



StewartBrown

Integrity + Quality + Clarity

Financial Reporting and Sustainability

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Aged & Community
Services NSW & ACT

Financial Sustainability

There are a number of factors that influence sustainability

- Profitability at Care and Accommodation levels
- Mission and reputation
- Overall business model
- Access to capital
- Location
- Size of facility

Care Result

Income

- ✓ Daily care fees
- ✓ Income tested fee
- ✓ Extra service fee
- ✓ Respite fees
- ✓ ACFI Subsidies
- ✓ Respite subsidies
- ✓ Expense offset subsidies such as oxygen and enteral feeding

Expenses

- ✓ Direct care expenses
- ✓ Catering
- ✓ Cleaning
- ✓ Laundry
- ✓ Utilities
- ✓ Administration and other support services

Accommodation Result

Income

- ✓ Accommodation charges
- ✓ Daily accommodation payments
- ✓ Retentions from bonds
- ✓ Accommodation supplements and top-ups
- ✓ Interest charged on outstanding bonds

Expenses

- ✓ Property and maintenance costs
- ✓ Property rental
- ✓ Depreciation
- ✓ Amortisation
- ✓ Interest paid on outgoing bonds

Comparing Revenue Streams

	2010	2011	2012	2013	2014	March 2015
Care Income	146.05	161.94	174.39	180.19	189.46	203.86
Care costs & daily living expenses	(140.05)	(151.29)	(162.39)	(173.40)	(181.00)	(193.30)
Care result	5.10	10.66	12.00	6.79	8.46	10.56
Accommodation income	15.03	16.49	19.26	21.29	23.20	24.75
Accommodation Costs	(19.32)	(21.47)	(22.73)	(22.57)	(23.38)	(24.61)
Accommodation Result	(4.29)	(4.98)	(3.47)	(1.28)	(0.18)	0.14
Provider income	4.29	5.04	5.56	4.42	3.76	4.11
Provider costs	(1.22)	(1.93)	(1.51)	(1.39)	(1.55)	(0.76)
Provider result	3.07	3.11	4.05	3.03	2.21	3.35
Total result	3.88	8.79	12.58	8.54	10.49	14.04

Highlights *(March 2015)*



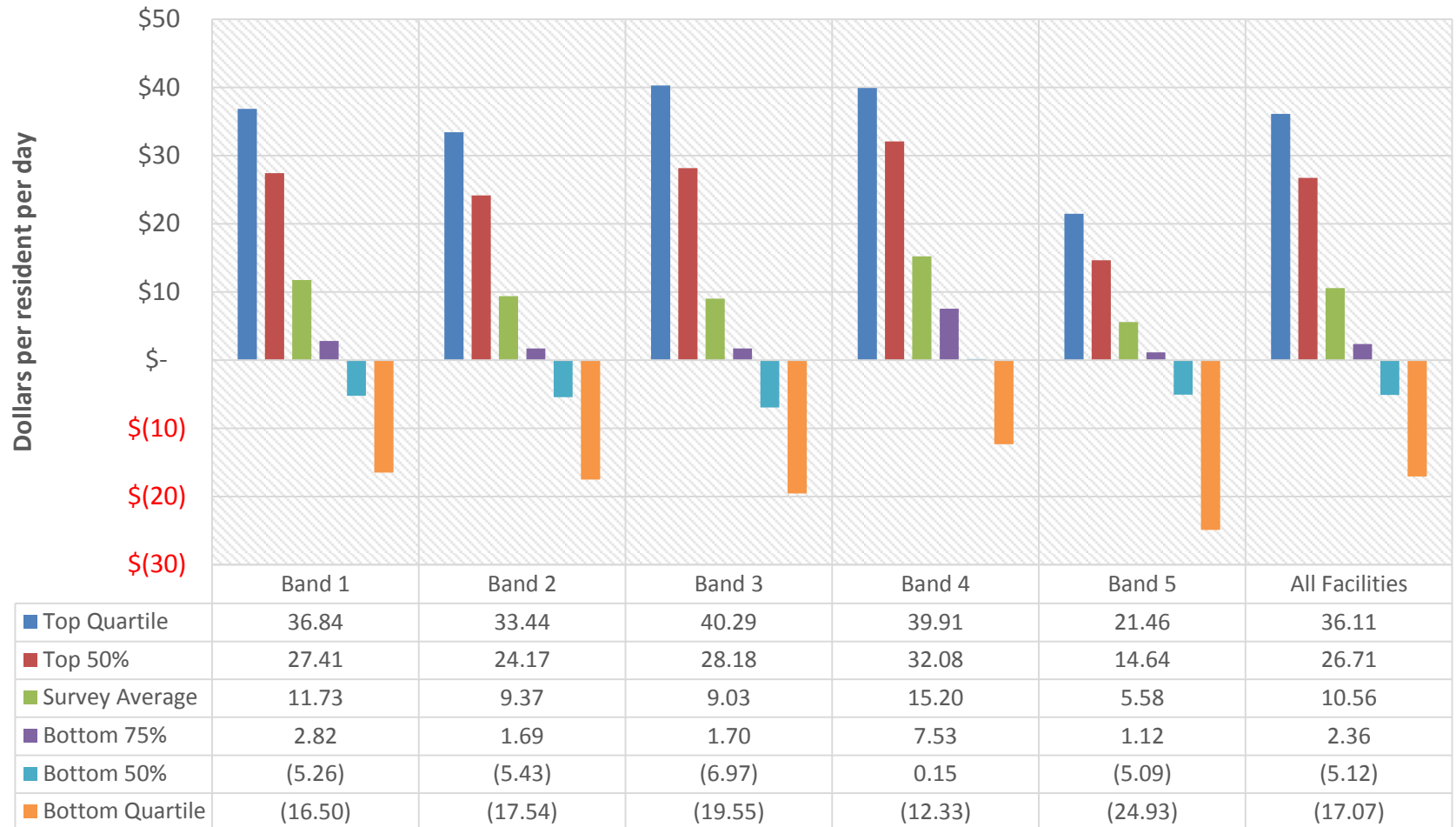
- ✓ Average Care result was **\$10.56** per bed day (June 2014: \$8.47 per bed day)
- ✓ Average Facility EBITDA was **\$8,902** per bed per annum (June 2014: \$7,784 per bed per annum)
- ✓ Care income averaged **\$203.86** per bed day (June 2014: \$189.46 per bed day)
- ✓ The care result represents a return of only **5.2%** (June 2014: 4.5%)

Highlights (March 2015)

- ✓ **70.4%** of all facilities in the survey achieved a positive Care result (June 2014: 67.8%)
- ✓ **75.5%** of facilities in this survey (June 2014: 72.5%) made an overall surplus taking into account all sources of income and expenditure. This is higher than it has been for some time. The ratio was 73.4% at June 2011, 65.0% at June 2010 and 63.5% at June 2009
- ✗ An ongoing concern is that 86 facilities (**11.9%**) in the survey that had a negative EBITDA which is down from 15.4% of the facilities in the June 2014 survey.
- ✓ The average **Care result** of the top 50% of facilities in the survey was **\$26.71 per bed day**
- ✗ In contrast, the average facility result of the bottom 50% of facilities in the survey (361 facilities) was a **loss of \$5.12** per bed day

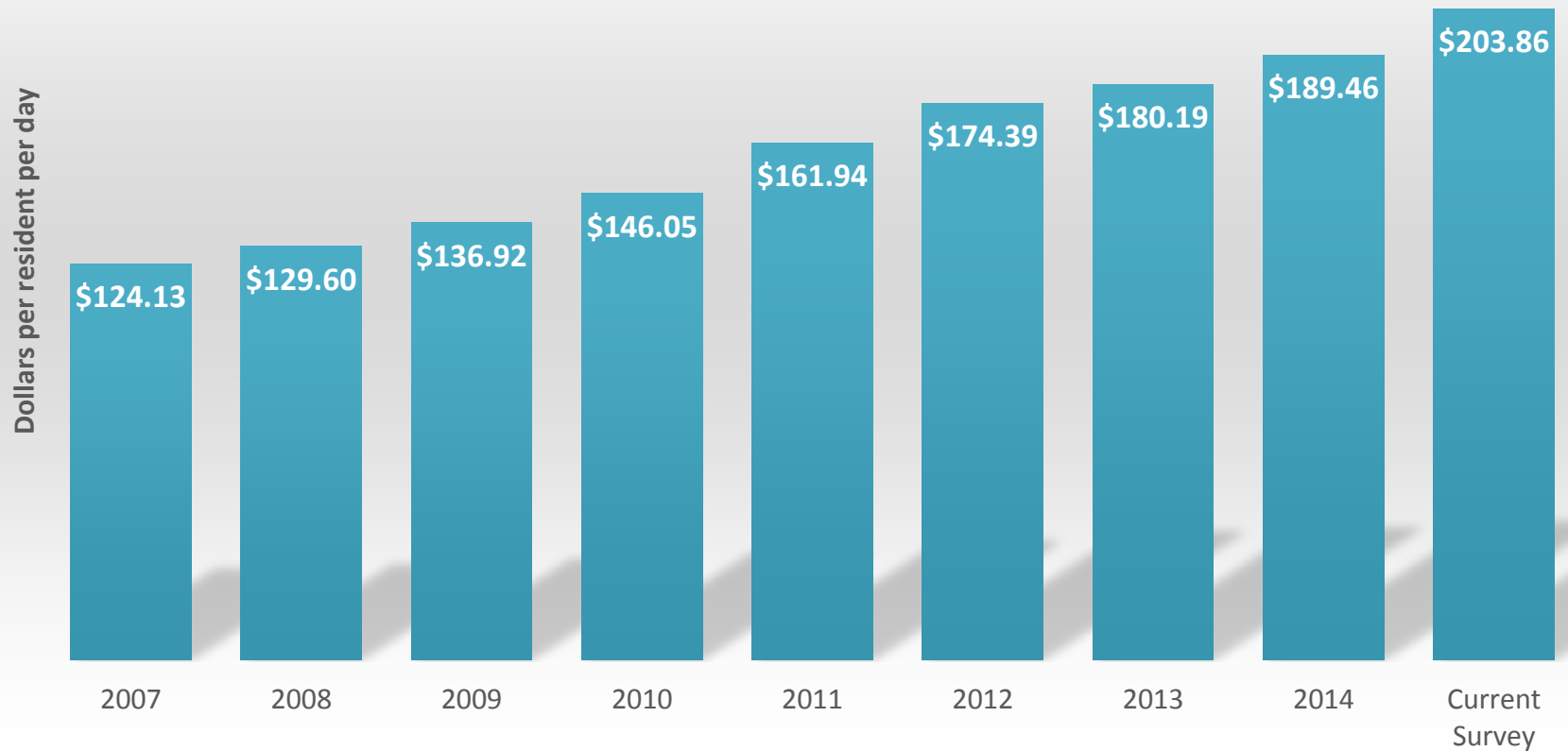
Residential Care

Average Care Result - By Band



Care Income

Care Income - Average all facilities





Differences between Average and Top 25%

- The below table shows the \$ per bed day (\$ pbd) **difference** between the **Average** of the March 2015 survey and the **Average of the Top 25%**
- Using Band 1 as an example the Top 25% have greater income of \$1.36 pbd and less expenses of \$23.77 pbd resulting in a greater surplus of **\$25.13 pbd**

Benchmark v Average	Band 1	Band 2	Band3	Band 4	Band 5
	\$ pbd	\$ pbd	\$ pbd	\$ pbd	\$ pbd
Revenue	1.36	(0.06)	(1.80)	(0.66)	(4.36)
Expenditure					
Care costs	16.59	18.73	26.33	20.23	11.64
Hotel services	2.13	1.42	3.31	(0.25)	5.53
Utilities	(0.19)	0.45	0.53	0.49	0.91
Administration/ Other	5.24	3.54	2.88	4.89	2.20
Total expenditure	23.77	24.14	33.05	25.36	20.28
Care result (difference)	\$ 25.13	\$ 24.08	\$ 31.25	\$ 24.70	\$ 15.92

Accommodation Pricing

Are we undervaluing accommodation?

- Case study
 - North Shore of Sydney - Pacific Highway corridor from North Sydney to Hornsby and east to Terry Hills and Belrose (*Post codes 2060 to 2087*)
 - 47 facilities
 - 2,313 residential places
 - 108 different accommodation prices

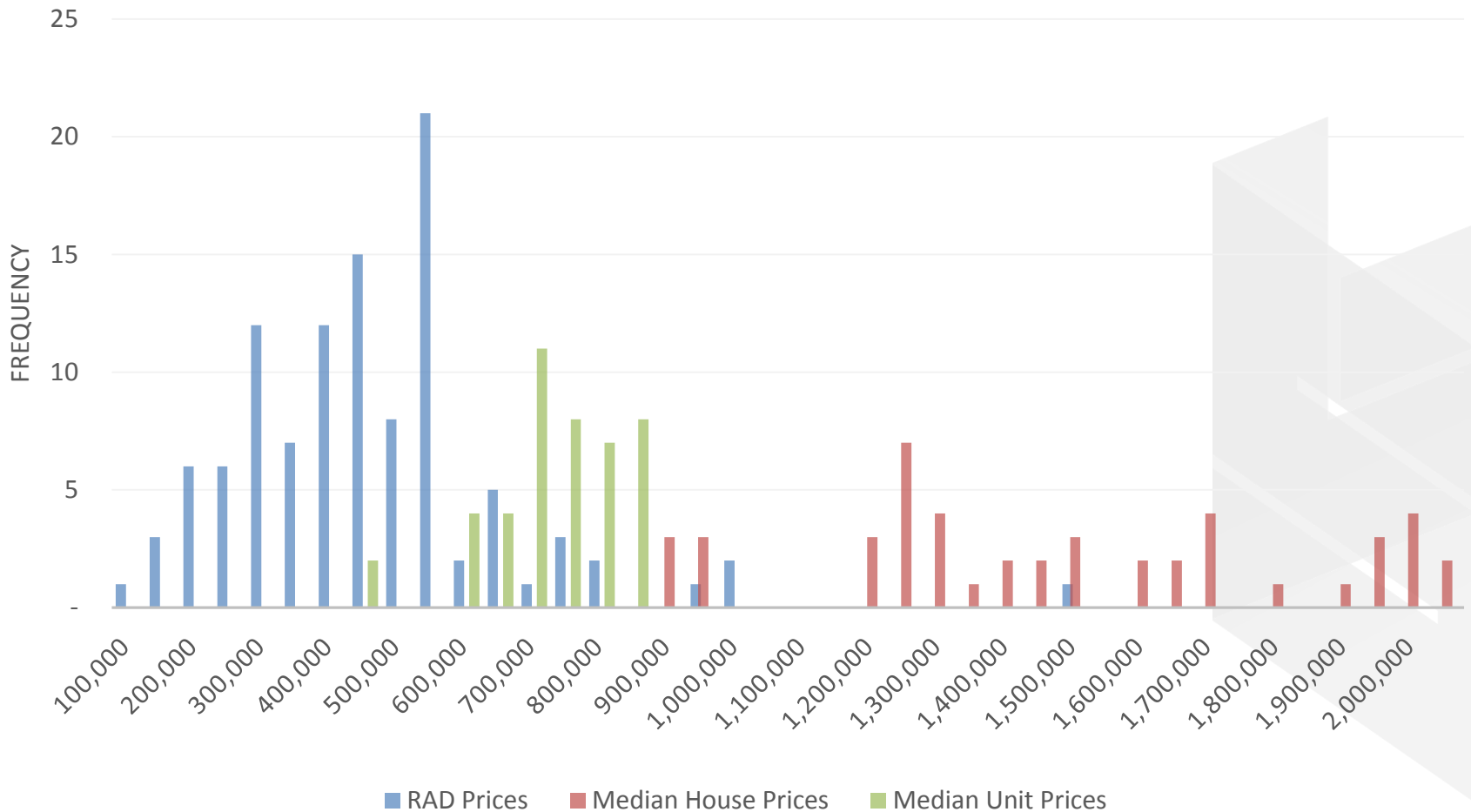
Accommodation Pricing

Are we undervaluing accommodation?

- Case study
 - Average RAD - \$451,303
 - Median RAD - \$450,000
 - Lowest Price \$100,000
 - Highest Price \$1,500,000
 - 17 prices above \$550,000 (7 facilities)
 - 14 prices equal to \$550,000
 - Median house prices range from \$898,000 to \$2,135,000 depending on postcode
 - Median Unit prices range from \$428,000 to \$833,000 depending on post code
 - Overall median house price \$1,450,000
 - Overall median unit price \$705,000

Accommodation Pricing

Accommodation Prices v Median House Prices



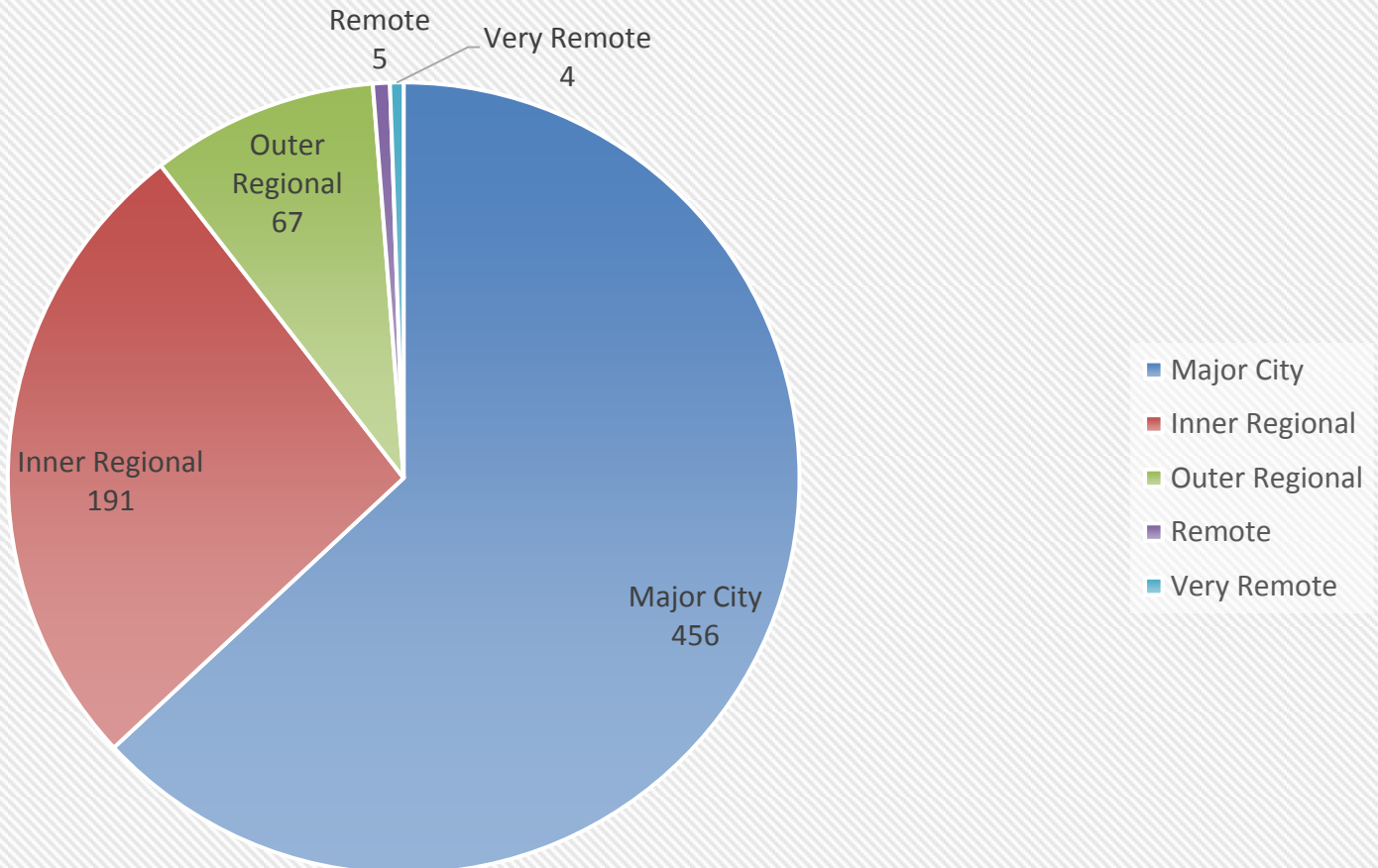
Sustainability – The Regional Effect

□ What affect does location have on sustainability?

- Profitability
- Facility size
- Accommodation pricing

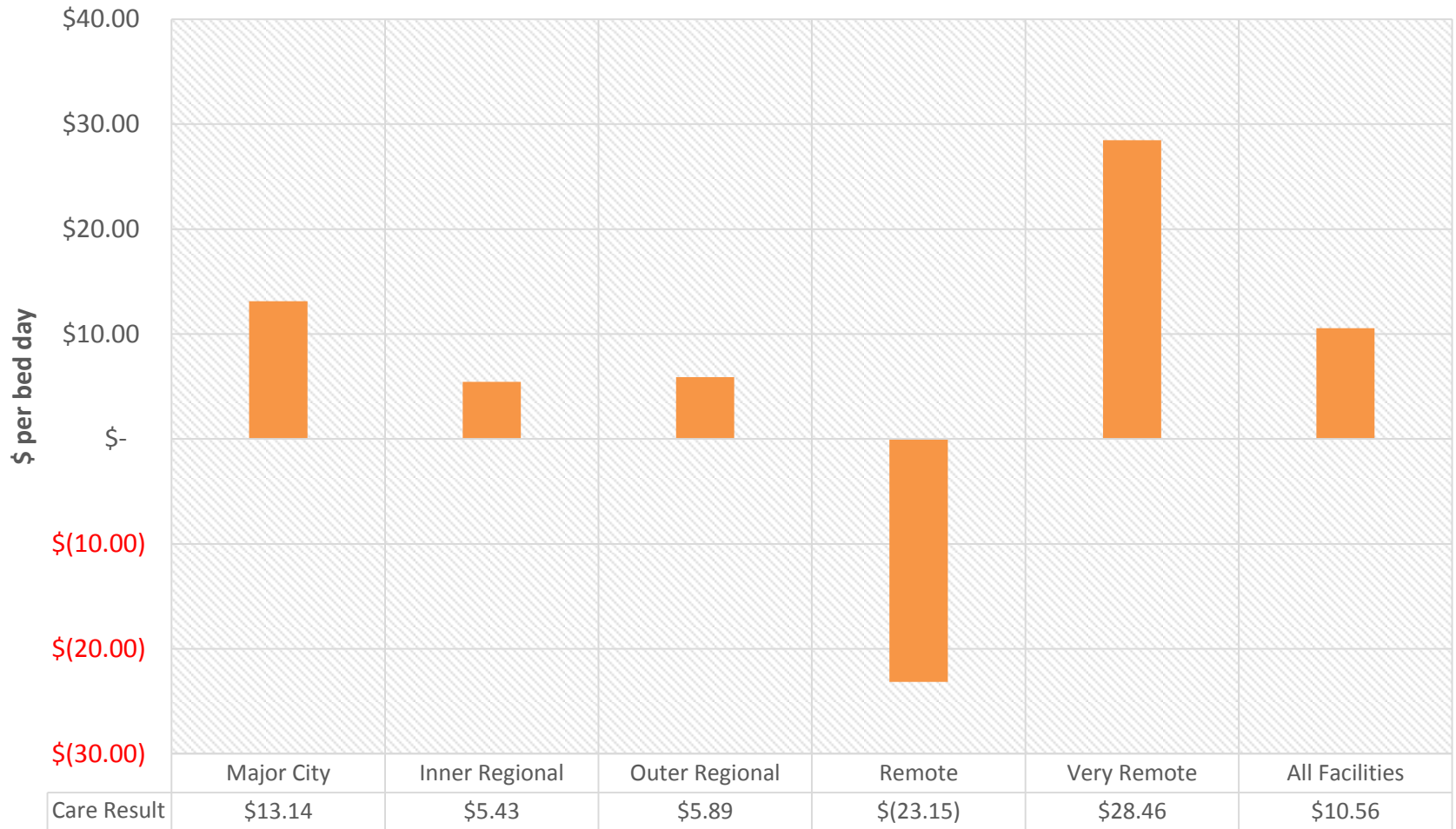
Regional Analysis

Distribution of facilities by Region



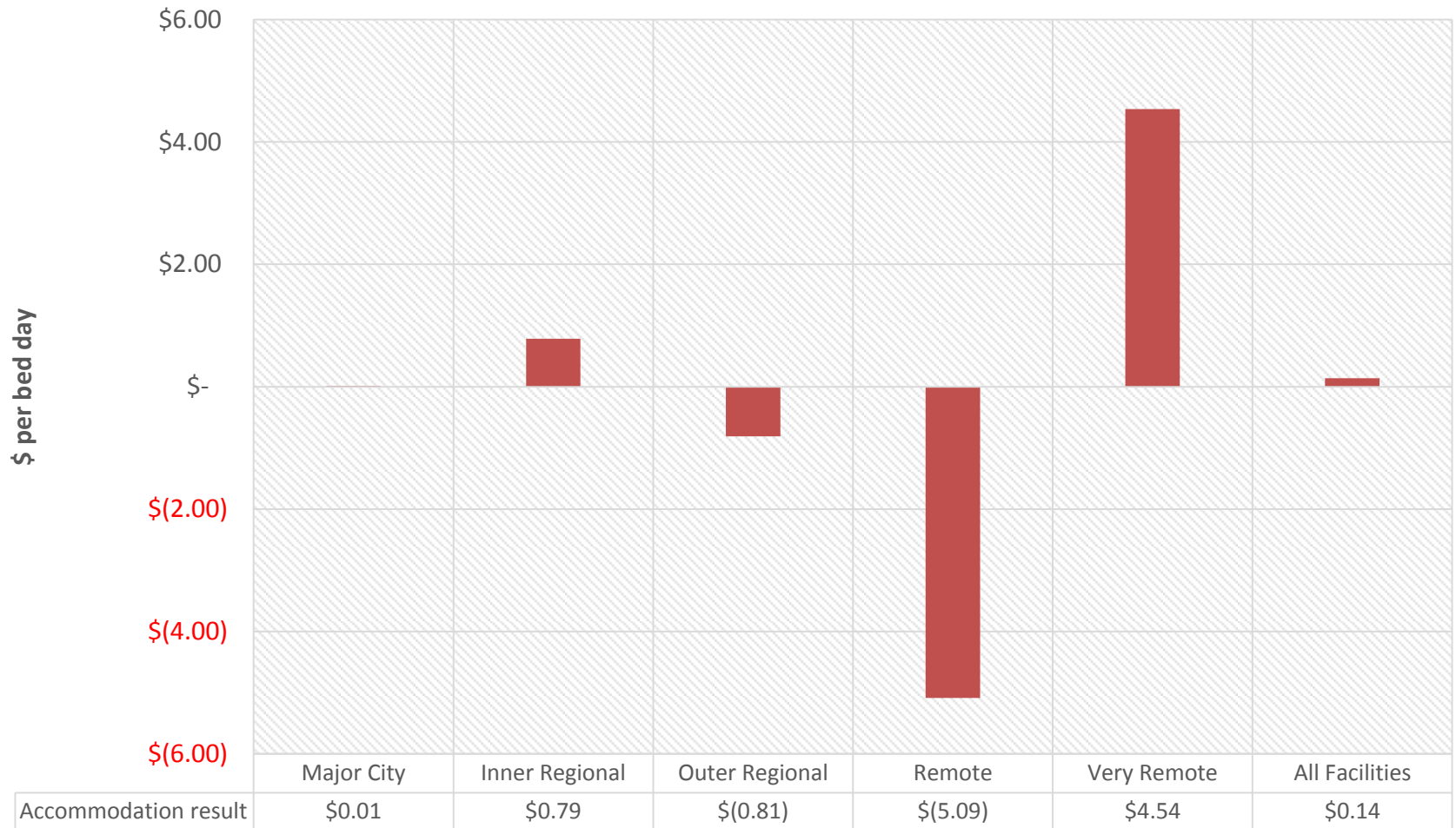
Regional Analysis

Care result by Region



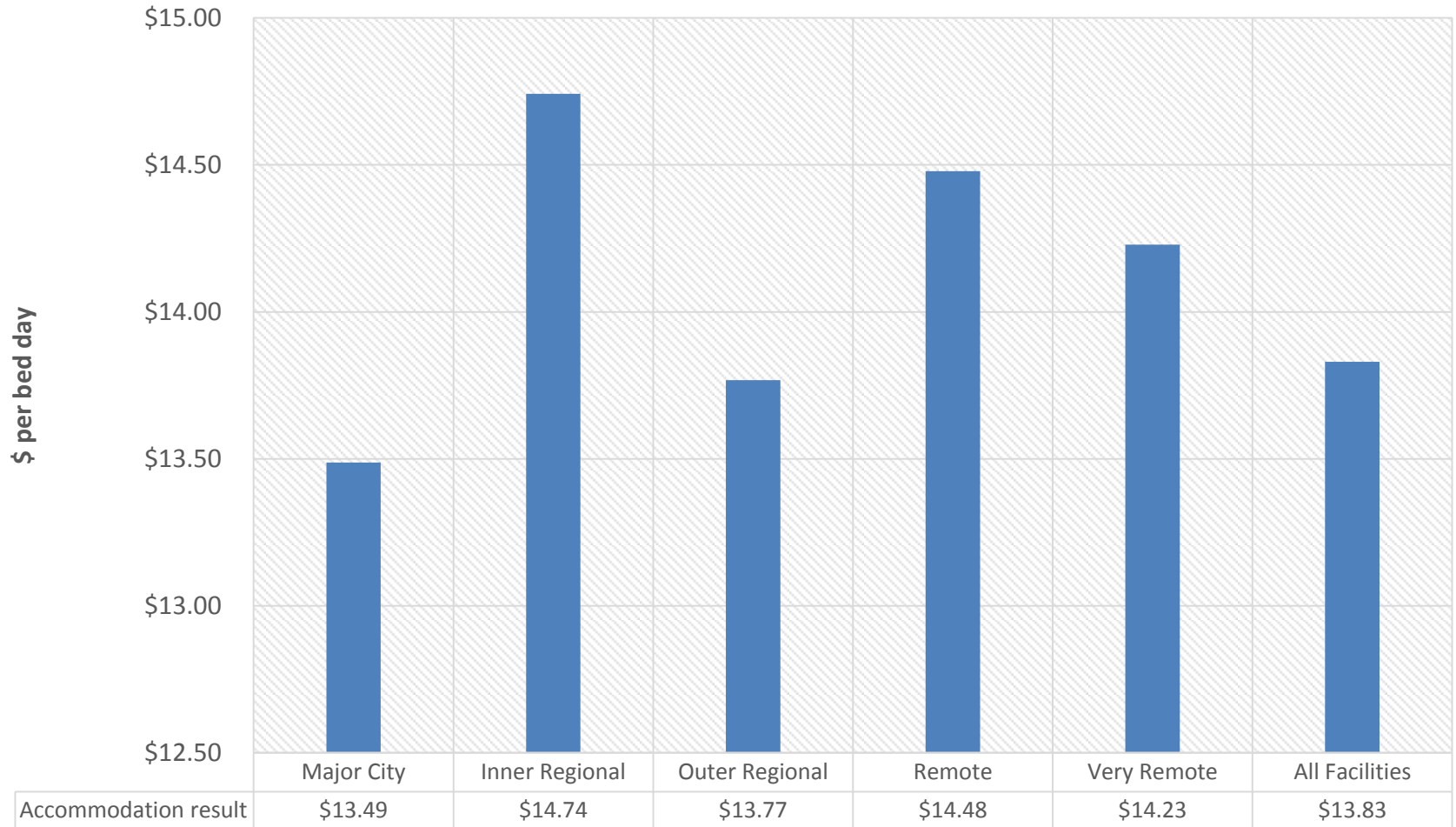
Regional Analysis

Accommodation result by Region



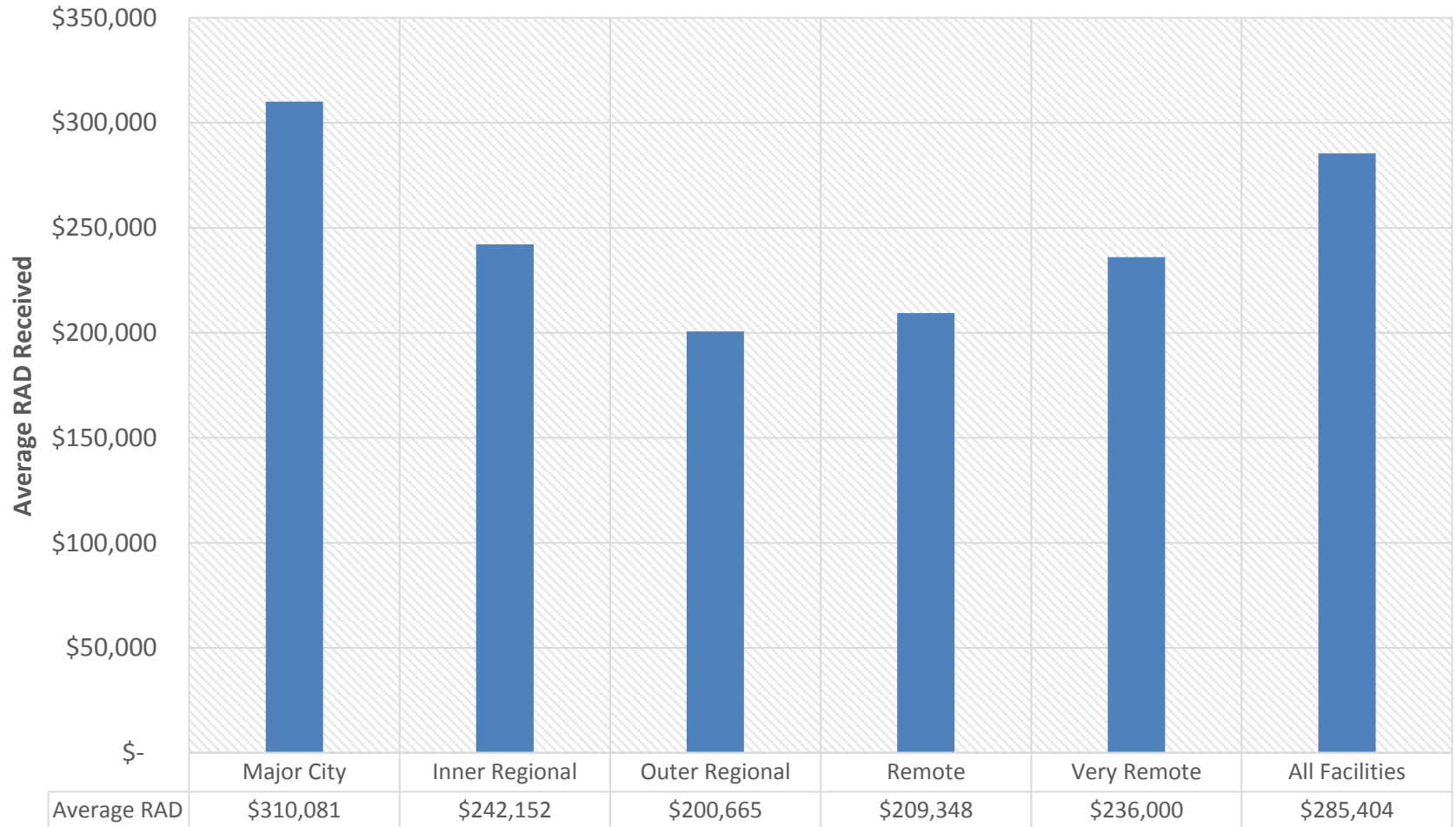
Regional Analysis

Accommodation result before depreciation by Region



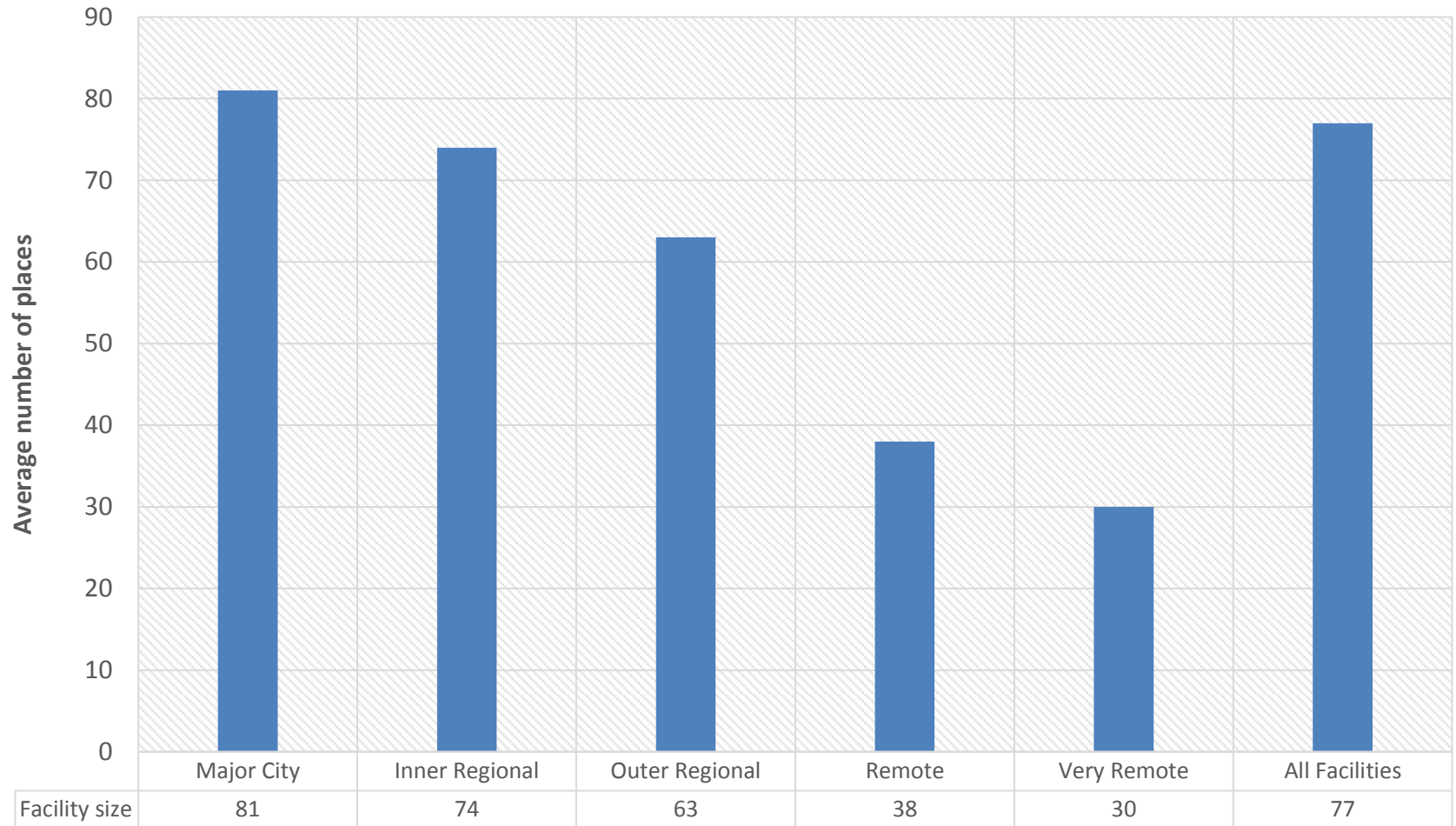
Regional Analysis

Average RAD taken current financial year by Region

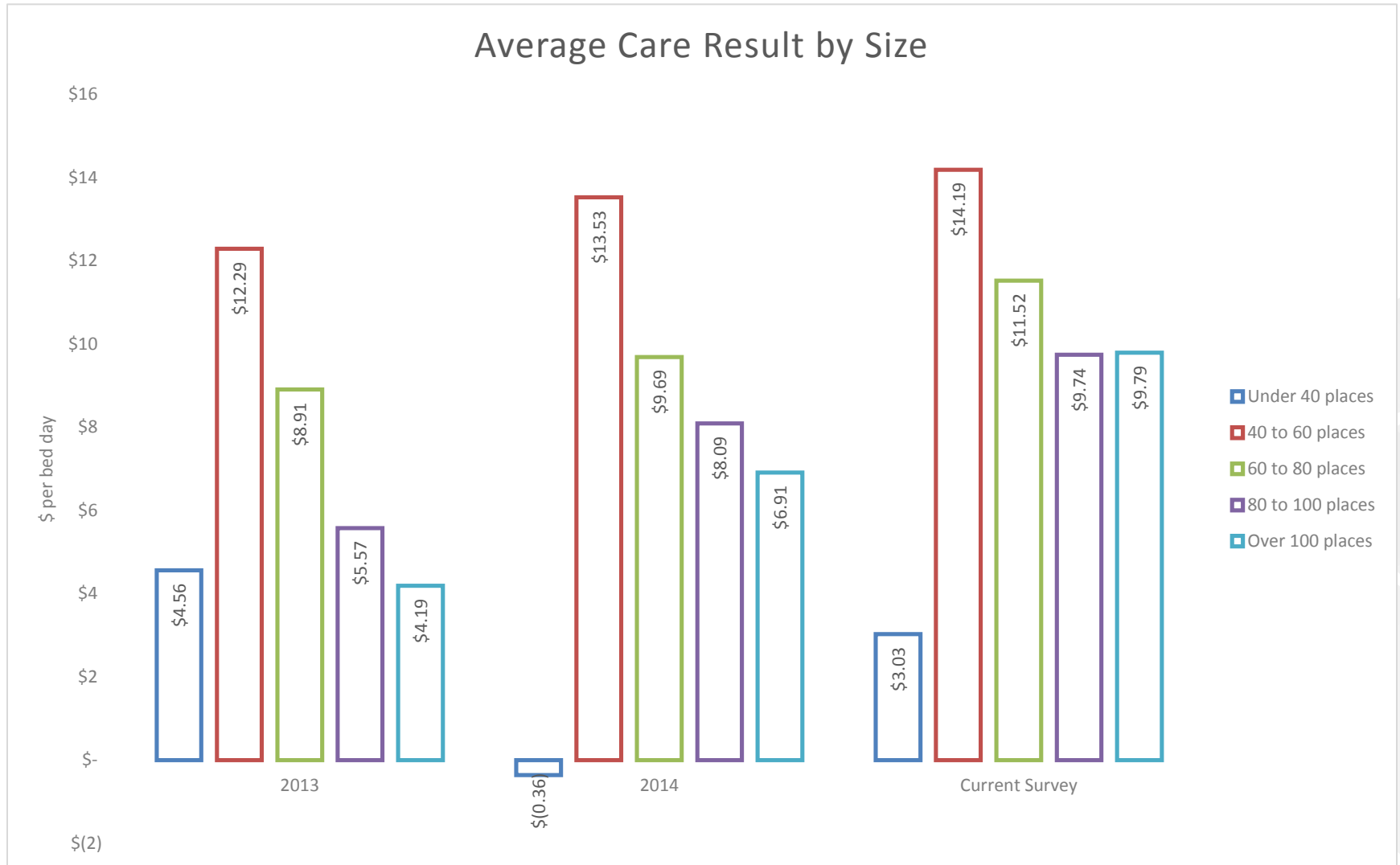


Regional Analysis

Average facility size by Region

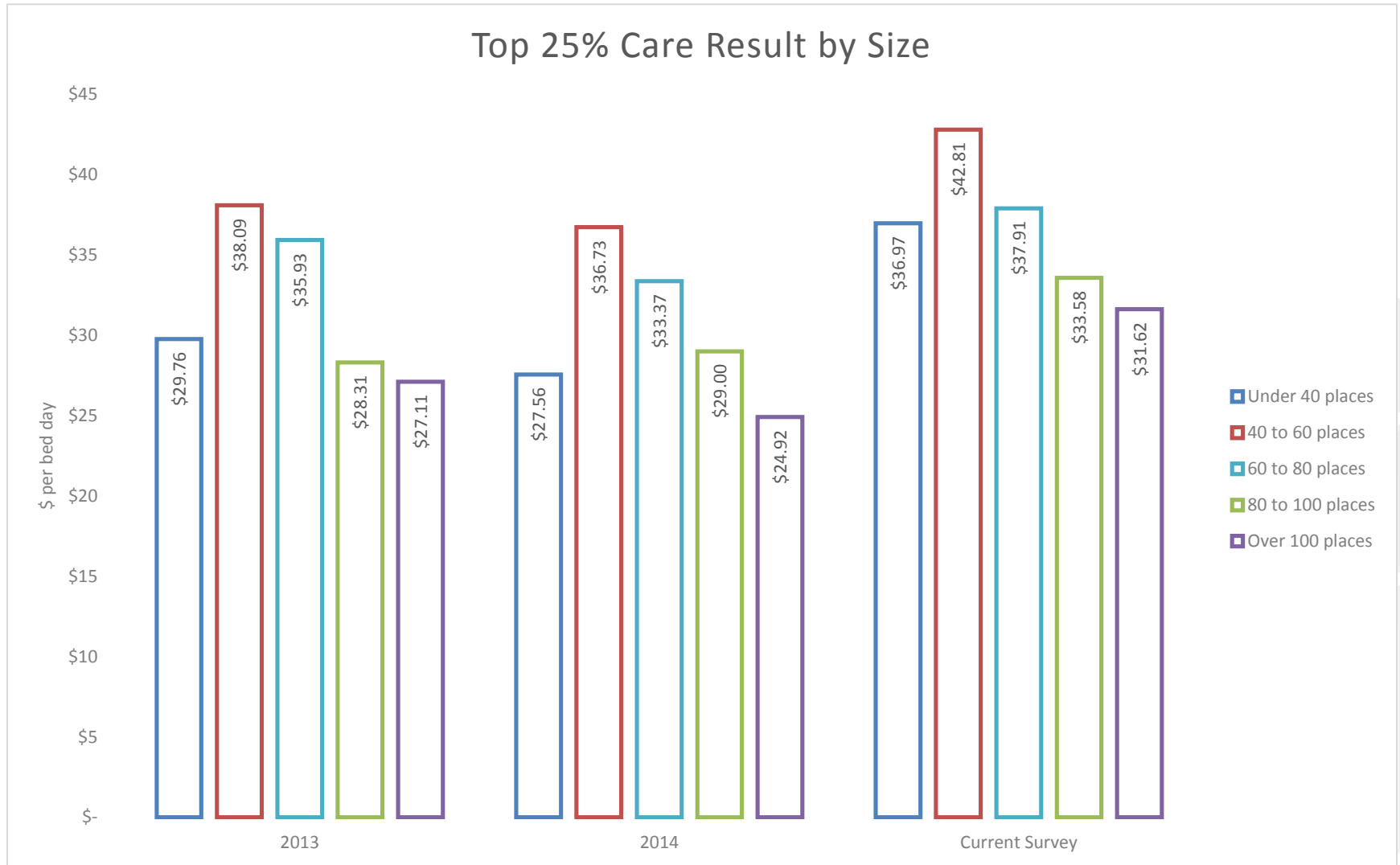


Size



Size

Top 25% Care Result by Size



ACNC Financial Reporting

- Responsible persons (Directors) must assess whether the entity is:
 - Reporting entity (general purpose financial report); or
 - Non-reporting entity (special purpose financial report).
- Reporting entities must apply Australian Accounting Standards (AASBs) - may apply Tier 2 RDR reporting

ACNC Financial Reporting

- Medium sized charities (revenue \$250K to \$1Mil) and large charities (revenue \$1Mil+) must lodge their annual financial statements with ACNC within 6 months of year end
- Financial reports must include:
 - ✓ Financial statements (GPFR or SPFR)
 - ✓ Notes to the financial statements
 - ✓ Responsible entities' declaration
- All charities must lodge an Annual Information Statement (AIS).

ACNC Financial Reporting

Directors Report

- ✓ Prepared under Corporations Law (not ACNC Act) and required by most company constitutions
- ✓ Companies Limited by Guarantee have different format – s300B
- ✓ Must include:
 - Short and long term objectives
 - Strategy for achieving those objectives
 - Methodology to monitor and measure performance
 - Members liability
 - Auditors Independence Statement

ACNC Financial Reporting

Auditors Independence Declaration

- ✓ Forms part of the Directors Report
- ✓ In accordance with s60.40 of the *ACNC Act 2012*

Responsible Persons' Declaration

- ✓ Similar in format to Directors Declaration
- ✓ Signed in accordance with s60.15 of the *ACNC Regulation 2013*

Reduced Disclosure Reporting

AASB 1053: Application of Tiers of Australian Accounting Standards

- Applies to all Reporting entities from year ending 30 June 2014
- Reduced disclosure requirements (RDR) - not full IFRS
- Applies to Companies Limited by Guarantee - entities reporting to DSS. Not listed public companies
- Be wary of “over disclosure” - check with your auditor what may or may not be removed from financial report

Reduced Disclosure Reporting

- Significantly reduced financial report disclosures:
 - ✓ Financial instruments: AASB 7
 - ✓ Reconciliation items: cash flows, PPE comparatives
 - ✓ Key management personnel remuneration disclosures
 - ✓ Auditors remuneration
 - ✓ Intangible assets
 - ✓ Consolidation accounting
 - ✓ No effect on Charitable Fundraising Reporting

Financial Statements Presentation

Presentation of Financial Statements - AASB 101

“An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position.....except when a presentation based on liquidity provides information that is reliable and more relevant. When that exemption applies, an entity shall present all assets and liabilities in order of liquidity.”
[AASB101.60]

Financial Statements Presentation

“Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

- No more than twelve months after the reporting period, and
- More than twelve months after the reporting period.”
[AASB101.61]

Financial Statements Presentation

STATEMENT OF FINANCIAL POSITION (STANDARD FORMAT)

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	xxx,xxx	xxx,xxx
Trade and other receivables	5	xxx,xxx	xxx,xxx
Financial assets	6	xxx,xxx	xxx,xxx
<i>Total current assets</i>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
Non-current assets			
Investment property	7	xxx,xxx	xxx,xxx
Property, plant and equipment	8	xxx,xxx	xxx,xxx
Intangible assets	9	xxx,xxx	xxx,xxx
<i>Total non-current assets</i>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
TOTAL ASSETS		<u>xxx,xxx</u>	<u>xxx,xxx</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	xxx,xxx	xxx,xxx
Employee benefits	11	xxx,xxx	xxx,xxx
Refundable loans	12	xxx,xxx	xxx,xxx
Provisions	13	xxx,xxx	xxx,xxx
<i>Total current liabilities</i>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
Non-current liabilities			
Employee benefits	11	xxx,xxx	xxx,xxx
Provisions	13	xxx,xxx	xxx,xxx
<i>Total non-current liabilities</i>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
TOTAL LIABILITIES		<u>xxx,xxx</u>	<u>xxx,xxx</u>
NET ASSETS		<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
EQUITY			
Retained earnings		xxx,xxx	xxx,xxx
Reserves	14	xxx,xxx	xxx,xxx
TOTAL EQUITY		<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>

Financial Statements Presentation

STATEMENT OF FINANCIAL POSITION (LIQUIDITY FORMAT)

	Note	2015 \$	2014 \$
ASSETS			
Cash and cash equivalents	4	XXX,XXX	XXX,XXX
Trade and other receivables	5	XXX,XXX	XXX,XXX
Financial assets expected to be settled within 12 months	6	XXX,XXX	XXX,XXX
Refundable loans expected to be received within 12 months	5	XXX,XXX	XXX,XXX
Financial assets expected to be settled after 12 months	6	XXX,XXX	XXX,XXX
Refundable loans expected to be received after 12 months	5	XXX,XXX	XXX,XXX
Investment property	7	XXX,XXX	XXX,XXX
Property, plant and equipment	8	XXX,XXX	XXX,XXX
Intangible assets	9	XXX,XXX	XXX,XXX
TOTAL ASSETS		<u>XXX,XXX</u>	<u>XXX,XXX</u>

Financial Statements Presentation

STATEMENT OF FINANCIAL POSITION (LIQUIDITY FORMAT)

	Note	2015 \$	2014 \$
LIABILITIES			
Trade and other payables	10	xxx,xxx	xxx,xxx
Employee benefits expected to be paid within 12 months	11	xxx,xxx	xxx,xxx
Refundable loans expected to be paid within 12 months	12	xxx,xxx	xxx,xxx
Provisions expected to be paid within 12 months	13	xxx,xxx	xxx,xxx
Employee benefits expected to be paid after 12 months	11	xxx,xxx	xxx,xxx
Refundable loans expected to be paid after 12 months	12	xxx,xxx	xxx,xxx
Provisions expected to be paid after 12 months	13	xxx,xxx	xxx,xxx
TOTAL LIABILITIES		<u>xxx,xxx</u>	<u>xxx,xxx</u>
NET ASSETS		<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
EQUITY			
Accumulated funds		xxx,xxx	xxx,xxx
Reserves	14	xxx,xxx	xxx,xxx
TOTAL EQUITY		<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>

Aged Care Financial Report

- ✓ Simplified reporting structure to DSS and ACFA
- ✓ Combines GPFR, APCS, Permitted Uses Statement and Home Care Annual Statements
- ✓ Consolidated segment reporting for residential aged care
- ✓ Home Care Income & Expenses by Service
- ✓ Structure, form and content of ACFR still fluid with ongoing sector consultation
- ✓ Pilot trials for FY15 and FY16 (selected providers)

Aged Care Financial Report

How will ACFR affect Providers?

- ✓ GPFR will still be prepared in majority of cases (DSS will accept GPFR's)
- ✓ External audits will be required in majority of cases
- ✓ Information extracted from GPFR will form basis of ACFR
- ✓ Additional residential and home care segment reports in standard format
- ✓ DSS and ACFA to provide industry sector analysis and policy considerations based on data collected