

Financial Statements 2019

for the year ended 30 June 2019

Meals on Wheels (SA) Incorporated
ABN 76 069 457 196

*More
than just a
meal.*

MEALS 
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General Information

The financial report covers Meals on Wheels (SA) Incorporated as an individual entity. The financial report is presented in Australian dollars, which is Meals on Wheels' functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the Declaration by the Board of the Association.

The financial report was authorised for issue on 19 September 2019.

Board Reports

Report of the Board

The Board reports that:

- (a) During the financial year ended 30 June 2019, no officer of the Association, firm of which the officer is a member, or body corporate in which the officer has a substantial financial interest, has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and the Association; and
- (b) During the year ended 30 June 2019, no officer of the Association has received directly or indirectly from the Association any payment or other benefit of a pecuniary value, except for remuneration as an employee of the Association.

Declaration by the Board of the Association

- (a) the attached financial statements and notes thereto comply with the Australian Accounting Standards – Reduced Disclosure Requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the Association's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- (c) the attached financial statements and notes thereto comply with the Australian Charities and Not-for-profits Commission Act 2012, the Australian Charities and Not-for-profits Commission Regulation 2013 and other mandatory professional reporting requirements; and
- (d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board and is signed for and on its behalf by:



Bill Coomans
Chairman, Meals on Wheels



Kevin Reid
Honorary Treasurer

Dated 19 September 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
NET SURPLUS			
Revenue	3	14,613,974	14,094,443
Other income		80,105	46,948
Ingredients and consumables		(4,995,249)	(4,731,655)
Other operating expenses	4	(2,501,848)	(2,270,487)
Employee benefits expenses	12.1	(3,983,088)	(3,417,497)
Depreciation & Amortisation		(948,303)	(946,252)
Central & branch office expenses	5	(1,445,313)	(1,148,721)
Loss on disposal of property, plant and equipment		(40,773)	(67,813)
NET SURPLUS FOR THE YEAR		779,505	1,558,966
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Loss from remeasuring financial assets at fair value through other comprehensive income		(181,057)	(445,643)
Revaluation of property, plant and equipment	10	1,234,334	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		1,053,277	(445,643)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,832,782	1,113,323

Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	6	5,056,857	4,831,191
Financial assets	7	12,212,217	18,151,026
Trade and other receivables	8	35,752	43,728
Inventories	2(j)	67,893	71,143
Other assets	9	239,674	178,647
TOTAL CURRENT ASSETS		17,612,393	23,275,736
NON CURRENT ASSETS			
Property, plant & equipment	10	18,498,681	10,269,076
Financial assets	7	4,109,458	4,130,966
TOTAL NON CURRENT ASSETS		22,608,139	14,400,042
TOTAL ASSETS		40,220,532	37,675,778
CURRENT LIABILITIES			
Trade and other payables	11	1,070,283	794,702
Provisions	12.2	656,315	596,602
Other liabilities	13	347,969	-
TOTAL CURRENT LIABILITIES		2,074,567	1,391,304
NON CURRENT LIABILITIES			
Provisions	13.2	62,952	34,243
TOTAL NON CURRENT LIABILITIES		62,952	34,243
TOTAL LIABILITIES		2,137,519	1,425,547
NET ASSETS		38,083,013	36,250,231
EQUITY			
Retained surplus	14	33,004,826	32,225,321
Asset revaluation reserve	15	4,746,694	3,512,360
Financial asset reserve	15	331,493	512,550
TOTAL EQUITY		38,083,013	36,250,231

Statement of Changes in Equity

For the year ended 30 June 2019

	Asset Revaluation Reserve	Financial Asset Reserve	Retained Surplus	Total Equity
	\$	\$	\$	\$
Balance at 30 June 2017	3,512,360	5,671,700	25,952,846	35,136,906
CHANGES IN EQUITY				
Other comprehensive income	-	(445,643)	-	(445,643)
Surplus/(deficit) for the year	-	-	1,558,968	1,558,968
Transfer to/(from) reserves	-	(4,713,507)	4,713,507	-
Balance at 30 June 2018	3,512,360	512,550	32,225,321	36,250,231
CHANGES IN EQUITY				
Other comprehensive income	1,234,334	(181,057)	-	1,053,277
Surplus/(deficit) for the year	-	-	779,505	779,505
Transfer to/(from) reserves	-	-	-	-
Balance at 30 June 2019	4,746,694	331,493	33,004,826	38,083,013

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019	2018
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from :			
Meal sales		9,595,123	9,423,489
Government & other grants		4,415,935	2,884,157
Donations		372,530	106,938
Interest		393,796	232,245
Other sources		88,082	91,449
		14,865,466	12,738,278
Payments for :			
Meal production & distribution costs		6,910,513	6,613,049
Employment costs		3,889,261	3,350,461
Other costs		2,065,179	1,547,615
		12,864,953	11,511,125
Net cash flows from operating activities	16 (b)	2,000,513	1,227,153
CASH FLOWS USED IN INVESTING ACTIVITIES			
Net Proceeds from sale of financial assets		-	12,976,480
Proceeds from sales of property, plant & equipment		13,168	11,281
Purchase of land & buildings		(7,428,663)	(473,196)
Purchase of plant & equipment		(298,162)	(335,426)
Net cash flows used in investing activities		(7,713,657)	12,179,139
Net increase in cash		(5,713,144)	13,406,292
Cash on hand at beginning of financial year		22,982,218	9,575,926
Cash, cash equivalents and term deposits at the end of the year	16 (a)	17,269,074	22,982,218

Notes to the Financial Statements

For the year ended 30 June 2019

1. ASSOCIATION INFORMATION

Meals on Wheels (SA) Incorporated is an Association incorporated in South Australia under the Associations Incorporation Act 1985 (SA) and a registered charity with the Australian Charities and Not-for-Profits Commission.

The Association's primary activities are to provide support to members of the community to live independently and increase wellbeing through the delivery of nourishing meals, offering social connection and by recognising, responding and building people's capacity to meet nutritional and other needs.

These services are provided through the Association's volunteer workforce which helps strengthen communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012 and the Australian Accounting Standards - Reduced Disclosure Requirements.

The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities, except for the cash flow information and the recognition of revenue. The amounts presented in the financial statements have been rounded to the nearest dollar.

b) Fair Value of Assets and Liabilities

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

Fair value is the price the Association would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market value may be made having regard to the characteristics of the specific asset or liability.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to the Association at the reporting date.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of an identical or similar financial instrument, by reference to observable market information where identical or similar instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

c) Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

d) Income Tax

The Association is exempt from income tax pursuant to the Income Tax Assessment Act 1997. Accordingly, Australian Accounting Standard AASB 112 has not been applied and no provision for income tax has been included in the financial statements. The Association is entitled to claim a refund of franking credits from the Australian Taxation Office on dividends received and these amounts have been included in other revenue.

e) Revenue Recognition

Revenue from the sale of meals and associated costs are recognised on delivery. All revenue is stated net of the amount of goods and services tax. Donations and legacies are recognised when received. Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

f) Government and Other Grants

Government and other grants (including non-monetary grants at fair value) are recognised when there is reasonable assurance that all conditions will be complied with and that the grants will be received.

Grant revenue is recognised in the statement of profit or loss when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes it is recognised in the statement of financial position as a liability until such conditions are met or services provided.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts or payments.

h) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position includes cash at bank and on hand and short-term deposits with an original maturity of three months or less where the investment is convertible to known amounts of cash and is subject to insignificant risk of changes in value. For the purposes of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, plus term deposits with maturity dates of less than 12 months from balance date net of any outstanding bank overdrafts.

i) Trade & Other Receivables

Trade and Other Receivables, which comprise amounts due from sales of merchandise and from services provided to customers, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Normal terms of settlement vary from seven to 90 days. The carrying amount of the receivable is deemed to reflect fair value.

An allowance for impairment is made when there is objective evidence that the Association will not be able to collect the debts. Bad debts are written off when identified.

j) Inventories

Inventories consists of consumables which are measured at the lower of cost and net realisable value.

k) Property, Plant & Equipment

Bases of measurement of carrying amount

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Any property, plant and equipment donated to the Association or acquired for nominal cost is recognised at fair value at the date the Association obtains control of the asset.

Revaluation of Freehold Land and Buildings

Following initial recognition at cost, Freehold land and buildings are then carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Fair value is the amount that 'would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair values are confirmed by independent valuations which are obtained with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the reporting date. Board Member valuations are used if an independent valuation does not take place during an annual reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Freehold Land and buildings are treated as a class of assets. When the carrying amount of this class of assets is increased as a result of a revaluation, the increase is credited directly to the revaluation reserve and other comprehensive income, except where it reverses a revaluation decrement previously recognised in the statement of profit or loss and other comprehensive income, in which case it is credited to the operating surplus shown in that statement. When the carrying amount of land and buildings is decreased as a result of a revaluation, the decrease is recognised in the statement of profit or loss and other comprehensive income, except where a credit balance exists in the revaluation reserve, in which case it is debited to that reserve.

Depreciation

Items of property, plant and equipment (other than land) are depreciated over their useful lives commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis over the expected useful economic lives of the assets as follows:

	2019
	% pa
Plant, fixtures and fittings	10-15
Office equipment	20-33
Motor vehicles	25

Freehold Buildings

Freehold buildings are depreciated over periods ranging from 10 - 40 years. Buildings are depreciated based on the useful life estimate at 1 July 2012 as follows:

Building purchase date	Useful life
1982 and prior	10 years
1983 - 1992	20 years
1993 - 2002	30 years
2003 and later	40 years

Leasehold Buildings

Leasehold properties are amortised over 15 years, where it is management's expectation that the associated lease term will be 15 years or greater.

Impairment

At each reporting date, the Board reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

l) Employee Entitlements

Provision is made for the Association's liability for employee benefits arising from services rendered by the employees to balance date. Employee benefits that are expected to be settled within 12 months of the reporting date have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Non-accumulating non-monetary benefits, such as sick leave, are expensed based on the net marginal cost to the Association as the benefits are taken up by the employees.

Contributions made by the Association to employee superannuation funds are charged as expenses when incurred.

m) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Association commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and subsequent measurement

Financial liabilities

Financial liabilities consist of trade and other payables which are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial asset

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss."

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets."

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprised both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit and loss.

The Association initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Association no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Association elected to classify under the fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Association recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Association uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach; and
- the simplified approach.

General approach

Under the general approach, at each reporting period, the Association assesses whether the financial instruments are credit-impaired, and:

- if the credit risk of the financial instrument has increased significantly since initial recognition, the Association measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there is no significant increase in credit risk since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to trade receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Association recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

n) Trade & Other Payables

Trade and Other Payables represent liabilities for goods and services provided before the end of the financial year that are unpaid. These amounts are usually settled in 30 days. The carrying amount of trade and other payables is deemed to reflect fair value.

o) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures. Capital Work In Progress for an amount of \$297,042 has been separately disclosed in the 2018 comparative, in the prior year financial statements this was included in Freehold buildings at cost.

p) Fair Value Measurements

The Association measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- financial assets (excluding cash & term deposits)
- land & buildings held for resale
- freehold land
- freehold buildings

The Association does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

q) New and amended accounting policies adopted by the Association

Impact on adoption of AASB 9

The Association has adopted AASB 9 Financial Instruments on 1 July 2018. AASB 9 replaces the existing guidance in AASB 139 Financial Instruments Recognition and Measurement, and includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial liabilities from AASB 139.

Classification:

From 1 July 2018, the Association classifies financial assets as either:

- those measured at fair value, with adjustments to fair value recorded through Other Comprehensive Income or through profit or loss, and
- those measured at amortised cost.

The Association's term deposits and trade and other receivables are held within a business model whose objective is to collect contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, these balances are measured at amortised cost under AASB 9, which is consistent with their treatment in prior years.

The Association's investment with Lanyon Australian Value Fund is held within a business model with the objective of both contractual cash flows collection and the selling of the financial asset. Therefore, this balance is measured at fair value, with adjustments to fair value recorded through Other Comprehensive Income under AASB 9, which is consistent with their treatment in prior years.

Impairment:

The Association's financial assets and trade and other receivable are subject to AASB 9 new expected credit loss model for recognising and measuring impairment of financial assets.

The Association has adopted the simplified approach under AASB 9 for calculating the allowance. The collective loss allowance is determined based on the historical default percentage in each portfolio and adjusted for other current observable and forward-looking information as a means to estimate lifetime expected credit loss model for similar financial assets. As a result of this process, no provision was considered necessary for the year ended 30 June 2019, and an adjustment was not necessary for comparative information.

r) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for the Association for the financial year ending 30 June 2020. It is anticipated that AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-For-Profit Entities are not likely to have a material impact on the financial statements. The Association has decided not to adopt these standards prior to the mandatory application dates. The following table summarises those future requirements:

AASB 1058 Income of Not-For-Profit Entities

AASB 1058 requires the recording of income in the financial statements for donations of goods received for no consideration or consideration significantly lower than their market rates, subject to a materiality assessment, and offers a choice for not-for-profit entities to recognise volunteer services, whether or not the services would have been purchased if they had not been donated. The Association has determined that it will not elect to recognise volunteer services and it is not anticipated that there will be a material effect in the financial statements from the recording of the donations of goods received at below market rates.

AASB 15 Revenue from Contracts with Customers

To be in the scope of AASB 15, the contract must: (a) be enforceable; (b) contain performance obligations to transfers goods or services to another party that are sufficiently specific to enable determination of when the obligation has been satisfied; and (c) not result in the goods or services specified being retained by the entity. If contracts for services or grant agreements do not meet the scope of AASB15 then generally the revenue would be recognised immediately under AASB 1058. The Association has commenced a review of the terms of contracts to assess if there will be any changes to the timing of recognition of revenue. The Association does have contracts to deliver sufficiently specific services and will recognise revenue as the performance obligation is satisfied. This treatment is consistent with the treatment of revenue in the current year's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16 Leases

AASB16 requires a lessee to recognise a right-of-use asset, representing its right to use the underlying leased asset; and a lease liability representing its obligations to make lease payments in the Statement of Financial Position, initially measured on a present value basis. A lessee will recognise depreciation of the right-of-use asset and interest on the lease liability in the Statement of Profit or Loss over the lease term. An amendment was issued AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities to provide a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of use assets arising under leases with significantly below-market terms. The Standard requires an entity that elects to apply the option to include additional disclosures in the financial statements. The Association has determined that it will make this election, this reduces the need to undertake market rate valuations and to recognise immediately the donation-in-kind of the consideration received below market values and has assessed that there will be minimal or no impact on the financial statements.

3. REVENUE

	2019	2018
	\$	\$
Contributions from Customers	9,611,227	9,428,630
Federal Government - Commonwealth Home Support Program	3,727,096	2,684,924
State Government - Home & Community Care	203,219	199,233
Other Grants & Sundry receipts	137,651	11,311
Donations & legacies	372,530	106,938
Interest & dividends	402,702	303,862
Investment income reinvested	159,549	1,359,545
	14,613,974	14,094,443

4. OTHER OPERATING EXPENSES

Transport reimbursement	554,775	556,012
Electricity & gas	508,214	487,291
Repairs & maintenance	436,770	426,304
Cleaning costs	415,503	411,788
Rates & taxes	121,660	58,854
Insurance	100,016	88,484
Utensils & equipment	98,830	66,612
Motor vehicles	86,016	76,894
Sundry operating costs	85,191	41,658
Non-meal related branch costs	60,841	45,940
Food safety certification	17,928	5,509
Bad debts	16,104	5,141
	2,501,848	2,270,487

The increase in sundry operating costs relates to increased food safety compliance costs. The increase in rates & taxes cost in 2019 is for the Sir Donald Bradman Drive, Hilton property, concessional discounts were not available during the 2018-19 financial year as the Association did not own the property at 1 July 2018.

5. CENTRAL & BRANCH OFFICE EXPENSES

	2019	2018
	\$	\$
Marketing & public relations	355,016	213,080
Consultants	237,182	153,428
Computer costs	176,378	142,021
Printing & stationery	163,646	144,652
Telephone	148,670	186,839
Projects	74,258	2,981
Branch Services	47,351	60,556
Other administration expenditure	45,190	57,213
Subscriptions	41,885	31,686
Travelling expenses	41,240	64,420
Training expenses	36,608	15,160
Postage & freight	33,088	25,203
Auditors remuneration	27,331	20,209
Other office expenses	17,470	31,274
	1,445,313	1,148,721

A resumption of marketing activity at expected levels occurred in 2019. The increase in consultancy costs in 2019 related to investment in innovation, organisational culture improvement and backfill of critical functions during unplanned staff absences. Projects for 2019 included the website upgrade, gala dinner outgoings offset by revenue and other projects.

6. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	1,963,035	1,383,898
Deposits at call	3,093,821	3,447,292
	5,056,857	4,831,191

7. FINANCIAL ASSETS

Current at Cost		
Term deposits - maturing not later than one year	12,212,217	18,151,026

Short-term deposits are made for varying periods of between three months and twelve months, depending on the Association's cash requirements. These deposits earn interest at market rates. The level of short-term deposits held is to meet future planned capital projects anticipated to occur in the next financial year.

Non-Current at Fair Value		
Fair value through other comprehensive income		
Opening balance	4,130,966	16,193,544
Purchases	-	-
Disposals	-	(12,976,480)
Reinvestments credited	159,549	1,359,545
Revaluation increment / (decrement)	(181,057)	(445,643)
Closing balance	4,109,458	4,130,966

Financial assets classified as fair value through other comprehensive income are the investment held in Lanyon Australian Value Fund of \$4,109,458. The Association chose to make the irrevocable election on transition to classify Lanyon Australian Value Fund as fair value through other comprehensive income.

8. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade receivables	35,752	43,728

9. OTHER ASSETS

Prepayments	144,885	92,765
Accrued income	94,789	85,882
	239,674	178,647

10. PROPERTY, PLANT AND EQUIPMENT

FREEHOLD LAND & BUILDINGS		
Freehold land at valuation	12,609,239	4,799,782
Freehold buildings at valuation	1,488,000	1,775,000
Freehold buildings at cost	-	1,461,594
Accumulated depreciation	-	(722,897)
Total Freehold Land & Buildings	14,097,239	7,313,479
LEASEHOLD BUILDINGS		
Leasehold buildings at cost	5,813,946	6,016,889
Accumulated amortisation	(4,777,502)	(4,603,532)
Total Leasehold Buildings	1,036,444	1,413,357
CAPITAL WORK IN PROGRESS		
Buildings under construction	2,280,901	297,042
Total Capital Work in Progress	2,280,901	297,042
PLANT, FIXTURES & FITTINGS		
Furniture, Fixtures & Fittings at cost	368,320	368,320
Accumulated depreciation	(350,922)	(333,960)
Total Furniture, Fixtures & Fittings	17,398	34,360
Kitchen Equipment at Cost	5,082,472	5,058,018
Accumulated depreciation	(4,283,369)	(4,187,149)
Total Kitchen Equipment	799,103	870,870
Total Plant, Fixtures & Fittings	816,501	905,230
OFFICE EQUIPMENT		
Office Equipment at cost	893,599	811,571
Accumulated depreciation	(740,777)	(621,672)
Total Office Equipment	152,821	189,899
MOTOR VEHICLES		
Motor Vehicles at cost	470,113	451,376
Accumulated depreciation	(355,338)	(301,307)
Total Motor Vehicles	114,775	150,069
TOTAL PROPERTY, PLANT AND EQUIPMENT	18,498,681	10,269,076

Capital Work in Progress

Capital work in progress is for building works on the co-located cook-chill production facility and corporate office located at Sir Donald Bradman Drive, Hilton.

Revaluation of Land and Buildings

Freehold Land and Buildings were revalued by the Board Members on 30 June 2019 on the basis of valuations provided by the Valuer-General on the valuation records from Land Services SA as at 1 January 2019, with the exception of the site at Sir Donald Bradman Drive, Hilton which was valued at the purchase price on the 22 October 2018 settlement date.

Based on the Board Members' review at the reporting date, the Board Members have determined that the valuations provided by the Valuer-General as at 1 January 2019 and the purchase price for land purchased during the financial year are appropriate at the reporting date of 30 June 2019 and that there will not be a significant impact from using these valuations.

Movement in the carrying amounts for each class of non-current assets between the beginning and the end of the financial year;

	Freehold Land & Buildings	Leasehold Property	Capital WIP	Plant Fixtures & Fittings	Office Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Carrying Amount at 1 July 2017	7,282,306	1,831,063	-	938,822	241,518	192,093	10,485,802
Additions	170,975	5,179	297,042	208,792	80,123	46,511	808,622
Disposals	-	(64,146)	-	(3,066)	(2,072)	(9,812)	(79,096)
Depreciation & amortisation	(139,802)	(358,739)	-	(239,317)	(129,671)	(78,723)	(946,252)
Revaluation increment	-	-	-	-	-	-	-
Carrying Amount at 30 June 2018	7,313,479	1,413,357	297,042	905,231	189,898	150,069	10,269,076
Carrying Amount at 1 July 2018	7,313,479	1,413,357	297,042	905,231	189,898	150,069	10,269,076
Additions	5,710,239	5,255	1,983,859	164,463	87,883	45,816	7,997,515
Disposals	-	(46,191)	-	(1,889)	-	(5,861)	(53,941)
Depreciation & amortisation	(160,813)	(335,977)	-	(251,304)	(124,960)	(75,249)	(948,303)
Revaluation increment	1,234,334	-	-	-	-	-	1,234,334
Carrying Amount at 30 June 2019	14,097,239	1,036,444	2,280,901	816,501	152,821	114,775	18,498,681

11. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Trade creditors	369,567	334,441
Sundry creditors and accruals	642,701	422,279
Superannuation payable	34,015	28,610
Audit fees payable	24,000	9,372
	1,070,283	794,702

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

12. EMPLOYEE REMUNERATION

12.1 EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed as follow:

	2019	2018
	\$	\$
Salaries	3,187,485	2,692,561
Workers compensation insurance	103,210	95,894
Superannuation contributions	323,163	277,875
Employee benefit provisions	369,230	351,167
	3,983,088	3,417,497

12.2 PROVISIONS

Provisions include the following liabilities recognised for employee benefits:

Current		
Annual leave	264,780	255,359
Long service leave	391,534	341,242
	656,315	596,602
Non Current		
Long service leave	62,952	34,243

13. OTHER LIABILITIES

Unearned grant funds	347,969	-
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The target number of meal services for the Commonwealth Home Support Program were not achieved in 2018-19. Grant funds received in advance for the balance of services are held as a liability in accordance with note 2 (f).

14. RETAINED SURPLUS

Opening balance	32,225,321	25,952,846
Surplus (deficit) for the year	779,505	1,558,968
Transfer from Reserves	-	4,713,507
Closing balance	33,004,826	32,225,321

15. RESERVES

Financial Assets at Fair Value through Other Comprehensive Income Reserve		
Opening balance	512,550	5,671,700
Other Comprehensive Income for the year (Decrement) Increment on revaluation of investments	(181,057)	(445,643)
Transfer to Retained Surplus	-	(4,713,507)
Closing balance	331,493	512,550

The Financial Assets at Fair Value through Other Comprehensive Income reserve relates to holdings in the Lanyon Australian Value Fund, fair values have been determined as the redemption price at the end of the reporting period.

Asset Revaluation Reserve		
Opening balance	3,512,360	3,512,360
Increment on revaluation of assets	1,234,334	-
(Decrement) on revaluation of assets	-	-
Closing balance	4,746,694	3,512,360

The Asset Revaluation Reserve relates to freehold land & buildings.

16. CASH FLOW INFORMATION

(a) Reconciliation of Cash:			
Cash on hand and at bank	6	1,963,035	1,383,898
Deposits at call	6	3,093,821	3,447,292
Term deposits	7	12,212,217	18,151,026
		17,269,074	22,982,218
(b) Reconciliation of net cash provided by operating activities to surplus			
Total surplus		779,505	1,558,968
Add non cash items			
Amortisation		335,977	358,739
Depreciation		612,326	587,513
Add/(less) items classified as investing/financing			
Investment income reinvested		(159,549)	(1,359,545)
(Gain) / loss on sale property, plant and equipment		40,773	67,813
Net cash before changes in assets and liabilities		1,609,032	1,213,489
Changes in assets & liabilities			
(Increase) / decrease in trade and other receivables		7,976	33,189
(Increase) / decrease in inventories		3,250	12,554
(Increase) / decrease in other assets		(61,027)	(63,779)
Increase / (decrease) in trade and other payables		4,891	(43,204)
Increase / (decrease) in provisions		88,422	68,662
Increase / (decrease) in other liabilities		347,969	6,242
Net cash from operations		2,000,513	1,227,153

17. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(a) Board Members' Compensation

Board Members are reimbursed for expenses incurred in relation to their duties. No other compensation is paid to Board Members.

(b) Transactions with Board Member-related entities

There are no transactions with Board Member-related entities.

18. KEY MANAGEMENT PERSONNEL DISCLOSURE

(a) Key Management Personnel

The key management personnel of the Association are its Chief Executive Officer and the members of the Leadership Group.

(b) Key Management Compensation

The total remuneration paid to key management personnel of the Association is \$852,782 (2018 \$720,119). One key management personnel position was vacant for part of the 2018 financial year.

(b) Transactions with Key Management Personnel

There were no transactions or outstanding balances relating to key management personnel during the year 30 June 2019 (or the year ending 30 June 2018) other than the compensation noted in note 4(b) above.

19. CONTINGENT LIABILITIES

There are no contingent liabilities that have been incurred by the Association in relation to 2019 or 2018.

20. CAPITAL COMMITMENTS

The Board approved on 20 December 2018 the execution of a contract relating to the construction of a co-located cook-chill production facility and corporate offices for an approximate amount of \$17.5 million. Capital work has commenced and an amount of \$2,280,901 is recorded as capital work in progress as at the end of the reporting period for this project. The construction contract is expected to be completed by May 2020.

21. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.



Independent Auditor's Report to the Members of Meals on Wheels (SA) Incorporated

Opinion

We have audited the financial report of Meals on Wheels (SA) Incorporated ("the Entity") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act (SA) 1985*, including:

- a) giving a true and fair view of the Entity's financial position as at 30 June 2019 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence 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 confirm that the independence declaration required by Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to Members of the Board, would be in the same terms if given as at the time of this auditor's report.

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

Responsibilities of Management and Members of the board for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act (SA) 1985* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity 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 Members of the Board 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.

We also provide the Members of the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
20 September 2019

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Corey McGowan
Director



AUDITOR'S INDEPENDENCE DECLARATION

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Meals on Wheels (SA) Incorporated for the year ended 30 June 2019.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
20 September 2019

A handwritten signature in blue ink that reads 'C. McGowan'.

Corey McGowan
Director

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