Committee.

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

Tom is Chair of ASX listed companies Stockland Corporation Limited and Autosports Group Limited. He is also a Director of Insurance Australia Group Limited and O'Connell Street Associates. Previously Tom was Finance Director of Woolworths Limited, 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). Tom is the other Deputy Chair of the Board and is also Chair of Gateway 2015 Properties Limited, a member of the Housing, Property and Equipment Committee and a director of Independence Fund No 1 Limited and Independence Fund No 2 Limited.

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

Ross has over 30 years' 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 over 10 years' experience as a non-executive Director, including two ASX listed companies. Ross is Chair of the Audit, Finance and Risk Committee and a director of Independence Fund No 1 Limited and Independence Fund No 2 Limited.

Ms Clare Sowden* BA, BArch (appointed 14 September 2016)

Clare is currently General Manager Development at Aecom and has more than 15 years of real estate and related experience in the residential and urban renewal sector ranging from architectural design to the development and strategic review of large scale assets and sites. She has held senior real estate development roles with PwC Australia, Stockland and Mirvac and holds an Honorary Academic role with UTS. Clare is also an executive member of the Australian division of the Urban Land Institute (ULI), a global property institute focused on building sustainable, resilient communities. At ULI she chairs the Australian Young Leaders Group and sits on the Women's Leadership Committee. Clare is a member of the Housing, Property and Equipment Committee.

*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 its members by whom the Directors are elected and to whom they are accountable. Under Sunnyfield's constitution, at least 50% of the Board of Directors must be Members of Sunnyfield.

Sunnyfield's corporate governance policies and practices are in compliance with the Governance Standards prescribed by the Australian Charities and Not-For-Profits Commission.

Directors' report (continued)

For the year ended 30 June 2017

Corporate governance statement (continued)

Sunnyfield currently has 3 Board committees. A summary of the purpose and function of each of the committees is explained below. A fourth committee, the Fundraising, Branding and Communications Committee, was disbanded during the year.

Audit, Finance and Risk Committee
The Audit, Finance and Risk Committee operates 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.

Housing, Property and Equipment Committee
The Housing, Property and Equipment Committee operates 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.

Human Resources, Nomination and Remuneration Committee
The Human Resources, Nomination and Remuneration Committee operates 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 2017

Directors' meetings

The number of meetings of Directors and meetings of Committees of Directors held during the year and the number of meetings attended by each Director were as follows:

	Board		Human Resources, Nomination and Remuneration Committee		Fundraising, Branding and Communications Committee		Audit, Finance and Risk Committee		Housing, Property and Equipment Committee	
Board Members	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 John Carter	6	5	2	1	2	2	-	-	-	-
Mr Ian Fraser	6	5	-	-	2	-	2	2	-	-
Ms Melissa Hammel	6	5	5	5	2	-	-	-	-	-
Ms Karen Ingram	6	6	5	5	-	-	4	4	-	-
Ms Heather Milnes	6	5	-	-	2	2	-	-	4	4
Mr Mike Nicholls	6	5	2	2	-	-	-	-	-	-
Mr Mal Park	6	4	5	5	-	-	-	-	4	4
Mr Ross Rathmell	6	5	-	-	-	-	4	4	-	-
Mr Tom Pockett	6	5	-	-	-	-	2	2	4	4
Ms Clare Sowden (a)	5	4	-	-	-	-	-	-	1	1

(a) Appointed: 14 September 2016

Directors' report (continued)

For the year ended 30 June 2017

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 2017, the number of members was 595(2016: 597), and the total amount members would contribute is $11,900 (2016: $11,940).

Economic dependency

Sunnyfield is dependent upon continuing support from the NSW State and Federal Governments for funding and Crown Land leases. Refer to Note 18 in the financial statements for further details.

Subsidiary entities

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 Trustees of the Sunnyfield Independence Fund are The Independence Fund No. 1 Limited and The Independence Fund No. 2 Limited, companies limited by guarantee, formed on 15 March 2010. 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)

The Trustees have resolved to distribute the assets of the Trust to Sunnyfield and then to revoke the Trust. This process is expected to be completed during the year ending 30 June 2018.

Gateway 2015 Properties Trust
The Gateway 2015 Properties Trust is a charitable trust registered as a community housing provider under the Community Housing Providers National Law. The Trust is constituted by a Trust Deed dated 19 May 2015.

The Trust Fund is to be applied for the purposes of providing money, property or other benefits for the advancement of Sunnyfield and other similar institutions whose purpose is to provide certain services or support to people with an intellectual or other disability. Sunnyfield provides services to the Trust under a services deed dated 19 May 2015.

The trustee of the Trust is Gateway 2015 Properties Limited, a company limited by guarantee, whose directors are:

Mr C Howells (Appointed: 19 May 2015)
Mr M Brent (Appointed: 19 May 2015)
Mr J Connell (Appointed: 19 May 2015)
Mrs H Milnes (Appointed: 19 May 2015)
Mr T Pockett (Appointed: 19 May 2015)

The Trust had no income or expenditure, acquired no assets and made no distributions during the year ended 30 June 2017.

Directors' report (continued)

For the year ended 30 June 2017

Subsidiary entities (continued)

The Sunnyfield Board has approved a proposal for certain existing and future property assets of Sunnyfield to be transferred to the Trust, subject to the satisfaction of certain conditions. It is expected that the transfer of these properties will be completed during FY18. Any assets transferred to the Trust would continue to form part of the consolidated assets of the Sunnyfield Group reported in Sunnyfield's financial statements.

Significant changes in the state of affairs

On 1 July 2016, the full roll-out of the National Disability Insurance Scheme (NDIS) commenced. The changes brought about by the NDIS will significantly change the way in which Sunnyfield receives funding for the services that it provides.

There have been no other significant changes in the state of affairs of the Group during the year.

Significant events after the reporting date

There have been no significant events occurring after the reporting 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 2017. 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 *Australian Charities and Not-for-Profits Commission Act 2012.*

The directors' report was authorised for issue by the directors dated at Sydney, on 27 September 2017.

K Ingram

Karen Ingram
Director
27 September 2017

I Fraser

Ian Fraser
Director
27 September 2017

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Auditor's Independence Declaration to the Directors of Sunnyfield

In relation to our audit of the financial report of Sunnyfield and the entities it controlled for the financial year ended 30 June 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Loretta Di Mento
Partner
27 September 2017

Consolidated statement of comprehensive income

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue			
Government subsidies	4.1	33,649,205	49,929,383
National Disability Insurance Scheme	4.1	25,735,077	500,507
Other revenue	4.1	13,871,657	14,218,872
Total revenue		**73,255,939**	**64,648,762**
Expenses			
Cost of sale of goods		(2,821,130)	(2,749,296)
Employee benefits expense	4.5	(52,579,990)	(45,356,804)
Occupancy expenses	4.6	(5,657,478)	(4,701,426)
Finance costs	4.4	(33,335)	(18,630)
Other expenses	4.7	(6,887,988)	(6,713,635)
Depreciation expense	9	(1,357,722)	(1,052,911)
Total expenses		**(69,337,643)**	**(60,592,702)**
		3,918,296	**4,056,060**
Other income	4.2	1,456,209	1,934,258
Capital funding	4.3	2,279,983	1,687,215
Surplus before investment income		**7,654,488**	**7,677,533**
Investment income		705,823	790,738
Surplus for the year		**8,360,311**	**8,468,271**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**8,360,311**	**8,468,271**

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 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	5,863,495	2,767,211
Trade and other receivables	6	6,183,131	2,115,846
Inventories	7	502,457	295,743
Other assets	8	26,913,216	29,299,066
Total current assets		**39,462,299**	**34,477,866**
Non-current assets			
Property, plant and equipment	9	11,816,181	9,486,706
Total non-current assets		**11,816,181**	9,486,706
Total assets		**51,278,480**	**43,964,572**
Current liabilities			
Trade and other payables	10	5,474,968	4,677,987
Funding in advance		6,049,614	8,599,593
Provisions	11	1,708,500	2,068,623
Employee benefit liabilities	12	4,515,258	3,594,599
Total current liabilities		**17,748,340**	**18,940,802**
Non-current liabilities			
Employee benefit liabilities	12	999,303	853,244
Total non-current liabilities		**999,303**	**853,244**
Total liabilities		**18,747,643**	**19,794,046**
Net assets		**32,530,837**	**24,170,526**
Funds			
General funds	14	32,430,603	24,070,292
Asset revaluation reserve	14	100,234	100,234
Total funds		**32,530,837**	**24,170,526**

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 2017

	General funds (Note 14)	Asset revaluation reserve (Note 14)	Total funds
	$	**$**	**$**
At 1 July 2016	24,070,292	100,234	24,170,526
Surplus for the year	8,360,311	-	8,360,311
Other comprehensive income	-	-	-
Total comprehensive income	8,360,311	-	8,360,311
At 30 June 2017	**32,430,603**	**100,234**	**32,530,837**
At 1 July 2015	15,602,021	100,234	15,702,255
Surplus for the year	8,468,271	-	8,468,271
Other comprehensive income	-	-	-
Total comprehensive income	8,468,271	-	8,468,271
At 30 June 2016	**24,070,292**	**100,234**	**24,170,526**

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 2017

	Notes	2017 $	2016 $
Operating activities			
Receipts from customers		8,797,676	7,406,414
Payments to suppliers and employees		(67,538,120)	(59,400,965)
Receipts of funding for land purchase		2,279,983	3,399,639
Receipts from government subsidies		32,213,206	53,918,404
Receipts from NDIS		22,296,074	-
Receipts from fees and fundraising		5,573,802	6,042,705
Interest received		705,823	790,738
Interest paid		(33,335)	(18,630)
Net cash flows from operating activities	5	**4,295,109**	**12,138,305**
Investing activities			
Proceeds from sale of property, plant and equipment		41,401	289,114
Purchase of property, plant and equipment	9	(3,690,687)	(4,342,815)
Proceeds from/(investment in) short-term deposits		2,450,461	(14,739,687)
Net cash flows used in investing activities		**(1,198,825)**	**(18,793,388)**
Financing activities			
Net cash flows from/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		3,096,284	(6,655,083)
Cash and cash equivalents at 1 July		2,767,211	9,422,294
Cash and cash equivalents at 30 June	5	**5,863,495**	**2,767,211**

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 2017

1. Corporate information

The financial report of Sunnyfield (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2017 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

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *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. Australian Accounting Standards contain requirements specific to not-for-profit entities, including standards AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets*, AASB 136 *Impairment of Assets* and AASB 1004 *Contributions*. 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 ($) except when otherwise indicated.

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

b) Changes in accounting policy, disclosures, standards and interpretations

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

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2016/2017 do not impact the financial statements of the Group.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sunnyfield and the entities it controls, namely The Sunnyfield Independence Fund and Gateway 2015 Properties Trust as at 30 June each year (the 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.

d) 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

d) Going concern (continued)

As a not-for-profit organisation, for the year ended 30 June 2017, Sunnyfield was 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. From the 2018 financial year onwards, Sunnyfield will be primarily dependent on the Commonwealth Government funding clients through the National Disability Insurance Scheme (NDIS) and clients selecting Sunnyfield as their service provider. 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 note 18 to the accounts.

The directors and management believe the level of funding 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.

e) 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 the 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.

f) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand 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.

g) 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.

h) 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

h) Interest-bearing loans and borrowings (continued)

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 a least 12 months after the reporting date.

i) Borrowing costs

All 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.

j) 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.

k) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if 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 or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date 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.

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

l) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. 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
Buildings are depreciated over the estimated useful lives being 33 years.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

l) Property, plant and equipment (continued)

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.

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 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 plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

m) 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.

n) 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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 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 2017

2. Summary of significant accounting policies (continued)

n) Provisions and employee benefit liabilities (continued)

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.

Wages, salaries 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.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises the liability for long service leave and annual leave measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

o) 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.

p) 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 on a month to month basis.

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.

Bequest

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

p) Revenue recognition (continued)

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.

Individualised funding

Funding received in respect of individualised packages is received in advance and initially recognised as a liability. Revenue is brought to account upon confirmation of services provided to the individual. The individualised funding is received from both the Department of Family and Community Services (FACS) and National Disability Insurance Agency (NDIA) and is recorded as government subsidies and other revenue.

National Disability Insurance Scheme revenue

Funding in relation to the National Disability Insurance Scheme (NDIS) is recognised when services are provided to clients, noting that payment is received one month in arrears.

Funding for land purchase

Funding in relation to capital items, including the purchase of land, buildings and significant capital works is initially received in advance and recognised as a liability. Revenue is recognised upon confirmation of land purchases/commitment and is disclosed as Capital Funding.

Interest income

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

q) 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

r) 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

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 the 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 assets or liabilities 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 commercial property as disclosed in note 17. 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.

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(n). 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.

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, as they are not able to be reliably measured.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

4. Revenue and expenses

4.1 Revenue

(i) Government subsidies

	2017	2016
	$	$
Department of Family and Community Services (FACS)	29,933,648	46,518,364
Department of Health	641,089	-
Department of Social Services	2,792,219	3,324,019
Devolution Funding - Carinya/Hostel (FACS)	282,249	87,000
Total government subsidies	**33,649,205**	**49,929,383**

(ii) National Disability Insurance Scheme

	2017	2016
	$	$
National Disability Insurance Scheme	25,735,077	500,507
Total National Disability Insurance Scheme	**25,735,077**	**500,507**

(iii) Other revenue

	2017	2016
	$	$
Sale of goods	8,297,855	8,176,167
Board and lodging fees	3,732,804	3,460,952
Fundraising income (iv)	788,406	692,473
Fee for service and management fees	389,237	1,405,147
Other fees	663,355	484,133
Total other revenue	**13,871,657**	**14,218,872**

(iv) Fundraising income

	2017	2016
	$	$
Events and fundraising	561,857	387,548
Grants	216,549	304,925
Bequests	10,000	-
Total fundraising income (note 19.2)	**788,406**	**692,473**

4.2 Other income

	2017	2016
	$	$
Net gain on disposal of fixed assets	42,628	60,567
Large residential centre (LRC) gap funding from FACS	1,113,980	1,799,361
Other income	299,601	74,330
Total other income	**1,456,209**	**1,934,258**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

4. Revenue and expenses (continued)

4.3 Capital funding

	2017	2016
	$	$
Capital funding for land purchase, from FACS	1,829,983	1,687,215
Capital funding for purchase of land, to build a Group Home, from private benefactor	450,000	-
Total capital funding	**2,279,983**	**1,687,215**

4.4 Finance costs

	2017	2016
	$	$
Bank charges	33,335	18,630
Total finance costs	**33,335**	**18,630**

4.5 Employee benefits expenses

	2017	2016
	$	$
Salaries and wages	42,072,863	35,491,810
Workers' compensation costs	948,730	1,058,897
Agency staff	1,139,135	1,954,271
Sub-contractors	214,832	156,787
Superannuation costs	4,062,234	3,440,490
Recruitment, training and amenities	590,195	671,743
Annual leave	3,127,015	2,206,423
Long service leave	424,986	376,383
Total employee benefits expenses	**52,579,990**	**45,356,804**

4.6 Occupancy expenses

	2017	2016
	$	$
Operating leases rental	2,643,681	2,014,905
Food and household costs	686,260	630,485
Utilities	717,045	642,625
Cleaning	491,562	424,918
Repairs and maintenance	969,292	874,680
Other	149,638	113,813
Total occupancy expenses	**5,657,478**	**4,701,426**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

4. Revenue and expenses (continued)

4.7 Other expenses

	2017	2016
	$	$
Insurance	506,735	490,011
Fundraising expenses	214,747	129,193
Printing and stationery	246,164	222,821
Communication expenses	534,165	616,171
Transport expenses	602,517	578,692
Individual package costs	660,075	972,529
Computer, IT and professional fees	2,256,638	2,430,818
Other	1,866,947	1,273,400
Total other expenses	**6,887,988**	**6,713,635**

5. Cash and cash equivalents

	2017	2016
	$	$
Cash at bank	5,779,529	2,691,845
Cash on hand	83,966	75,366
Total cash and cash equivalents	**5,863,495**	**2,767,211**

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

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

	2017	2016
	$	$
Cash flow reconciliation		
Reconciliation of net surplus after tax to net cash flows from operations:		
Surplus for the year	8,360,311	8,468,271
Adjustments to reconcile surplus after tax to net cash flows:		
Depreciation expense of property, plant and equipment	1,357,722	1,052,911
Gain on disposal of property, plant and equipment	(42,628)	-
Provision for doubtful debts	1,284	5,564
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(694,177)	(99,105)
(Increase)/decrease in NDIS trade receivables	(3,439,003)	-
(Increase)/decrease in inventories	(206,714)	105,107
Increase/(decrease) in employee benefit liabilities	1,066,718	475,979
Increase/(decrease) in trade and other payables	801,698	355,477
Increase/(decrease) in provisions	(360,123)	84,948
Increase/(decrease) in funding in advance	(2,549,979)	1,689,153
Net cash flows from operating activities	**4,295,109**	**12,138,305**

Under the NDIS, funding has moved from block payments three months in advance to one month in arrears. This change is one of the primary drivers behind the ($7,843,196) decrease in net cash flows from operating activities.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

6. Trade and other receivables

	2017	2016
	$	$
Current		
Trade and other receivables	6,357,806	1,980,766
Provision for doubtful debts	(308,914)	(29,652)
Receivables from other related parties	-	2,592
Deposits	134,239	162,140
	6,183,131	**2,115,846**

Movements in the provision for doubtful debts were as follows:

At 1 July 2015	24,088
Charge for the year	5,564
At 30 June 2016	**29,652**
Charge for the year	279,262
At 30 June 2017	**308,914**

At 30 June 2017 a portion of the receivables balance was past due but not considered impaired. No specific collection issues have been identified with these receivables.

The provision for doubtful debts has been increased in line with the NDIS trade receivables.

7. Inventories

	2017	2016
	$	$
Raw materials		
Raw materials at cost	455,726	256,597
Provision for diminution in value and reworks	(50,000)	(70,000)
	405,726	186,597
Finished goods		
Finished goods at cost	8,819	42,044
	8,819	42,044
Work in progress		
Work in progress at cost	87,912	67,102
	87,912	67,102
Total inventories at the lower of cost and net realisable value	**502,457**	**295,743**

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2017 amounted to $70,000 (2016: $13,443).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

8. Other asset

	2017	2016
	$	$
Current		
Short-term deposits	26,450,325	28,900,786
Prepayments	462,891	398,280
	26,913,216	**29,299,066**

Short term deposits are made for varying periods depending on the forecast cash flow requirements of Sunnyfield, and earn interest at the respective short-term deposit rates.

The decrease in short term deposits in 2017 reflects the first phase transition to NDIS funding offset by one off funding received (capital funding $1.8m and large residential centre gap funding $1.1m). Management are monitoring and managing cash and short-term deposits due to changes brought about by the NDIS and how it will impact funding for services.

9. Property, plant and equipment

	2017	2016
	$	$
Buildings on leasehold land		
At cost	3,987,467	3,376,429
Accumulated depreciation	(2,699,816)	(2,493,830)
Net carrying amount	**1,287,651**	**882,599**
Freehold land and buildings		
At cost	8,060,728	6,201,138
Accumulated depreciation	(843,991)	(746,388)
Net carrying amount	**7,216,737**	**5,454,750**
Plant and equipment		
At cost	2,257,414	2,087,804
Accumulated depreciation	(1,317,785)	(1,117,983)
Net carrying amount	**939,629**	**969,821**
Motor vehicles		
At cost	4,881,121	4,327,266
Accumulated depreciation	(3,355,794)	(3,105,891)
Net carrying amount	**1,525,327**	**1,221,375**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

9. Property, plant and equipment (continued)

	2017	2016
	$	$
Computers - Hardware		
At cost	2,036,196	1,763,125
Accumulated depreciation	(1,189,359)	(804,964)
Net carrying amount	**846,837**	**958,161**
Total property, plant and equipment		
At cost	21,222,926	17,755,762
Accumulated depreciation	(9,406,745)	(8,269,056)
Net carrying amount	**11,816,181**	**9,486,706**

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

As outlined in note 18, 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

	2017
	$
Buildings on leasehold land	
Balance at the beginning of the year	
At 1 July	882,599
Additions	611,038
Depreciation charge for the year	(205,986)
Balance at the end of the year - Net carrying amount	**1,287,651**
Freehold land and buildings	
Balance at the beginning of the year	
At 1 July	5,454,750
Additions	1,859,590
Depreciation charge for the year	(97,602)
Balance at the end of the year - Net carrying amount	**7,216,737**
Plant and equipment	
Balance at the beginning of the year	
At 1 July	969,821
Additions	169,610
Depreciation charge for the year	(199,802)
Balance at the end of the year - Net carrying amount	**939,629**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

9. Property, plant and equipment (continued)

	2017
	$
Motor vehicles	
Balance at the beginning of the year	
At 1 July	1,221,375
Additions	777,378
Disposals	(223,523)
Depreciation charge for the year	(469,937)
Depreciation disposals for the year	220,035
Balance at the end of the year - Net carrying amount	**1,525,327**

	2017
Computers - Hardware	
Balance at the beginning of the year	
At 1 July	958,161
Additions	273,071
Depreciation charge for the year	(384,395)
Balance at the end of the year - Net carrying amount	**846,837**

	2017
Total property, plant and equipment	
Balance at the beginning of the year	
At 1 July	9,486,706
Additions	3,690,687
Disposals	(223,523)
Depreciation charge for the year	(1,357,722)
Depreciation disposals for the year	220,035
Balance at the end of the year - Net carrying amount	**11,816,181**

10. Trade and other payables

	2017	2016
	$	$
Current		
Trade and other payables	5,474,968	4,677,987
Carrying amount of trade and other payables	**5,474,968**	**4,677,987**

11. Provisions

	2017	2016
	$	$
Current		
Legal provision	110,000	100,000
Make good provision	899,000	556,609
Other provisions	699,500	1,412,014
	1,708,500	**2,068,623**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

11. Provisions (continued)

Movement in provisions
Movement in each class of provision during the financial year are set out below:

	Legal claim	Make good provisions	Other	Total
	$	$	$	$
At 1 July 2016	**100,000**	**556,609**	**1,412,014**	**2,068,623**
Arising during the year	85,755	594,065	441,167	1,120,987
Utilised during the year	(75,755)	(251,674)	(1,153,681)	(1,481,110)
At 30 June 2017	**110,000**	**899,000**	**699,500**	**1,708,500**

12. Employee benefit liabilities

	2017	2016
	$	$
Current		
Annual leave	3,107,767	2,242,903
Long service leave	1,407,491	1,351,696
	4,515,258	**3,594,599**
Non-current		
Long service leave	999,303	853,244
	999,303	**853,244**

13. Bank guarantee

Bank guarantee

Sunnyfield has bank guarantees with Westpac to the value of $422,700 (2016: $345,176) and with Commonwealth Bank of Australia to the value of $nil (2016: $90,497).

Mortgages paid off to Commonwealth Bank of Australia in respect of 5 properties are pending discharge with the bank. Management is working to have these discharged in FY18.

14. Funds

Details of reserves and funds included in consolidated statement of changes in funds

General Funds
General Funds represent the accumulation of the funds including the surplus for the year from Sunnyfield and the Independence Fund.

Asset Revaluation Reserve
This reserve is used to record increases in the fair value above the acquisition cost of freehold land and buildings.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

15. Information relating to Sunnyfield (the Parent)

	2017	2016
	$	$
Current assets		
Cash and cash equivalents	5,863,485	2,767,211
Trade and other receivables	6,183,776	2,113,676
Inventories	502,457	365,743
Other assets	25,885,591	28,249,712
Total current assets	**38,435,309**	**33,496,342**
Non-current assets		
Property, plant and equipment	11,443,854	9,099,803
Total non-current assets	11,443,854	9,099,803
Total assets	**49,879,163**	**42,596,145**
Current liabilities		
Trade and other payables	5,474,968	4,747,985
Funding in advance	6,049,614	8,599,593
Provisions	1,708,500	2,068,623
Employee benefit liabilities	4,515,258	3,594,599
Total current liabilities	**17,748,340**	**19,010,800**
Non-current liabilities		
Employee benefit liabilities	999,303	853,244
Total liabilities	**18,747,643**	**19,864,044**
Funds		
General funds	31,031,286	22,631,867
Asset revaluation reserve	100,234	100,234
	31,131,520	**22,732,101**
Surplus for the year	**8,399,419**	**9,240,849**

There are no commitments or contingencies as at the reporting date which would have a material effect on the Parent's financial statements as at 30 June 2017 (2016: $nil).

16. 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 2017, The Sunnyfield Independence Fund had a net surplus of $35,463 (2016: $68,159) and net assets of $1,401,888 (2016: $1,438,425). The Sunnyfield Independence Fund's results for the year ended 30 June 2017 have been included in Sunnyfield’s consolidated financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

16. Related party disclosures (continued)

Gateway 2015 Properties Trust
The Gateway 2015 Properties Trust is a charitable trust registered as a community housing provider under the Community Housing Providers National Law. The Trust is constituted by a Trust Deed dated 19 May 2015.

The Trust Fund is to be applied for the purposes of providing money, property or other benefits for the advancement of Sunnyfield and other similar institutions whose purpose is to provide certain services or support to people with an intellectual or other disability. Sunnyfield provides services to the Trust under a services deed dated 19 May 2015. The Trust has no assets as not trading during FY17.

16.1 Directors' compensation

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

16.2 Transactions with director-related entities

During the years ended 30 June 2017 and 30 June 2016, the following transactions with director-related entities took place:

2017

- Some of the member directors had family who received services from Sunnyfield Shared Living, Community Services and/or Enterprises.
- Director K Ingram is a Partner of law firm Clayton Utz. Clayton Utz performed both paid and pro-bono work on legal matters for Sunnyfield. The paid work was performed on commercial terms.

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

2016

- Some of the member directors had family who received services from Sunnyfield Shared Living, Community Services and/or Enterprises.
- Director K Ingram is a Partner of law firm Clayton Utz. Clayton Utz performed both paid and pro-bono work on legal matters for Sunnyfield. The paid work was performed on commercial terms.
- Director T Pockett is also a Director of Stockland Corporation Limited. Stockland performed pro-bono work for Sunnyfield during the year.

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

16.3 Key management personnel compensation

Refer to note 20 for key management personnel compensation.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

17. Commitments and contingencies

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:

	2017	2016
	$	$
Within one year	1,121,701	1,588,591
After one year but not more than five years	2,360,274	2,182,056
	3,481,975	**3,770,647**

The above figures do not include any commitment for properties where the lease is currently on month to month basis at 30 June 2017.

However, if all the properties currently being leased are retained, and/or replaced with something similar, then the total estimated commitment for the next five years is $3.5m (2016: $3.8m).

18. Economic dependency

Sunnyfield as a going concern is dependent upon the continuing support from the NSW State and Federal Government. A significant portion of income is derived from Government grants and subsidies. With 4.7% (2016: 5.1%) from the Federal Government, 41.4% (2016: 72.1%) from the NSW State Government and 35.1% (2016: 0.8%) from the National Disability Insurance Scheme.

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

	2017		2016	
Government subsidies	**$**	**%**	**$**	**%**
Federal	3,433,308	4.7	3,324,019	5.1
State	30,215,897	41.4	46,605,364	72.1
	33,649,205		49,929,383	
National Disability Insurance Scheme	25,735,077	35.1	500,507	0.8
	59,384,282		**50,429,890**	
Total revenue	**73,255,939**		**64,648,762**	

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

18. Economic dependency (continued)

	30 June 2017	30 June 2016	Contract term
	$	$	
Federal Government - Department of Social Services	2,792,219	3,324,019	This funding has been in place since 1984 and the current contract runs to 30 June 2017
Federal Covernment - Department of Health	641,089	-	
Total Federal Government	3,433,308	3,324,019	
State Government			
FACS	18,319,578	34,891,808	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 36 months to 30 June 2018
Post School Options	177,954	237,528	Portable funding transition to work to 30 June 2018
CPP Funding	2,991,182	3,362,082	Portable individual funding
Stronger Together	92,962	187,384	Portable individual funding to 30 June 2018
Individualised	8,351,972	7,839,562	Portable individual funding to 30 June 2018
	29,933,648	46,518,364	
Devolution Funding - Carinya/Hostel (FACS)	282,249	87,000	
Total State Government	30,215,897	46,605,364	
Government Subsidies (note 4.1(i))	**33,649,205**	**49,929,383**	
Additional State Government			
Other Income: LRC Gap Funding (note 4.2)	1,113,980	1,799,361	
Capital Funding: FACS Land Grant (note 4.3)	1,829,983	1,687,215	
Total Government Subsidies	**36,593,168**	**53,415,959**	
National Disability Insurance Scheme	25,457,099	500,507	

The land and premises occupied by Sunnyfield at 185 Allambie Road, Allambie Heights and at Druids Court, 2 Martin Luther Place are Crown Lands. The leases for those properties expired in November 2010 and December 2014 respectively. Sunnyfield also holds a current Crown Lands lease for vacant land at Aquatic Drive. No rental costs are currently paid in respect of any of these Crown Lands. New long term positions are actively being pursued for all of these properties.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

18. Economic dependency (continued)

From the 2018 financial year onwards, Sunnyfield will be primarily dependent on the Commonwealth Government funding clients through the National Disability Insurance Scheme (NDIS) and clients selecting Sunnyfield as their service provider.

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

19.1 Fundraising appeals conducted during the financial year ended 30 June 2017

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

19.2 Results of fundraising appeals

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

	SUNNYFIELD 2017	2016
	$	$
Fundraising income (Note 4.1 (iv))	788,406	692,473
Direct costs	(214,747)	(129,193)
Net surplus	**573,659**	**563,280**

19.3 Application of net surplus obtained from fundraising appeals

During the year Sunnyfield received gross proceeds and grants of $788,406 (2016: $692,473) from fundraising appeals. These funds were spent on direct care and plant and equipment acquisitions.

19.4 Comparison of certain monetary figures and percentages from fundraising appeals

	SUNNYFIELD 2017		SUNNYFIELD 2016	
	$	%	$	%
Fundraising income	788,406	100	692,473	100
Direct costs	(214,747)	(27)	(129,193)	(19)
Net surplus	**573,659**	**73**	**563,280**	**81**

20. Key management personnel

20.1 Details of key management personnel

(i) Directors (non-executive) (during the year and up to 30 June 2017)

Dr John Carter	(Appointed: 29 August 2011)
Mr Ian Fraser	(Appointed: 11 May 2013)
Ms Melissa Hammel	(Appointed: 31 October 2012)
Ms Karen Ingram	(Appointed: 12 February 2014)
Ms Heather Milnes	(Appointed: 25 October 2010)
Mr Mike Nicholls	(Appointed: 24 February 2016)
Mr Mal Park	(Appointed: 29 August 2011)
Mr Tom Pockett	(Appointed: 9 December 2010)
Mr Ross Rathmell	(Appointed: 25 October 2010)
Ms Clare Sowden	(Appointed: 14 September 2016)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2017

20. Key management personnel (continued)

20.1 Details of key management personnel (continued)

(ii) Senior leadership team executives

At June 2017 the team comprised:

Ms C Cuddihy	CEO
Dr M Clayton	Executive General Manager Shared Living
Mr E Carman	General Manager Major Projects and Property
Mr R Gregg	CFO
Ms M Loumbos	Executive Manager Human Resources
Mr S Robb	General Manager Enterprises
Mr P Robinson	General Manager Community Services
Mr S Russell	General Manager New Business
Mr J Swain	General Manager Corporate and Company Secretary
Mr B Tosello	General Manager Business Development and Fundraising

20.2 Compensation of key management personnel

Key management personnel comprises the Senior Leadership Team (2017: 10, 2016: 9).

	SUNNYFIELD	
	2017	2016
	$	$
Total compensation	**2,038,923**	**1,637,255**

Additional Senior Leadership Team roles for NDIS Transition, Major Projects and Property with wage indexation are the key drivers of the increase in key management personnel compensation.

21. Events after the reporting date

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

22. Auditors' remuneration

The auditor of Sunnyfield is Ernst & Young (Australia).

	2017	2016
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit of the financial report of the entity and any other entity in the consolidated group	49,000	45,000
Other services in relation to the entity and any other entity in the consolidated group		
Compilation services	7,200	7,000
Specific reviews	8,500	13,000
	64,700	**65,000**

Directors' declaration

In accordance with a resolution of the directors of Sunnyfield, we state that in the opinion of the directors:

(a) the financial statements and notes of the Group are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012,* including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards - Reduced Disclosure Requirements, and the *Australian Charities and Not-for-Profits Commission Act 2013*; and

(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) the consolidated statement of comprehensive income gives a true and fair view of all income and expenditure of the Group with respect to fundraising appeals;

(d) the consolidated statement of financial position gives a true and fair view of the state of affairs of the Group with respect to fundraising appeals;

(e) the provisions and regulations of the *NSW Charitable Fundraising Act 1991* and the conditions attached to the authority to fundraise have been complied with by the Group; and

(f) the internal controls exercised by the Group are appropriate and effective in accounting for all income received and applied by the Group from any of its fundraising appeals.

On behalf of the board

Karen Ingram
Director
27 September 2017

Ian Fraser
Director
27 September 2017

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Independent Auditor's Report to the Members of Sunnyfield

Report on the Financial Report

Opinion

We have audited the financial report of Sunnyfield (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and 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 Company 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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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 judgment 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company'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 Company 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 the directors 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.

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

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 2015*.

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 2017, 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 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015.

b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2017 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.

Ernst & Young

Ernst & Young

Loretta Di Mento
Partner
Sydney
27 September 2017