

FINANCIAL STATEMENTS 2020

Contents

Consolidated statement of profit or loss and other comprehensive income.....	1
Consolidated statement of financial position	2
Consolidated statement of changes in funds.....	3
Consolidated statement of cash flows	4
A About us.....	5
B Our performance.....	7
C Our operating asset base	12
D Financial Instruments.....	24
E Our People.....	29
F Our Structure	31
G Other disclosures	33
Declaration by the Board of UnitingCare Queensland.....	41
Auditor's Independence Declaration.....	42
Independent Auditor's Report	43

Registered office

The registered office of UnitingCare Queensland is:

The Uniting Church in Australia - Queensland Synod
60 Bayliss Street
Auchenflower QLD 4066

The principal office of UnitingCare Queensland is level 5, 192 Ann Street, Brisbane, Queensland 4000.

UnitingCare Queensland

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Revenue			
Revenue from contracts with customers	B1	1,627,086	1,564,813
Other income	B1	138,255	54,289
Total revenue		1,765,341	1,619,102
Share of surplus/(deficit) in joint ventures	F2	1,370	(69)
Change in fair value of investment properties	C3	(10,161)	(1,835)
Expenses			
Salaries and employee expenses		(1,057,452)	(1,010,181)
Supplies and services expenses		(274,515)	(266,174)
Depreciation and amortisation expenses	C2, C4	(116,023)	(94,993)
Property expenses	B2	(130,541)	(126,578)
Other expenses	B2	(142,568)	(156,597)
Finance costs	B2	(5,812)	(2,843)
Total expenses		(1,726,911)	(1,657,366)
Surplus/(deficit) for the year		29,639	(40,168)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Gains on property revaluation	C3	-	23,689
Losses on equity instruments measured at FVOCI ⁱ	D1	(711)	-
<i>Items that will subsequently be reclassified to profit or loss</i>			
Losses on debt instruments measured at FVOCI ⁱ	D1	(71)	-
Other comprehensive (loss)/income for the year		(782)	23,689
Total comprehensive income/(loss) for the year		28,857	(16,479)

ⁱ Fair value through other comprehensive income (FVOCI)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

UnitingCare Queensland

Consolidated statement of financial position

As at 30 June 2020

		2020	2019
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	B3.1	455,508	345,668
Trade and other receivables	C1.1	78,360	88,791
Other financial assets	D1	22,267	-
Inventories	C1.2	14,270	12,880
Other current assets	C1.3	45,709	22,279
Assets classified as held for sale		1,386	499
Total current assets		617,500	470,117
Non-current assets			
Interests in other entities	F2	-	6,644
Property, plant and equipment	C2.1	1,018,316	1,032,202
Investment properties	C3	575,694	570,899
Intangible assets	C4	50,343	36,069
Other non-current assets	C1.3	2,299	6,650
Total non-current assets		1,646,652	1,652,464
TOTAL ASSETS		2,264,152	2,122,581
LIABILITIES			
Current liabilities			
Trade and other payables	C1.4	134,445	129,905
Ingoing contributions and accommodation bonds ⁱ	C1.5	775,537	754,685
Borrowings	D2	13,791	1,678
Employee benefits and other provisions	E1	160,423	148,372
Other current liabilities	C1.6	138,695	94,499
Total current liabilities		1,222,891	1,129,139
Non-current liabilities			
Trade and other payables	C1.4	5,307	4,666
Borrowings	D2	38,746	7,396
Employee benefits and other provisions	E1	26,369	15,027
Other non-current liabilities	C1.6	42,261	52,261
Total non-current liabilities		112,683	79,350
TOTAL LIABILITIES		1,335,574	1,208,489
NET ASSETS		928,578	914,092
FUNDS			
Contributed funds		5,234	5,234
Properties revaluation reserve		23,689	23,689
Financial assets at FVOCI reserve		(782)	-
Accumulated funds		900,437	885,169
TOTAL FUNDS		928,578	914,092

ⁱ Australian Accounting Standards require ingoing contributions and accommodation bonds to be presented as current liabilities. The Group estimates that \$136,821,000 (2019: \$125,264,000) are expected to be settled within 12 months of year end. Further details are included within C1.5.

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

UnitingCare Queensland

Consolidated statement of changes in funds

For the year ended 30 June 2020

	Note	Contributed funds \$'000	Properties Revaluation Reserve \$'000	Financial assets at OCI Reserve \$'000	Accumulated funds \$'000	Total funds \$'000
Balance at 1 July 2018		5,234	-	-	925,337	930,571
Deficit for the year		-	-	-	(40,168)	(40,168)
Other comprehensive income	C3	-	23,689	-	-	23,689
Balance at 30 June 2019		5,234	23,689	-	885,169	914,092
Change in accounting policy	G6.6	-	-	-	(14,371)	(14,371)
Adjusted balance at 1 July 2019		5,234	23,689	-	870,798	899,721
Surplus for the year		-	-	-	29,639	29,639
Other comprehensive loss		-	-	(782)	-	(782)
Balance at 30 June 2020		5,234	23,689	(782)	900,437	928,578

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

UnitingCare Queensland

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from clients, funding and others		1,802,851	1,673,638
Payments to suppliers and employees		(1,645,970)	(1,617,764)
Interest received		5,377	9,078
Interest paid		(4,834)	(2,948)
Net cash inflow from operating activities	B3.2	157,424	62,004
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		17,840	4,980
Proceeds from capital grants		11,438	13,498
Payments for property, plant and equipment		(55,445)	(84,783)
Payments for intangible assets		(30,956)	(14,654)
Dividends received from joint venture	F2	6,757	-
Dividends received from investments in financial assets	D1	284	-
Proceeds from sale of business	F2	25,289	-
Payments for investment properties	C3	(11,011)	(8,033)
Payments for purchases of financial assets		(23,090)	-
Loans advanced to joint ventures		(1,250)	(2,000)
Repayment of loans by joint ventures		859	785
Net cash outflow from investing activities		(59,285)	(90,207)
Cash flows from financing activities			
Net proceeds from ingoing contributions and accommodation bonds	D2.3	33,899	40,519
Repayment of lease liabilities	D2.3	(16,198)	-
Repayment of finance lease liabilities		-	(2,024)
Repayment of borrowings	D2.3	(6,000)	-
Net cash inflow from financing activities		11,701	38,495
Net increase in cash and cash equivalents		109,840	10,292
Cash and cash equivalents at beginning of year		345,668	335,376
Cash and cash equivalents at end of year	B3.1	455,508	345,668

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

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

A About us

A1 Our organisation

UnitingCare Queensland's principal continuing activities are delivering quality health, aged care, disability and community services across Queensland and the Northern Territory. UnitingCare Queensland ('the Group') provides person-centred care and support services to thousands of people every day of the year, enabling clients to live their best possible lives, whatever their circumstances.

The Group is an unincorporated not-for-profit organisation established by the Uniting Church in Australia - Queensland Synod. The Uniting Church in Australia - Queensland Synod has appointed the Board of UnitingCare Queensland to govern its activities. Legal title to all property beneficially utilised in the services provided by the Group is held in trust by the Uniting Church in Australia Property Trust (Q.), (the Property Trust), a body incorporated by statute and domiciled in Australia, or Australian Regional and Remote Community Services Limited (ARRCS).

A2 Our Financial Statements

A2.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for investment properties and financial assets that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

A2.2 Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations (AASBs) issued by the Australian Accounting Standards Board. In some circumstances, where permitted under the AASBs, the Group has elected to apply certain exemptions available to not-for-profit entities. The financial statements of the Group for the year ended 30 June 2020 were approved by the Board of UnitingCare Queensland on 6 October 2020.

A2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities controlled by the Group. Control is achieved when the Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its returns.

The Group controls the following not-for-profit entities:

- UnitingCare Queensland*;
- UnitingCare Community*;
- Blue Care* (NAPS ID 314);
- UnitingCare Health*; and
- ARRCS (NAPS ID 6871).

by virtue of its governance oversight vested in the Board by the Uniting Church in Australia - Queensland Synod By-laws (section 3.1.1.1). All of the above entities are endorsed as deductible gift recipients.

* These organisations report to the Australian Charities and Not-for-profits Commission (ACNC) on a group reporting basis, known as the UnitingCare QLD_ACNC Group, refer G6.8.

Consolidation of an entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity. All intragroup balances and transactions are eliminated on consolidation, and accounting policies are consistent.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

A2.4 Judgements, estimates and assumptions

The preparation of financial statements, in conformity with AASBs, requires the use of certain critical accounting estimates. It also requires the Board and management to exercise judgements in the process of applying the accounting policies. The Board and management are responsible for the development, selection and disclosure of critical accounting policies and estimates, and their ongoing application. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key judgements, estimates and assumptions made by the Group that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are highlighted in the related note. Any revisions to accounting estimates are adjusted prospectively. Key judgements and estimates which are material to the financial report are found in the following notes:

Key judgements and estimates	Note
Deferred management fees	B1
Fair value gain on resident loans	B1
Impairment of trade receivables	C1.1
Estimated useful lives of property, plant and equipment	C2.1
Estimated fair value of investment properties	C3
Estimated useful lives of intangibles	C4
Annual and long service leave assumptions	E1

A3 Notes to the financial statements

Information is only included in the notes to the financial statements to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- The amount is significant in size (quantitative factor) or nature (qualitative factor);
- The Group's results cannot be understood without the specific disclosure (qualitative factor);
- It helps to explain to a user the impact of significant changes in the Group's operations during the period (qualitative factor); or
- It relates to an aspect of the Group's operations that is important to its future.

Accounting policies are included within the relevant notes.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

B Our performance

This section highlights the key drivers of the Group's operations, including revenue, expenses and operating cash flows. During the current year, specific revenue and income was received as a result of the coronavirus disease (COVID-19) and its impact on the Group's operations.

B1 Revenue from contracts with customers	2020 \$'000	2019 \$'000
Aged care and community services ⁱ	666,821	642,720
Hospital patient services	495,988	514,739
Family services (funded programs) ⁱ	118,466	129,233
Recoverable revenue – prosthesis	114,324	116,647
National Disability Insurance Scheme services (NDIS) ⁱⁱ	90,538	44,152
Daily accommodation payments (DAP)	47,885	46,678
Lifeline sales	43,332	47,225
Hospital viability subsidy	27,986	-
Deferred management fees (DMF)	13,328	12,903
Other hospital revenue	5,941	6,774
Bequests (with performance obligations)	2,059	3,279
Other revenue	418	463
Total revenue from contracts with customers	1,627,086	1,564,813
Other income		
Other not-for-profit income		
JobKeeper subsidy	74,443	-
Capital grants	2,827	13,498
Fundraising and donations	3,440	4,631
Bequests	746	2,910
Lessor income		
Lessor income ⁱⁱⁱ	18,800	19,581
Gain on sale of assets		
Gain on sale of property, plant and equipment	5,645	742
Gain on sale of business ^{iv}	23,960	-
Fair value movements		
Fair value gain on resident loans	229	-
Other income		
Investment income	284	-
Other income	2,504	3,821
Interest income		
Uniting Church Investment Services	3,816	7,155
Other interest	1,561	1,951
Total other income	138,255	54,289

ⁱ Grant funding liabilities are recognised relating to funded programs with a contractual requirement to return unspent funds, refer C1.6.

ⁱⁱ National Disability Insurance Scheme (NDIS) service revenue.

ⁱⁱⁱ Lessor income includes hospital car park and accommodation income.

^{iv} During the year, the Group disposed of its share of Uniting Care Medical Imaging Pty Ltd, refer F2.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

B1 Revenue from contracts with customers (continued)

Key judgements and estimates

Deferred management fees

A key source of estimation is the calculation of the period of expected resident occupancy. This is calculated with reference to the Australian Bureau of Statistics life tables and historical resident occupancy trends.

Fair value gain on resident loans

A portion of the Group's resident contracts include conditions allowing the resident to participate in capital gain or loss sharing at the end of their occupancy. The capital gain or loss sharing portion of the contract is estimated annually and is based on market values for retirement village units.

Accounting policies

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and rebates. Revenue is recognised when the Group transfers control over a good or service to the customer. The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payments terms, and revenue recognition for the Group's significant revenue streams. Where an agreement is enforceable and contains sufficiently specific performance obligations for the Group to transfer goods or services to a third-party, the transaction is accounted for under AASB 15. Otherwise, the grant is accounted for under AASB 1058, whereby revenue is recognised upon receipt, except for certain capital grants noted below.

Type of good or service	Revenue recognition policies including nature and timing of satisfaction of performance obligations and significant payment terms
Aged care and community services	The Group recognises revenue from services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or a monthly basis. This revenue stream includes revenue derived from Commonwealth Home Support Packages, Home Care Packages, Aged Care Financial Instrument basic daily fees, aged care supplements and client fees for services relating to aged care and community services.
Hospital patient services	Hospital patient revenue is recognised daily as services are provided to the patient, a receivable (included in other receivables) representing the Group's right to consideration for services delivered but not yet invoiced is recognised, refer C1.1.
Family services (grant funded programs)	The Group recognises revenue from services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or a monthly basis. Any unused funds are to be returned to the funder unless otherwise agreed, and an associated grant funding liability is recognised, refer C1.6. Annual acquittals are required to be submitted to the funder for the majority of funded programs, in addition to output-based performance reporting. Funding is generally received quarterly or biannually in advance.
Grants included as 'other income'	Grants that do not have sufficiently specific performance obligations are recognised as income (in other income) when a financial asset can be recognised under AASB 9 <i>Financial Instruments</i> .
NDIS services	The Group recognises revenue from services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or a monthly basis. There are no related unused funds as claims for payment are submitted after services are provided.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

B1 Revenue from contracts with customers (continued)

Accounting policies (continued)

Type of good or service	Revenue recognition policies including nature and timing of satisfaction of performance obligations and significant payment terms
Recoverable revenue (prosthesis)	The Group performs medical procedures that require prosthesis. The Group is considered the principal and therefore recognises revenue on a gross basis. Revenue is recognised on delivery of the goods to the patient.
Lifeline sales	The Group sells new and second-hand goods at its network of Lifeline stores (including online). Goods sold come with a 7-day right of return. Based on the Group's past experience, the amount of returns is not expected to be material, so the full selling price is recognised as revenue. Revenue is recognised on delivery of the goods to the customer.
Daily accommodation payments (DAP)	The Group has assessed its resident agreements relating to residential aged care accommodation arrangements to be leases under AASB 16 due to the security of tenure that these offer to its residents. The resident agreement only requires 14 days written notice to vacate. For arrangements where residents have elected to pay a DAP, the associated lessor revenue is accounted for under AASB 16. Where residents have chosen to pay an accommodation bond (refer C1.5), the Group receives a financing benefit in the form of an interest free loan. Adoption of AASB 16 requires recognition of interest expense (to impute an interest charge on accommodation bonds) and correspondingly, income (to reflect the interest free loan financing benefit received) with no net impact on profit or loss. The Group has concluded that the impact of this assessment is immaterial and has hence elected not to recognise the interest expense and the corresponding income associated with the accommodation bonds.
Deferred management fees (DMF)	Amounts retained as income from ingoing contributions are recognised over the expected period of resident occupancy.

Other not-for-profit income

The Group is the recipient of income that is accounted for in accordance with AASB 1058 *Income of Not-for-Profit Entities*, which covers transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives. This includes the following:

(i) Capital grants

AASB 1058 prescribes specific accounting requirements for capital grants. The following criteria must be met for a capital grant to be recorded:

- The Group must use the financial asset to acquire or construct an identified non-financial asset;
- The Group will control the asset post acquisition or construction (i.e. no requirement to transfer asset back to transferor or other parties); and
- Arrangement must occur under an enforceable agreement.

Capital grants are recognised as a construction obligation liability when received, and subsequently recognised progressively as revenue as the Group satisfies its obligations under the grant through construction of the asset. Refer C1.6 for construction obligation liabilities recognised relating to incomplete performance obligations at the end of the period.

(ii) Fundraising, donations and bequests

Income is recognised when received, unless there is an enforceable contract and sufficiently specific performance obligations, in which case revenue is accounted for under AASB 15 and is deferred until such time that the performance obligations relating to the funds, donation or bequest have been satisfied.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

B1 Revenue from contracts with customers (continued)

Accounting policies (continued)

Lessor income

Lessor income for operating leases is recognised on a straight-line basis over the lease term in accordance with AASB 16 *Leases*.

Interest income

Interest income is recognised using the effective interest method. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Volunteer services

The Group relies on a valuable contribution from its network of over 9,000 volunteers, who provide services at its many hospitals, aged care facilities, Lifeline stores and other services and events throughout the year. The Group has elected not to recognise the receipt of volunteer services as income, asset or expense as the fair value of the services cannot be measured reliably.

B2 Expenses

The Group's major categories of expenses are shown in the consolidated statement of profit or loss and other comprehensive income. In addition to this we note:

- a) Supplies and services expense includes the cost of goods sold and costs incurred in delivering services to patients, such as hospitality services and housekeeping.
- b) Property expenses is comprised of all costs associated with the ownership and maintenance of the Group's property, plant and equipment and intangible assets including the below expenses:

	2020	2019
	\$'000	\$'000
Property expenses		
Repairs and maintenance expense	49,050	43,160
Rental expense	6,298	19,186
Communications and utilities expense	30,360	30,669
Rates and taxes	8,510	9,925
Property insurance	6,825	4,222
Motor vehicle expense	14,037	15,888
Other property expense	4,466	3,528
Impairment expense ⁱ	10,995	-
Total property expenses	130,541	126,578

ⁱ Refer C2.1.

- c) Other expenses include external contractors, consulting and professional fees of \$89,121,000 (2019: \$100,848,000) incurred in the delivery of core services such as medical consultants, and to meet statutory requirements, such as audits, and stewardship fees paid to Uniting Church in Australia - Queensland Synod of \$9,147,000 (2019: \$8,958,000).
- d) Finance costs comprise interest expense on lease liabilities (finance leases in the prior year) recognised using the effective interest method and bank fees.

Accounting policies

Repairs and maintenance costs are expensed as incurred, except where they relate to a material replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with C2.1.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

B3 Cash and cash equivalents

B3.1 Cash and cash equivalents	2020 \$'000	2019 \$'000
Cash on hand	200	245
Cash at bank	179,892	90,956
Deposits – Uniting Church Investment Services	275,416	254,467
Total cash and cash equivalents	455,508	345,668
Restricted balances included within cash and cash equivalents		
Grant agreements or donations	8,499	7,512
<i>Funds held in Trust under Retirement Villages Act 1999:</i>		
Capital Replacement Funds	4,210	4,486
Maintenance Reserve Funds	5,113	4,966
General Services Funds	879	1,918
Total restricted balances	18,701	18,882

Certain balances are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements. In addition, all residential aged care bond deposits received since 1 October 2011 that have been expended on projects meet the *Aged Care Act 1997* "permitted purposes".

Accounting policies

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Balances are carried at face value of the amounts deposited or drawn.

B3.2 Cash flow information

Reconciliation of surplus/(deficit) to net cash inflow from operating activities	2020 \$'000	2019 \$'000
Surplus/(Deficit) for the year	29,639	(40,168)
Depreciation and amortisation expense	116,023	94,993
Capital grants from government	(2,827)	(13,498)
Write-offs and impairment expense	10,995	-
Gain on sale of property, plant and equipment	(5,645)	(742)
Gain on sale of business	(23,960)	-
Change in fair value of resident loans	(229)	2,994
Deferred management fee revenue and retentions	(13,328)	(12,974)
Share of profit in joint ventures	(1,370)	69
Change in fair value of investment properties	10,161	1,835
Fair value movements on financial assets at FVTPL	41	-
Investment income	(284)	-
Non-cash transactions included in the surplus/(deficit) for the year	1,869	434
<i>Change in operating assets and liabilities:</i>		
Decrease in trade and other receivables	10,431	3,114
(Increase)/decrease in prepayments	(1,025)	6,263
Increase in inventories	(1,390)	(1,101)
Increase in other assets	(20,368)	(3,849)
Decrease in trade and other payables	5,181	103
Increase in other liabilities	29,975	16,348
Increase in employee benefits and other provisions	13,535	8,183
Net cash inflow from operating activities	157,424	62,004

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C Our operating asset base

This section provides further insight into the Group's operating asset base used to support the provision of health and community services. This section includes working capital, property, plant and equipment and intangible assets. Working capital includes trade and other receivables, inventories, other assets, trade and other payables, ingoing contributions and accommodation bonds and other liabilities.

C1 Working capital

C1.1 Trade and other receivables

	2020 \$'000	2019 \$'000
Trade receivables	62,722	73,493
Loss allowance	(6,893)	(5,392)
	55,829	68,101
Other receivables	18,785	16,615
GST recoverable	3,746	4,075
Total trade and other receivables	78,360	88,791

Key judgements and estimates

Impairment of trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing profile. The expected loss rates are based on the payment profiles of debtors over a period of up to 12 months before 30 June 2020 and 30 June 2019 respectively, and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified general economic factors of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

	Current - 90 days past due \$'000	90+ days past due \$'000
30 June 2019		
Gross carrying amount - trade receivables	63,465	10,028
Loss allowance	(1,411)	(3,981)
30 June 2020		
Gross carrying amount - trade receivables	53,190	9,532
Loss allowance	(2,423)	(4,470)

The closing loss allowances for trade receivables and contract assets as at 30 June 2020 reconcile to the opening loss allowances as follows:

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C1.1 Trade and other receivables (continued)

Movement in loss allowance	2020	2019
	\$'000	\$'000
Opening loss allowance as at 1 July	5,392	4,791
Increase in loss allowance recognised in profit or loss during the year	5,222	1,493
Receivables written off during the year as uncollectible	(3,206)	(892)
Unused amount reversed	(515)	-
Closing loss allowance at 30 June	6,893	5,392

Accounting policies

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other receivables

Other receivables include accrued hospital income for patients not yet discharged.

Credit Risk

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating surplus/deficit. Subsequent recoveries of amounts previously written off are credited against the same line item.

C1.2 Inventories	2020	2019
	\$'000	\$'000
Current		
Medical supplies	12,876	11,850
Other	1,394	1,030
Total current inventories	14,270	12,880

The cost of inventories recognised as an expense during the year was \$205,762,000 (2019 \$203,500,000). This predominantly relates to medical items and prosthetics.

Accounting policies

Purchased inventories are valued at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Second hand inventory donations are not recognised.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C1.3 Other assets	2020 \$'000	2019 \$'000
Current		
Prepayments	10,026	9,001
Accrued income	32,776	12,383
Loans to other entities	-	859
Imputation tax receivable ⁱ	2,896	-
Other current assets	11	36
Total other current assets	45,709	22,279
Non-current		
Loans to other entities	-	1,188
Imputation tax receivable ⁱ	-	2,966
Funds held in trust ⁱⁱ	2,299	2,496
Total other non-current assets	2,299	6,650

ⁱ During the year, the Group sold its share in UnitingCare Medical Imaging Pty Ltd, refer F2. The imputation tax receivable of \$2,896,000 will be received following the Group's application and assessment by the Australian Taxation Office.

ⁱⁱ Funds are restricted in use to the purposes intended under these trust agreements. Only interest income earned from investment of the principal amounts is permitted to be used. Permitted uses include the promotion of staff development and training and the support of community care services.

C1.4 Trade and other payables	2020 \$'000	2019 \$'000
Current		
Trade payables	50,622	44,086
Accrued expenses	81,883	84,448
Other payables	1,940	1,371
Total current trade and other payables	134,445	129,905
Non-current		
Maintenance reserve funds	5,307	4,666
Total non-current trade and other payables	5,307	4,666

The Group has financial risk management policies in place to ensure that payables are paid within the credit framework. The credit framework is determined by the terms of the creditors and interest is not payable when paid within trading terms.

Maintenance reserve funds are established under section 97 of the *Retirement Villages Act 1999 (Qld)* for maintaining and repairing retirement villages' capital items. The amounts held in the funds are solely for the benefit of the residents and the residents are solely responsible for contributing to the funds. The balance of the fund is set annually by an external quantity surveyor and drawn down as the allowed items are incurred.

C1.5 Ingoing contributions and accommodation bonds	2020 \$'000	2019 \$'000
Expected to be paid within 12 months		
Ingoing contributions	42,572	35,194
Accommodation bonds	94,249	90,070
	136,821	125,264
Not expected to be paid within 12 months		
Ingoing contributions	447,258	446,103
Accommodation bonds	191,458	183,318
	638,716	629,421
Total ingoing contributions and accommodation bonds	775,537	754,685

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C1.5 Incoming contributions and accommodation bonds (continued)

Accommodation bonds (including Refundable Accommodation Deposits or 'RADs') are held in respect of clients in residential aged care facilities. Incoming contributions are held for clients of retirement living units covered under the *Retirement Villages Act 1999*. By their nature, these amounts are considered to be repayable on demand and are therefore classified as current liabilities. They are recorded at the amount initially received less any retention the Group is allowed to deduct in accordance with the relevant legislation and resident agreement and are not discounted, refer B1. The cash required to cover the refund of accommodation bonds is subject to a documented liquidity management strategy.

Accounting policies

Ingoing contributions received from residents represent non-interest bearing deposits that are refundable in accordance with the relevant legislation and the individual resident agreements in the event the resident leaves a Group facility. As they are considered to be repayable on demand, they are recorded at the amount initially received, less any contractually accrued deferred management fee ('DMF') the Group is allowed to deduct, and are not discounted.

C1.6 Other liabilities	2020 \$'000	2019 \$'000
Current		
Grant funding liabilities	65,274	51,162
Contract liabilities ⁱ	46,919	33,836
Construction obligation	14,895	-
Deferred revenue	4,604	4,184
Unearned income ⁱⁱ	5,249	3,102
Income received in advance	319	596
Lease incentives	-	1,228
Other current liabilities	1,435	391
Total other current liabilities	138,695	94,499
Non-current		
Deferred revenue	33,550	34,481
Fundraising monies held in trust	387	367
Unearned income ⁱⁱ	8,324	8,478
Lease incentives and straight-line lease liabilities	-	8,935
Total other non-current liabilities	42,261	52,261

ⁱ The revenue recognised for the year that was included in contract liabilities at the beginning of the period was \$33,836,000. There was no revenue recognised during the period from performance obligations satisfied (or partially satisfied) in previous periods.

ⁱⁱ Unearned income includes a lease to Wesley Medical Research for a 99-year period that has been prepaid. This lease does not have an option to renew or purchase the leased asset at the expiry of the lease period.

Accounting policies

Grant funding liabilities

Grant funding liabilities relate to unfulfilled performance obligations for government grants containing a refund obligation. Liabilities are released to the statement of profit or loss and other comprehensive income as the performance obligations are satisfied, refer B1, or returned to the funder unless otherwise agreed.

Contract liabilities

Contract liabilities relate to unfulfilled performance obligations for Home Care Packages. Liabilities are released to the statement of profit or loss and other comprehensive income as the performance obligations are satisfied, refer B1.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C1.6 Other liabilities (continued)

Accounting policies

Construction obligation

A construction obligation is recognised for capital grants received for which there is an unfulfilled construction obligation, refer B1.

Deferred revenue

Deferred revenue relates to the difference between contractually accrued ingoing contributions and DMF revenue recognised based on expected resident occupancy.

Lease incentives and straight-line lease liabilities (recognised in the prior year)

Rental expenses on operating leases are recognised over the life of the lease (referred to as straight-lining). When a lease incentive is granted, a liability is recognised and amortised over the life of the lease. On transition to AASB 16 on 1 July 2019, these liabilities were incorporated into the ROU (right-of-use) asset.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C2	Property, plant and equipment (PPE)	CWIP[^]	Land	B&I[^]	P&E[^]	Motor vehicles	ROU[^] assets	Total
C2.1	PPE							
2019		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost		55,524	157,234	1,104,180	495,130	48,524	-	1,860,592
Accumulated depreciation		-	-	(486,274)	(320,570)	(21,546)	-	(828,390)
Carrying amount at the end of the year		55,524	157,234	617,906	174,560	26,978	-	1,032,202
1 July 2018 carrying amount		88,845	177,972	1,113,568	167,187	28,149	-	1,575,721
Additions		65,146	36	4,182	21,918	6,876	-	98,158
Disposals and derecognitions		(788)	-	(188)	(603)	(2,617)	-	(4,196)
<i>Transfers: from CWIPⁱ</i>		(97,654)	2,838	56,384	24,715	341	-	(13,375)
<i>Transfers: to investment propertiesⁱ</i>		(25)	(23,324)	(512,959)	(4,658)	(46)	-	(541,012)
<i>Transfers: to HFS[^]</i>		-	(288)	(211)	-	-	-	(499)
Depreciation		-	-	(42,870)	(33,999)	(5,725)	-	(82,594)
30 June 2019 carrying amount		55,524	157,234	617,906	174,560	26,978	-	1,032,202
2020								
Cost		40,529	144,696	1,124,034	530,558	48,798	52,597	1,941,212
Accumulated depreciation		-	-	(532,100)	(351,001)	(23,372)	(16,423)	(922,896)
Carrying amount at the end of the year		40,529	144,696	591,934	179,557	25,426	36,174	1,018,316
1 July 2019 carrying amount		55,524	157,234	617,906	174,560	26,978	-	1,032,202
Changes in accounting policies (refer G6.6)		-	-	3,617	(1,177)	-	52,244	54,684
Additions		55,196	597	5,333	18,837	6,318	3,063	89,344
Disposals and derecognitions		(182)	(8,456)	(1,123)	(171)	(2,262)	-	(12,194)
<i>Transfers: from CWIPⁱ</i>		(63,989)	252	10,450	22,585	150	-	(30,552)
<i>Transfers: to investment propertiesⁱ</i>		-	(3,945)	-	-	-	-	(3,945)
<i>Transfers: to HFS[^]</i>		-	(868)	(19)	-	-	-	(887)
Depreciation		-	(118)	(44,230)	(35,077)	(5,758)	(14,158)	(99,341)
Impairment		(6,020)	-	-	-	-	(4,975)	(10,995)
30 June 2020 carrying amount		40,529	144,696	591,934	179,557	25,426	36,174	1,018,316

[^] Abbreviations used are Capital work in progress (CWIP), Buildings and improvements (B&I), Plant and equipment (P&E), Held for sale (HFS), and Right-of-use (ROU) assets.

ⁱ Certain transfers out of CWIP have been processed through asset class additions and transfers to intangible assets and investment properties have been recognised as additions in C3 and C4.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C2.1 PPE (continued)

Assets pledged as security

Freehold land and buildings with a carrying amount of \$65,311,000 (2019: \$67,434,000) have been pledged to secure borrowings of the Property Trust. The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Property Trust is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval from the Australia and New Zealand Banking Group Limited.

As at 30 June 2020, freehold land and buildings with a carrying amount of \$4,401,000 (2019: \$4,477,000) have been pledged to the Queensland Government to secure grant funding under a mortgage. The Group is able to pledge these assets as security for other borrowings provided that the funder remains as a second mortgagee. In addition, hospital assets with a carrying value of \$35,540,000 (2019: \$37,909,000) are pledged as security in accordance with a grant contract from the Commonwealth of Australia. Leased assets with a carrying value of \$88,000 are pledged as security under the terms of the finance lease.

In total, assets of \$39,941,000 (2019: \$45,255,000) which is 3.9% (2019: 4.4%) of total PPE, have been or will be pledged to secure government grants.

Key judgements and estimates

Estimated useful lives of property, plant and equipment

The estimated useful lives of PPE are reviewed annually. This assessment takes into consideration legislative and safety requirements and plans to ensure continued compliance therewith. The estimated useful lives reflect existing and future redevelopment plans which are also subject to review based on requirements and cost. Any changes are accounted for prospectively.

Accounting policies

Property, plant and equipment

Freehold land is held at cost less any impairment losses and is not depreciated. Buildings are carried at cost less accumulated depreciation and any impairment losses. Items of PPE are stated at cost (or at fair value where gifted to the Property Trust) less accumulated depreciation and impairment losses. Subsequent to initial recognition, fair value is deemed cost.

The cost of capital works in progress includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, an appropriate proportion of production overheads and directly attributable borrowing costs (net of investment income on specific borrowings).

Depreciation is charged on a straight-line basis over the item of PPE's estimated useful life as follows:

- Buildings and improvements Up to 40 years
- Plant and equipment 3 to 30 years
- Motor vehicles 3 to 15 years

Assets are depreciated from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Subsequent costs

Costs incurred on PPE subsequent to acquisition are capitalised if the Group will derive a future economic benefit from them, or expensed if they are in the nature of maintaining the existing asset and no additional benefit will be derived.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C2.1 PPE (continued)

Accounting policies

Impairment of assets

The carrying amounts of assets are reviewed annually to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of the asset. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

C2.2 Leases

The consolidated statement of financial position shows the following amounts relating to leases:

Property, plant and equipment	2020	2019
ROU assets	\$'000	\$'000
Properties	33,700	-
Equipment	783	-
Fleet	1,691	-
Total ROU Assets	36,174	-
Borrowings		
Lease liabilities ⁱ		
Current	13,791	-
Non-current	38,746	-
Total lease liabilities	52,537	-

ⁱ In the previous year, the Group recognised lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. These were included as part of the Group's borrowings.

Additions to ROU assets during the year ended 30 June 2020 were \$3,063,000.

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

Depreciation of ROU assets		
Properties	12,188	-
Equipment	624	-
Fleet	1,346	-
Total depreciation of ROU Assets	14,158	-
Interest expense (included in finance cost)	2,246	-
Expense relating to short-term leases (included in property expenses)	5,567	-

Total cash outflow for leases for the year ended 30 June 2020 was \$18,440,000.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C2.2 Leases (continued)

Accounting policies

The Group leases various properties, equipment and fleet. Rental contracts are typically made for fixed periods of 1 to 10 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a ROU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

ROU assets are measured at cost comprising the following:

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, while low-value assets include items such as IT equipment.

Peppercorn and below-market leases

The Group has 52 (1 July 2019: 52) below market leases accounting for 17.6% of the total number of property leases. The leases relate to land and building leases with a term from 1 month to 99 years and some include restrictions on their use. This includes 5 leases of land under deeds of grant in trust on which the Group operates aged care facilities. The Group has applied the temporary option not to measure these assets at fair value in accordance with AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*.

Operating lease arrangements

(a) Leasing arrangements

Operating leases relate to leases of plant and equipment, motor vehicles, land and buildings with lease terms up to ten years. From 1 July 2019, the Group has recognised ROU assets for these leases, except for short-term and low-value leases, refer to C2.1 and C2.2.

	2020 \$'000	2019 \$'000
(b) Payments recognised as an expense		
Minimum lease payments	-	21,683

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C2.2 Leases (continued)

(c) Non-cancellable operating lease commitments

Non-cancellable operating leases of plant and equipment, motor vehicles, land and buildings contracted for but not capitalised in the financial statements are payable as follows:

Non-cancellable operating lease commitments	2020 \$'000	2019 \$'000
Not later than 1 year	-	18,047
Later than 1 year and not later than 5 years	-	40,552
Later than 5 years	-	11,692
Total non-cancellable operating lease commitments	-	70,291

Liabilities recognised in respect of non-cancellable operating leases are disclosed in other liabilities (refer C1.6)

C2.3 Commitments and expenditure

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2020 \$'000	2019 \$'000
Not later than 1 year		
Buildings	2,791	892
Plant and equipment	2,554	2,674
Intangibles	47	529
Other commitments	3,087	1,812
Total commitments and expenditure	8,479	5,907

C3 Investment properties

	2020 \$'000	2019 \$'000
At fair value: carrying amount at the beginning of the year	570,899	-
Transfers from property plant and equipment ⁱ	-	541,012
Gains on property revaluations	-	23,689
Fair value at the beginning of the year	570,899	564,701
Additions	11,011	8,033
Transfers from PPE during the year	3,945	-
Change in fair value of investment properties	(10,161)	(1,835)
Carrying amount at the end of the year	575,694	570,899

Amounts recognised in consolidated statement of profit or loss and other comprehensive income

Deferred management fees	13,328	12,903
Change in fair value of investment properties	(10,161)	(1,835)

ⁱ At 1 July 2018 there was a change in use leading to a transfer between property, plant and equipment and investment properties. The difference at the date of change between carrying value and fair value has been recognised in other comprehensive income and created the properties revaluation reserve. On subsequent disposal of investment properties, the properties revaluation reserve may be transferred to accumulated funds.

In determining market values, the Group obtains independent external valuations for its investment properties on a rolling basis at least every three years. As a result, two investment properties have been independently valued during the year ended 30 June 2020. Investment properties are classified as level 3 in the fair value hierarchy as key assumptions used in their valuation are not observable.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C3 Investment properties (continued)

Some major assumptions utilised in the valuation process include the discount rate, property price growth rates, average subsequent tenure periods, and the market value of operator-owned units.

Increasing the discount rate and average subsequent tenure periods would reduce the fair value of the investment properties and vice-versa. Increasing the assumptions made about the market value of owned ILUs and property price growth rates would increase the fair value of investment properties and vice versa.

Valuation reconciliation:	2020 \$'000	2019 \$'000
Carrying amount of investment properties	575,694	570,899
Less:		
Ingoing contributions	(395,502)	(389,469)
Deferred revenue	(31,624)	(32,929)
Valuation	148,568	148,501

Key judgements and estimates

Estimated fair value of investment properties

A critical accounting judgement affecting retirement village investment properties is whether the significant risks and rewards of ownership of the underlying retirement unit have been transferred to the occupier. If so, then a sale is recognised on the initial occupation of a retirement unit and a resident loan is not recognised. The Group believes that those risks and rewards have not been transferred in respect of any of its retirement units. Consequently, the Group recognises resident loans in respect of those of its retirement units that are occupied by residents. This affects the carrying amount of retirement properties because, although the underlying valuation of the properties is not affected by this accounting judgement, the carrying amount of the properties is grossed up by the recognised resident loans.

Accounting policies

Investment properties

Investment properties comprise the resort style retirement villages of the Group. This includes Independent Living Units (ILUs), Serviced Apartments (SAs), common facilities and integral plant and equipment.

Investment properties are initially recognised at cost including any acquisition costs, and are held to generate income from deferred management fees and the Group's share of the change in the market value of the investment. Subsequent to initial recognition, investment properties are stated at fair value at each balance date. Changes in fair value are presented in the consolidated statement of profit or loss and other comprehensive income as a part of change in fair value of investment properties.

If any investment property is disposed, the gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal and is recognised in the consolidated statement of profit or loss and other comprehensive income in the year of disposal.

Fair value of investment properties under construction is primarily determined using direct comparison of active market prices, adjusted for any difference in the nature, location or stage of completion of the specific asset. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss and other comprehensive income.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

C4 Intangible Asset	2020 \$'000	2019 \$'000
Computer software		
Cost	163,149	132,191
Accumulated amortisation	(112,806)	(96,122)
Carrying amount at the end of the year	50,343	36,069
Computer software		
Opening Balance	36,069	33,855
Additions	404	1,279
Disposals	-	(41)
Transfers from CWIP	30,552	13,375
Amortisation	(16,682)	(12,399)
Carrying amount at the end of the year	50,343	36,069

During the year ended 30 June 2020, the Group carried the following significant intangible assets: financial management information system, clinical information system, eHealth application and a data convergence centre. The carrying value related to these intangible assets at year end was \$25,191,000 (2019: \$10,558,000) and is expected to be fully amortised in one to eight years.

Key judgements and estimates

Estimated useful lives of intangibles

The estimated useful lives of intangible assets are reviewed annually. The estimated useful lives reflect existing plans which are also subject to review based on requirements and cost. Any changes are accounted for prospectively.

Accounting policies

Intangible assets

The Group also has intangible assets in the form of residential aged care places which are a right to operate a bed. They are issued by the Federal Government free of charge and have no fixed period once operational. The Group does not assign a value to bed assets due to the lack of a clear market that buys and sells these assets.

Intangible assets are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying amount, an impairment loss is recorded to adjust the carrying amount. The Group does not have intangibles with indefinite useful lives.

The Group recognises an intangible asset on development activities if the project is technically feasible, and the Group can demonstrate:

- the intention to complete the intangible asset;
- how the intangible assets use will generate probable future economic benefits; and
- the ability to reliably measure the expenditure during the intangible assets development. Expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads.

In the current and prior periods, all expenditure is occurring in the development phase and as such no research expenditure has been incurred. Costs associated with maintaining computer software and licencing costs are expensed as incurred.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D Financial Instruments

This section provides information on Group objectives when managing capital. The Group's objectives are to safeguard the Group's ability to continue as a going concern, and to ensure the funding structure enhances, protects and balances financial flexibility against minimising the cost of capital. Given the nature of Group operations, it is also exposed to a number of market risks; this section outlines how these key risks are managed.

D1 Financial assets	2020	2019
	\$'000	\$'000
Financial assets (debt instruments) at FVPL ⁱ	2,274	-
Financial assets at (equity instruments) FVOCI ⁱ	19,993	-
Total financial assets	22,267	-

ⁱThe Group has established an investment portfolio which is managed in accordance with the Group's Investment Management Strategy (IMS). The IMS provides a framework within which the Group can invest funds in a considered, sustainable and compliant way. Returns on investment are used to fund direct public benevolent institution (PBI) services.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

Losses recognised in other comprehensive income		
Related to equity investments	(711)	-
Related to debt investments	(71)	-
Income/(losses) recognised in profit or loss		
Related to debt investments (recognised in other expense)	(41)	-
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (refer B1)	284	-

Accounting policies

Financial assets at FVOCI

Financial assets at FVOCI comprise:

- debt investments where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. These are primarily corporate bonds. On disposal of these debt investments, any related balance within the FVOCI reserve is subsequently reclassified to profit or loss; and
- equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI. Dividends from such investments are recognised in the consolidated statement of profit or loss when the Group's right to receive payment has been established. Changes in the fair value of financial assets at FVPL are recognised in other income or other expenses in the consolidated statement of profit or loss, as applicable.

The fair value of financial assets at FVPL and FVOCI is determined based on current bid prices for all quoted investments.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D2 Borrowings	2020 \$'000	2019 \$'000
Current		
Lease liabilities	13,791	-
Finance lease liabilities	-	1,678
Total current borrowings	13,791	1,678
Non-current		
Lease liabilities	38,746	-
Finance lease liabilities	-	1,396
Newpin Social Benefit Bond	-	6,000
Total non-current borrowings	38,746	7,396

The Newpin Social Benefit Bond borrowing related to a \$6,000,000 loan received from the Newpin Queensland Social Benefit Bond Trust in a prior period. The Newpin program ended during the year and repayment was made in accordance with its requirements.

D2.1 Loans

At the end of the reporting period the Group had access to the following facilities:

- Australia and New Zealand Banking Group Limited ('ANZ') revolving cash advance facility of \$5,000,000;
- ANZ bank guarantees facility of \$11,000,000;
- ANZ asset finance facility of \$8,900,000; and
- Uniting Church Investment Service (UCIS) line of credit facility of \$20,000,000.

With the exception of \$171,000 (2019: \$62,000) being utilised of the ANZ bank guarantee facility and \$nil (2019: \$340,000) of the ANZ asset finance facility, no other amounts had been used from the above facilities.

Accounting policies

Borrowings

Borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the entire period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer the settlement of the liability for at least twelve months from the end of each annual reporting period.

Lease liabilities

Refer to accounting policy at C2.2.

D2.2 Finance lease liabilities – prior year	2020 \$'000	2019 \$'000
Minimum lease payments		
Not later than 1 year	-	1,805
Later than 1 year and not later than 5 years	-	1,458
Minimum lease payments	-	3,263
Less: future finance charges	-	(189)
Present value of minimum lease payments	-	3,074

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D2.2 Finance lease liabilities – prior year (continued)

	2020 \$'000	2019 \$'000
Finance lease liabilities		
Not later than 1 year	-	1,678
Later than 1 year and not later than 5 years	-	1,396
Present value of minimum lease payments	-	3,074

As at 30 June 2019, the Group leased medical and print equipment that were classified as finance leases under AASB 117. These finance lease liabilities were included in borrowings up to 30 June 2019, and in the process of adopting the new leasing standard AASB 16 they were reclassified within borrowings as lease liabilities, refer G6.6.

D2.3 Movement in liabilities from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Liabilities	1 July 2018 \$'000	Cash flows \$'000	Non-cash changes		30 June 2019 \$'000
			New leases \$'000	Other ⁱ \$'000	
Finance lease liabilities	5,098	(2,024)	-	-	3,074
Newpin Social Benefit Bond	6,000	-	-	-	6,000
Ingoing contributions and accommodation bonds	725,221	40,519	-	(11,055)	754,685
Total liabilities from financing activities	736,319	38,495	-	(11,055)	763,759
	1 July 2019 \$'000	Cash flows \$'000	New leases \$'000	Otherⁱ \$'000	30 June 2020 \$'000
Lease liabilities ⁱⁱ	65,740	(18,440)	3,063	2,174	52,537
Newpin Social Benefit Bond	6,000	(6,000)	-	-	-
Ingoing contributions and accommodation bonds	754,685	33,899	-	(13,047)	775,537
Total liabilities from financing activities	826,425	9,459	3,063	(10,873)	828,074

ⁱ Other changes for ingoing contributions and accommodation bonds include deferred management fees, movement in deferred revenue liabilities and retention revenue. Other changes for lease liabilities relate to interest costs, this is a cash movement included in interest paid in the consolidated statement of cash flows.

ⁱⁱ Lease liabilities as at 1 July 2019 include \$62,666,000 relating to the cumulative effective of adopting AASB 16 for the first time, refer G6.6.

D3 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risks, credit risk, capital risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Group's current strategy to meet minimum liquidity requirements is to constantly monitor cash flow through the preparation of monthly cash flow statements and cash flow reconciliations and forecasts.

The Group deposits funds with, and borrow funds from, UCIS, the Treasury arm of the Property Trust, and ANZ. Risk management is carried out under policies approved by the Queensland Synod Finance, Investment and Property Board and the Group's Board.

The fair values of financial assets and financial liabilities approximate carrying amounts as the assets and liabilities are either short-term; the impact of discounting is not significant; or any borrowings incur interest at variable rates.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D3.1 Capital risk management

The capital structure consists of cash and cash equivalents, other financial assets and borrowings. Operating cash flows are used to maintain and expand the services assets, as well as to make the routine outflows including repayment of borrowings. The policy is to borrow centrally, using a variety of borrowing facilities to meet anticipated funding requirements.

(a) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the end of the annual reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk; (ii) foreign currency risk; and (iii) price risk.

(i) Interest rate risk

The Group's main interest rate risk arises from interest bearing cash and cash equivalents and other financial assets. The Group has significant interest-bearing assets and therefore, the income and operating cash flows are materially exposed to changes in interest rates. There has been no change to the nature of these risks or the manner in which these risks are managed and measured.

Interest rate risks on borrowings are managed with the aim of reducing the impact of short-term fluctuations in earnings. However, over the longer term, permanent changes in interest rates would have an impact on earnings. At 30 June 2020, it is estimated that a general increase of one percentage point in interest rates on borrowings would not have a material impact on the Group. The undiscounted contractual maturities include interest that will be earned. This information is included as the liquidity is managed on a net asset basis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2020		30 June 2019	
	USD \$'000	Other \$'000	USD \$'000	Other \$'000
Shares (equity instruments)	5,742	742	-	-

As shown above, the Group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated shares. The impact of a +/- 20% movement in the AUD/USD exchange rate would result in a \$1,148,000/(\$1,148,000) impact on profit or loss. There was no USD denominated financial assets in the prior year. The Group's exposure to other foreign exchange movements is not material.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D3.1 Capital risk management (continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group's exposure to price risk arises from financial asset investments held by the Group and classified as either FVOCI or FVPL, refer D1. To manage its price risk arising from investments in debt and equity instruments, the Group diversifies its portfolio, with limits on asset classes and industries. Diversification of the portfolio is done in accordance with the policies and limits set by the Group, which include expected rates of return and ethical restrictions. Investments are managed at arm's length by an independent and fully qualified investment manager.

The investment portfolio includes cash, term deposits, managed funds, exchange trade funds, corporate bonds, Australian equities and international equities, refer D1. If the price of Australian equities classified as FVPL had been 10% higher or lower, the surplus/(deficit) for the year would have increased or decreased by \$455,000 (2019: \$nil) as a result.

(c) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. UCIS maintains flexibility in funding by keeping external credit lines available. The Group has a documented liquidity risk management strategy in compliance with requirements of the *Aged Care Act 1997*.

D3.3 Financial assets and liabilities

30 June 2019	Effective interest rate	MATURING (Years)			Total
		< 1	1 to 2	> 2	
ASSETS	(%)	\$'000	\$'000	\$'000	\$'000
Non-interest bearing:					
Cash and cash equivalents	-	748	-	-	748
Trade and other receivables	-	88,791	-	-	88,791
Other non-current assets	-	-	-	2,966	2,966
Floating interest rate:					
Cash and cash equivalents	1.98	344,920	-	-	344,920
Loans to other entities	5.50	859	1,188	-	2,047
Funds held in trust	1.55	-	-	2,496	2,496
Total financial assets		435,318	1,188	5,462	441,968
LIABILITIES					
Fixed interest rate:					
Borrowings	3.31	1,678	1,021	6,375	9,074
Non-interest bearing:					
Ingoing contributions and accommodation bonds	-	754,685	-	-	754,685
Trade and other payables	-	129,905	4,666	-	134,571
Other liabilities	-	85,984	367	-	86,351
Total financial liabilities		972,252	6,054	6,375	984,681

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

D3.3 Financial assets and liabilities (continued)

30 June 2020	Effective interest rate (%)	MATURING (Years)			Total \$'000
ASSETS		< 1 \$'000	1 to 2 \$'000	> 2 \$'000	
<i>Non-interest bearing:</i>					
Cash and cash equivalents	-	200	-	-	200
Financial assets	-	19,333	-	-	19,333
Trade and other receivables	-	78,360	-	-	78,360
<i>Floating interest rate:</i>					
Cash and cash equivalents	1.28	455,308	-	-	455,308
Financial assets	3.17	2,934	-	-	2,934
Funds held in trust	0.56	-	-	2,299	2,299
Total financial assets		556,135	-	2,299	558,434
LIABILITIES					
<i>Fixed interest rate:</i>					
Lease liabilities	3.79	15,074	11,314	29,905	56,293
<i>Non-interest bearing:</i>					
Ingoing contributions and accommodation bonds	-	775,537	-	-	775,537
Trade and other payables	-	134,445	5,307	-	139,752
Other liabilities	-	128,842	387	-	129,229
Total financial liabilities		1,053,898	17,008	29,905	1,100,811

E Our People

This section provides further details of the Group's investment in our people, including employee benefits and remuneration of key management personnel.

E1 Employee benefits and other provisions	2020 \$'000	2019 \$'000
Current		
Annual leave ⁱ	81,583	73,998
Long service leave ⁱ	71,216	69,255
Accrued day off and other leave	877	1,118
Sick leave	3,431	3,698
Other provisions	3,316	303
Total current employee benefits and other provisions	160,423	148,372
Non-current		
Long service leave	18,506	15,027
Other provisions	7,863	-
Total non-current employee benefits and other provisions	26,369	15,027

ⁱ The current portion of employee benefits liability includes all of the employee benefits where employees have completed the required period of service or will complete the required period of service within 12 months from the balance date. The entire annual leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. The current portion of the long service leave represents the unconditional entitlement where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Current leave obligations not expected to be settled within 12 months, included in current employee benefits, were \$45,931,000 (2019: \$43,977,000).

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

E1 Employee benefits and other provisions (continued)

Key judgements and estimates

Annual and long service leave assumptions

Management judgement is applied in determining the following key assumptions used in the calculation of annual leave and long service leave at the end of the reporting period:

- Future increases in wages and salaries;
- Future oncost rates; and
- Experience of employee departures and period of service.

Accounting policies

Wages and salaries

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service and accumulating sick leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Employee benefit on-costs

Employee benefit on-costs are recognised consistently with the related employee benefits.

Accrued day off and other leave

A liability for accrued rostered days off and time off in-lieu is measured at the amounts expected to be paid when the liabilities are settled.

Sick leave

Under certain enterprise bargaining arrangements, sick leave accrued by employees has been recognised and measured at the amounts expected to be paid when the employee takes sick leave entitlements. The balance of the liability is settled on termination.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructure and has raised a valid expectation that it will carry out the plan through either commencement, or announcing its main features to those affected by it. The measurement of the provision includes only the direct expenditures arising from the restructure, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Make good

A make good provision is recognised where the Group has contractual requirements to do so for their leased premises at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required, these costs have been capitalised as a part of the cost of leasehold improvements and are amortised over the shorter of the lease term or the asset's useful life.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

E2 Key management personnel compensation

Key management personnel compensation paid to executives included in salaries and employee costs are as follows:

	2020 \$'000	2019 \$'000
Short-term employee benefits	5,353	4,787
Post-employment benefits	337	276
Termination benefits	-	183
Total key management personnel compensation	5,689	5,246

No transactions other than those disclosed above were made with key management personnel (2019: nil).

F Our Structure

This section explains the Group's structure, including entities we control, and our interests in joint ventures.

F1 Joint operations

Blue Care has a 50% interest in a joint operation with Brisbane Housing Company Limited that provides affordable housing under the National Rental Affordability Scheme (NRAS). Financial information relating to this interest is set out below.

Accounting policies

A joint operation is a joint arrangement whereby the parties to the joint venture have rights to the assets and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for through the recognition of the proportionate share of the assets, liabilities, revenues and expenses of the joint operation. Classification of these items is consistent within the Group.

	2020 \$'000	2019 \$'000
Interest in joint operation		
Property, plant and equipment	4,505	4,633
Less: accumulated depreciation	(128)	(128)
Net interest in joint operation	4,377	4,505
Results		
Rental revenue	553	616
Expenses	(237)	(230)
Net contribution to result	316	386

F2 Interests in other entities

Interests in equity accounted joint ventures

Name	Place of Business	Principal Activities	Ownership Interest		Carrying amount of Investment	
			2020 %	2019 %	2020 \$'000	2019 \$'000
UnitingCare Medical Imaging Pty Ltd ⁱ	Australia	Healthcare	-	50	-	6,644
Leap in! Australia Ltd	Australia	Healthcare	50	50	-	-
Investments accounted for using the equity method					-	6,644

ⁱ UnitingCare Medical Imaging Pty Ltd (UCMI) is an operator in the provision of diagnostic imaging services in Australia, and Leap in! Australia Ltd (LIL) is an online portal for national disabilities insurance scheme clients.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

F2 Interests in other entities (continued)

Movements during the year for equity accounted investments

	UCMI		LIL	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	6,644	5,687	-	1,388
Add: Investments during the period	-	-	-	-
Add: Share of joint venture surplus/(deficit)	1,370	1,319	-	(1,388)
Less: Imputation tax credits	72	(362)	-	-
Less: Dividends received	(6,757)	-	-	-
Less: Disposal of interest	(1,329)	-	-	-
Balance at end of the year	-	6,644	-	-

Summarised financial performance:

Joint ventures surplus/(deficit) for the period of ownership	2,740	2,638	(1,893)	(2,226)
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Disposal of 50% share in UCMI

On 20 December 2019, the Group disposed of its 50% interest in UCMI. As a result of this transaction, a dividend was received, as shown in the movement schedule above, which reduced the carrying value of the investment to \$1,328,000. Details of the sale of the interest in joint venture is presented below.

Sale of interest in UCMI

	2020
	\$'000
Net cash proceeds (excluding dividend)	25,289
Carrying amount of investment in joint ventures	(1,329)
Gain on sale	23,960

There is no other consideration owing. This disposal resulted in the reclassification of the imputation tax receivable from other non-current assets to other current assets, refer C1.3.

Commitments and contingent liabilities in respect of joint ventures

There were no commitments or contingent liabilities in respect of joint ventures at 30 June 2020. In prior periods, a joint and several liability over an asset finance facility with an external bank amounting to \$15,000,000 had been entered into by the two joint investors to UCMI, this was released during the year ended 30 June 2020 as a result of the Group's disposal of its share in UCMI.

Accounting policies

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group recognises its share of the profits or losses of the joint venture, and its share of movements in the consolidated statement of profit or loss and other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest. Accounting policies are consistent with the Group's policies.

Interests in joint ventures are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying amount an impairment loss is recorded to adjust the carrying amount.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G Other disclosures

This section includes additional information that is required by accounting standards and other relevant legislation.

G1 New and amended standards adopted

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

- AASB 16 *Leases*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Implementation Guidance for Not-for-Profit Entities*
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-Term Interests in Associates and Joint Ventures*
- AASB 2019-8 *Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases*

The Group changed its accounting policies and made certain retrospective adjustments following the adoption of AASB 15, AASB 16, AASB 1058 and AASB 2016-8. This is disclosed in G6.6. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

G2 Standards and Interpretations in issue but not yet adopted

Apart from those presented below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

AASB 2018-6 Amendments to Australian Accounting Standards: Definition of a Business

Effective for the Group from 1 July 2020. This standard clarifies the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The Group is in the process of evaluating the impact of the new standard with no material impact expected.

AASB 2018-7 Amendments to Australian Accounting Standards: Definition of Material

Effective for the Group from 1 July 2020. This standard clarifies the definition of material and its application across AASB standards and other pronouncements. The principal amendments are to AASB 101 *Presentation of Financial Statements*. The Group is in the process of evaluating the impact of the new standard with no material impact expected.

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Effective for the Group from 1 July 2020. It may be possible for an entity that asserts to be complying with Australian Accounting Standards, may not be able to assert it is complying with IFRS Standards if its reporting date falls between the issuance date of a new IFRS Standard and a later release date of an Australian Accounting Standard. This Standard allows the entity to disclose the possible impact of an initial application of a forthcoming IFRS Standard not yet adopted by the AASB. The Group is in the process of evaluating the impact of the new standard with no material impact expected.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G2 Standards and Interpretations in issue but not yet adopted (continued)

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current

Effective for the Group from 1 July 2021. This standard clarifies requirements for presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for the liability for at least 12 months after the reporting period. The Group is in the process of evaluating the impact of the new standard with no material impact expected.

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

Effective for the Group from 1 July 2020. This standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The Group is in the process of evaluating the impact of the new standard with no material impact expected.

G3.1 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 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 the expense, unless otherwise not recoverable. Contingencies and commitments are also disclosed net of GST payable or recoverable. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated statement of financial position. Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows within the receipts from clients, funding and others and payments to suppliers and employees.

G3.2 Income taxes

No provision for income tax has been made as the Group and its agencies are exempt from taxation under Division 50 of the *Income Tax Assessment Act (1997)* and have been so endorsed by the Commissioner of Taxation.

G4 Going concern

The financial statements have been prepared on an accruals basis of accounting, except for cash flow information, and include the assumption that the Group will continue to operate as a going concern.

The Group has a net current asset deficiency of \$605,391,000 (2019: \$659,022,000), a significant portion of which is ongoing contributions and accommodation bonds of \$775,537,000 (2019: \$754,685,000), which are disclosed as a current liability. Current liability classification notwithstanding, the Group expects that, of the total ongoing contributions and accommodation bonds disclosed as a current liability, \$638,716,000 (2019: \$629,421,000) will not be repaid within 12 months (refer C1.5). Furthermore, the repayment of any ongoing contributions and accommodation bonds will be offset by incoming ongoing contributions and accommodation bonds. Additionally, of total current employee benefits disclosed, \$45,931,000 (2019: \$43,977,000) are expected to be settled after 12 months (refer E1). The Group's adjusted net current asset position is reflected as follows:

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G4 Going concern (continued)	2020 \$'000	2019 \$'000
Net current asset deficiency	(605,391)	(659,022)
<i>Add back:</i> Ingoing contributions and accommodation bonds not expected to be repaid within 12 months	638,716	629,421
<i>Add back:</i> Ingoing contributions and accommodation bonds expected to be repaid within 12 months and replaced by new ingoing contributions and accommodation bonds	136,821	125,264
<i>Add back:</i> Current employee benefits not expected to be settled within 12 months	45,931	43,977
Total adjusted net current asset position	216,077	139,640

G5 Comparatives

Where necessary, comparative amounts have been amended for any changes to the current year presentation or classification of items in the financial statements that were made in order to enhance users' understanding of the financial statements.

G6 Other Disclosures

G6.1 Auditor's remuneration	2020 \$	2019 \$
Audit fees	550,000	555,000
Other services	908,790	651,192
Total auditor's remuneration	1,458,790	1,206,192

The auditor for the Group is Deloitte Touche Tohmatsu. Other services provided relate to consulting and professional fees. Management has an Auditor Independence Policy in place to formally approve the non-audit services provided by Deloitte and is satisfied that the provision of non-audit services during the year ended 30 June 2020 is compatible with the general standard of independence for auditors imposed by the *Australian Charities and Not-for-profits Commission Act 2012*. The Board has reviewed the position on permitted non-audit services and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the nature and scope of the non-audit services provided does not compromise the auditor independence policy.

G6.2 Other related party disclosures

(a) Equity interests in related parties

For details of joint arrangements refer to sections F1 and F2.

(b) Transactions with other related parties

UnitingCare Queensland is part of the Uniting Church in Australia - Queensland Synod and the Group has a related party relationship with and undertakes transactions with various agencies and departments of the Property Trust including The Department of Finance and Property Services, Uniting Church Investment Services and Uniting Church Insurance. The Group makes financial contributions to the Uniting Church in Australia – National Assembly which is the national body for the UnitingCare network.

(c) Transactions and balances with related parties

The consolidated surplus/(deficit) for the year includes the following amounts arising from transactions and balances with related parties:

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G6.2 Other related party disclosures (continued)

	2020 \$'000	2019 \$'000
Uniting Church in Australia – Queensland Synod		
Chaplaincy services	(3,045)	(3,002)
Insurance premiums expense	(9,759)	(10,419)
Other income / (expenses)	(155)	43
Stewardship fee	(9,147)	(8,958)
Redress and sensitive matters contribution	(2,305)	(2,305)
Net payables owed	(2,351)	(2,351)
Uniting Church Investment Services		
Interest revenue received	3,816	6,897
Cash on deposit at the end of year	275,416	254,467
Funds held in trust	2,299	2,496
The Uniting Church in Australia – National Assembly		
Contribution paid	(554)	(691)
UnitingCare Medical Imaging Pty Ltd ⁱ		
Receivable owing	-	42
Loan receivable	-	859
Unearned prepaid income	-	(702)
Investment in joint venture	-	6,444
Rental income	1,147	2,005
Other sundry income	268	568
Reimbursement of theatre and prosthetics fees (expense)	434	(3,670)
Other sundry expenses	(619)	(1,283)
Leap in! Australia Ltd		
Loan receivable	-	1,188
Impairment of loan receivable	(1,676)	-
Share of joint venture deficits	(887)	(838)
Interest revenue	125	57
Loans advanced	1,250	2,000

ⁱ UnitingCare Medical Imaging Pty Ltd was considered a related party up to its date of disposal, 20 December 2019, refer F2, transactions disclosed above are up to the date of disposal.

G6.3 Contingent liabilities

Periodically, the organisation is notified of claims from people who have received current and/or previous services from the Uniting Church in Australia, Queensland Synod or its predecessor Denominations. Although the Group and the Uniting Church in Australia, Queensland Synod meet with claimants, payments made to claimants are paid through the Queensland Synod Insurance Managed Fund (including where applicable contributions from insurers and other predecessor Denominations) and not directly by the Group.

The Group notes and supports the establishment of the National Redress Scheme on 1 July 2018. The financial responsibility for meeting costs associated with redress and civil litigation will be borne collectively by the Uniting Church in Australia, with UnitingCare Queensland being a responsible body contributing to the recovery of costs. The nature and extent of any claims in any period are not predictable and therefore any amounts levied may vary from year to year.

Additionally, the Group notes and supports the ongoing Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability and the Royal Commission into Aged Care.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G6.3 Contingent liabilities (continued)

From time to time, the services of the Group are named in legal claims of a medical nature. The outcome of these claims is uncertain. The Board is of the opinion that provisions are not required in respect of these matters, as it is not probable that a future outflow of economic benefits will be required or the amount is not capable of reliable measurement and insurance policies are adequate to meet these claims. The maximum exposure to liability for excess payments in respect of these claims is \$4,571,000 (2019: \$2,053,000).

The Group has received capital grants from the State and Commonwealth governments. Funding received may be repayable in circumstances where the asset is sold or it ceases to be used for its funded purpose, depending on the specific contractual obligations of each contract. The contingent liability at 30 June 2020 was \$4,570,000 (2019: \$4,570,000). Blue Care's portion of the contingent liability at 30 June 2020 was \$4,276,000 (2019: \$4,276,000).

The Group is aware of capital funding grants provided by the Commonwealth Government to agencies previously responsible for the delivery of residential care services.

Other than the above matters, the Board is not aware of any other contingent liabilities at the date of this report.

G6.4 Economic dependency

The Group is dependent on both State and Commonwealth Government funded services to fund its operations. The continued support and funding of community care and aged care program facilities by the Federal Government is subject to regular reviews and accreditation requirements. The impact of COVID-19 on the Group is disclosed in note G6.7.

G6.5 Events after the reporting period

There were no matters subsequent to the end of the year that have come to attention that would have a material impact on the financial statements or disclosures therein.

G6.6 Changes in accounting policies

(a) Adoption of AASB 16 Leases

The Group has elected to apply AASB 16 *Leases* using the modified retrospective approach with the cumulative effect of initially applying the new standard recognised on 1 July 2019 through accumulated funds. Comparatives for the year ended 30 June 2019 have not been restated.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.77%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU asset and lease liability at the date of initial application, 1 July 2019. The measurement principles of AASB 16 are only applied after this date.

	2019
Measurement of lease liabilities:	\$'000
Operating lease commitments disclosed as at 30 June 2019	70,290
Effect of discounting using the Group's incremental borrowing rate of 3.77%	(5,125)
Add: finance lease liabilities recognised as at 30 June 2019	3,074
(Less): short-term leases recognised on a straight-line basis as expense	(1,936)
(Less): low-value leases recognised on a straight-line basis as expense	(14)
(Less): different treatment of extension options	(549)
Lease liability recognised as at 1 July 2019	65,740

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G6.6 Changes in accounting policies (continued)

The associated ROU assets for two properties were measured on a retrospective basis, as if the new rules had always been applied in the amounts of \$15,107,000 and \$978,800. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. Property, plant and equipment increased by \$51,067,000 on 1 July 2019 and prepayments reduced by \$762,000. The net impact on accumulated funds on 1 July 2019 was \$8,087,000.

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

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics (fleet leases); and
- the use of hindsight in determining the lease term where the contract contains options for the lease.

The Group has also elected not to apply AASB 16 to contracts that were not identified as containing a lease under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

(b) Adoption of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Implementation Guidance for Not-for-Profit Entities

Effective from 1 July 2019, the Group has adopted AASB 15 with respect to revenue recognition, which replaces AASB 118 *Revenue* and applies to all revenue arising from contracts with customers unless the contracts are in scope of other standards. In applying the new revenue standard, the Group is required to consider the five-step model to contracts with customers, and is required to recognise revenue to depict the transfer of goods or services in an amount that reflects consideration to which the Group expects to be entitled to.

Additionally, also effective from 1 July 2019, AASB 1058 and AASB 2016-8 supersede the not-for-profit income recognition requirements of AASB 1004 *Contributions* and AASB 118 *Revenue*. The timing of income recognition depends on whether a transaction gives rise to a liability, a performance obligation in the scope of AASB 15 or a contribution by owners related in an asset received by the Group when the consideration to acquire the asset is significantly less than fair value principally to enable the Group to further its objectives.

The Group has adopted the modified retrospective approach, with the effect of initially applying these standards recognised at the date of its initial application. The cumulative effect of initially applying AASB 15 and AASB 1058 was recognised at the date of initial application as an adjustment to the opening balance of accumulated funds. Therefore, the comparative information was not restated and continues to be reported under AASB 118 and AASB 1004. Additionally, the new Standards were not be applied to contracts that were completed by the date of initial application.

In applying AASB 15 and 1058 for the first time, the Group has used the following practical expedients permitted by the standards:

- assets acquired before the date of initial application were not remeasured at fair value on adoption of the new standards; and
- significant financing components have not been adjusted when the transfer of a promised good or service and payment is one year or less.

The following table shows the adjustment recognised for each individual line item. Line items that were not affected by the changes have not been included.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G6.6 Changes in accounting policies (continued)

Statement of profit or loss and other comprehensive income (extract) 30 June 2019	Presentation per AASB 118 / AASB 1004 \$'000	Increase / (decrease) \$'000	Presentation per AASB 15 / AASB 1058 \$'000
Revenue from contracts with customers (previously 'Revenue')	1,595,206	(30,393)	1,564,813
Other income	23,896	30,393	54,289

(c) The effect of adopting AASB 16, AASB 15, AASB 1058 and AASB 2018-8

The total impact on the Group's accumulated funds at 1 July 2019 was as follows:	\$'000
Closing accumulated funds 30 June 2019	885,169
Adjustment to accumulated funds from adoption of AASB 16	(8,087)
Adjustment to accumulated funds from adoption of AASB 1058 (capital grants)	(6,284)
Opening accumulated funds 1 July 2019	870,798

G6.7 Impact of COVID-19 on the Group

On 18 March 2020, the World Health Organisation declared COVID-19 a global pandemic. The virus is highly contagious with no current vaccine. Management notes the risk in particular to residents of residential aged care homes, which is a primary source of revenue for the Group also noting that the operations of the Group are located in Queensland and the Northern Territory, which have experienced low rates of infection. The Group has undertaken significant preparedness and scenario planning activities to ensure we are as prepared as possible for any widespread community transmission of COVID-19 or transmission of the virus to any of our employees, volunteers, residents or clients. The Group is supported by a centrally dedicated COVID-19 Crisis Management and Operations Team which remains in regular contact with public health agencies to ensure its response is in line with State, Territory and Federal Government directions. There are no confirmed or suspected cases of COVID-19 in any of the Group's sites at the date of this report.

G6.8 ACNC required disclosure

As per section A2.3, the UCQ ACNC reporting group includes the following entities:

- UnitingCare Queensland;
- UnitingCare Community;
- Blue Care; and
- UnitingCare Health.

However, UnitingCare Queensland also controls and consolidates ARRCs. A reconciliation is included below, with any reclassifications required to comply with ACNC disclosure requirements:

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2020

G6.8 ACNC required disclosure (continued)

Consolidated statement of profit or loss and other comprehensive income	UCQ ACNC reporting group \$'000	Other controlled entities ⁱ \$'000	Eliminations \$'000	UCQ Consolidated Group \$'000
Revenue				
Government grants ⁱⁱ	640,684	48,002	-	688,686
Donations and bequests ⁱⁱⁱ	6,234	11	-	6,245
Revenue from providing goods or services	941,213	11,169	-	952,382
Revenue from investments	4,917	744	-	5,661
Other revenue	77,261	4,970	(1,975)	80,256
Total revenue	1,670,309	64,896	(1,975)	1,733,230
Other income	33,779	279	(577)	33,481
Total gross income	1,704,088	65,175	(2,552)	1,766,711
Expenses				
Employee expenses	(1,015,636)	(41,816)	-	(1,057,452)
Interest expenses	(5,754)	(58)	-	(5,812)
Other expenses	(656,732)	(19,628)	2,552	(673,808)
Total expenses	(1,678,122)	(61,502)	2,552	(1,737,072)
Net surplus	25,966	3,673	-	29,639
Other comprehensive loss	(782)	-	-	(782)
Total comprehensive income	25,184	3,673	-	28,857
Consolidated statement of financial position				
Assets				
Total current assets	553,516	64,005	(21)	617,500
Total non-current assets	1,595,226	51,426	-	1,646,652
Total assets	2,148,742	115,431	(21)	2,264,152
Liabilities				
Total current liabilities	1,183,004	39,908	(21)	1,222,891
Other non-current liabilities	111,185	1,498	-	112,683
Total liabilities	1,294,189	41,406	(21)	1,335,574
Net assets	854,553	74,025	-	928,578

ⁱ All other controlled entities are also public benevolent institutions.

ⁱⁱ Government grants includes both aged care and community services, family services, capital grants from government and non-recurring revenue and income (refer B1).

ⁱⁱⁱ Donations and bequests includes both fundraising and donations and bequests (refer B1).

UnitingCare Queensland

Declaration by the Board of UnitingCare Queensland

30 June 2020

The Board of UnitingCare Queensland declares that:

- (a) the financial statements and notes set out on pages 1 to 40:
 - i. comply with the *Australian Charities and Not-for-profits Commission Act 2012* including compliance with Australian Accounting Standards and mandatory professional reporting requirements; and
 - ii. give a true and fair view of the financial position of UnitingCare Queensland as at 30 June 2020 and of its performance as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that UnitingCare Queensland 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.

Dated 6 October 2020



Nigel Alexander, Chair
UnitingCare Queensland Board



Chris Townend, Chair
UnitingCare Queensland Audit, Risk
and Compliance Committee

The Chair
UnitingCare Queensland Board
Level 5, 192 Ann Street
Brisbane Qld 4000
Australia

6 October 2020

Dear Nigel

The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Board of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland.

As lead audit partner for the audit of the financial statements of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; or
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Independent Auditor's Report to the Board of UnitingCare Queensland acting through The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

Opinion

We have audited the financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Board of UnitingCare Queensland (the "Board") as set out on pages 1 to 41.

In our opinion, the accompanying financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

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

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

Responsibilities of the Board for the Financial Report

The Board of the Group is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC Act and for such internal control as the Board 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 Board is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or to cease operations, or has 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 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with management and 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.



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 6 October 2020



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