The Kevin Heinze Garden Centre Inc

2020 Financial Report

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
INCOME			
Fees & Services		1,508,032	783,265
Grants (local) operating		194,578	161,028
Donations received		19,647	8,492
Government COVID-19 Grants		180,500	0
Interest received		2,065	3,567
Total Income		**1,904,822**	**956,352**
EXPENDITURE			
Accounting fees		2,000	3,500
Depreciation expense		14,915	2,773
Audit fees		4,045	350
Bank charges		2,489	852
Utilities expense		18,575	15,509
Interest expense – leased property		151	0
Advertising and promotion expenses		9,406	15,446
Administration expenses		36,842	38,768
Salaries and wages – superannuation		123,692	62,002
Salaries and wages		1,339,631	649,811
COGS		(9,161)	9,546
Other Expenses not listed above		146,060	114,774
Total Expenditure		**1,688,645**	**913,331**
Current year operating surplus		216,177	43,021
Income tax expense		0	0
Net current year surplus		216,177	43,021

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	342,025	221,207
Accounts receivable and other debtors	2	51,397	101,038
Inventory	3	76,445	30,000
TOTAL CURRENT ASSETS		469,867	352,245
NON-CURRENT ASSETS			
Property, plant and equipment	4	82,320	69,347
TOTAL NON-CURRENT ASSETS		82,320	69347
TOTAL ASSETS		552,187	421,592
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables		65,507	51,713
Grants received in advance		-	85,000
Employee provisions		65,827	74,898
TOTAL CURRENT LIABILITIES		131,334	211,612
NON-CURRENT LIABILITIES			
Employee provisions		4,792	-
Borrowings		37,293	47,389
TOTAL NON-CURRENT LIABILITIES		42,085	47,389
TOTAL LIABILITIES		173,419	259,001
NET ASSETS		**378,768**	**162,591**
MEMBERS' FUNDS			
Retained surplus		378,768	162,591
TOTAL MEMBERS' FUNDS		378,768	162,591

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Retained Surplus $
Balance at 1 July 2018	169,469
Surplus for year ended 30 June 2019	43,021
Adjustment for annual leave provision	(49,899)
Balance at 30 June 2019	162,591
Surplus for year ended 30 June 2020	216,177
Balance at 30 June 2020	**378,768**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers, grantors, donations, bequests and raffles	1,867,397	973,582
Payments to suppliers and employees	(1,710,661)	(883,869)
Interest received	2,065	3,567
Interest paid	-	-
Net cash (used in)/generated from operating activities	**158,801**	**93,280**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(27,887)	(53,502)
Net cash used in investing activities	**(27,887)**	**(53,502)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan drawdowns / (repayments)	(10,097)	47,389
Net cash used in investing activities	**(10,097)**	**47,389**
Net increase in cash held	120,817	87,167
Cash on hand at the beginning of the financial year	221,207	134,040
Cash on hand at the end of the financial year	**342,025**	**221,207**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1: Summary of Significant Accounting Policies

Financial Reporting Framework

The committee has prepared the financial statements on the basis that the Entity is a non-reporting entity as there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements prepared in order to satisfy the financial reporting requirements of the *Associations Incorporation Reform Act 2012 (Vic)* and the *Australian Charities and Not-for-profits Commission Act 2012*. The financial report was authorised for issue on the date of signing by the committee.

Statement of Compliance

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Australian Charities and Not-for-profits Commission Act 2012*, the basis of accounting specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101: *Presentation of Financial Statements*, AASB 107: *Cash Flow Statements*, AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031: *Materiality* and AASB 1054: *Australian Additional Disclosures.*

The association has concluded that the requirements set out in AASB 10 and AASB 128 are not applicable as the initial assessment on its interests in other entities indicated that it does not have any subsidiaries, associates or joint ventures. Hence, the financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.

Basis of Preparation

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated. They do not take into account changing money values or, except where stated specifically, current valuations of non-current assets.

The following significant accounting policies, which are consistent with the previous period unless stated otherwise, have been adopted in the preparation of these financial statements. The amounts presented in the financial statements have been rounded to the nearest dollar.

a. **Income Tax**

No provision for income tax has been raised as the Entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

b. **Property, Plant and Equipment (PPE)**

Property, Plant and Equipment (PPE) are carried at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all PPE is depreciated over the useful lives of the assets to the association commencing from the time the asset is held ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are as follows (no change from previous year):

Class of Fixed Assets	Depreciation Rate
Leasehold improvement	2-20%
Plant equipment and motor vehicles	20-25%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise.

c. **Impairment of Assets**

At the end of each reporting period, the committee reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in the income and expenditure statement.

d. **Employee Provisions**

Provision is made for the association's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee provisions have been measured at the amounts expected to be paid when the liability is settled.

e. **Provisions**

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

f. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

g. **Accounts Receivable and Other Debtors**

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from donors. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

h. **Revenue and Other Income**

The association has applied AASB 15: *Revenue from Contracts with Customers* (AASB 15) and AASB 1058: I*ncome of Not-for-Profit Entities* (AASB 1058) using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: C*ontributions*. The details of accounting policies under AASB 118 and AASB 1004 are disclosed separately since they are different from those under AASB 15 and AASB 1058, and the impact of changes is disclosed in Note 1.

In the current year

Operating grants, donations and bequests

When the association receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the association:

– identifies each performance obligation relating to the grant - recognises a contract liability for its obligations under the agreement;

– recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the association:

– recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (eg AASB 9 , AASB 16 , AASB 116 and AASB 138);

– recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and

– recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the association recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital grant

When the association receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The association recognises income in profit or loss when or as the association satisfies its obligations under the terms of the grant.

Interest income

Interest income is recognised using the effective interest method.

Income from sale of goods

The association publishes and sells books and magazines publications to the general public. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customers. Volume discounts could be provided with the sale of these items, depending on the volume of aggregate sales made to eligible customers over every six-month period. Revenue from these sales is based on the price stipulated in the contract, net of the estimated volume discounts. The volume discounts are estimated using historical experience and applying the expected value method. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur. Where there is expected volume discounts payable to the customers for sales made until the end of the reporting period, a contract liability is recognised.

A receivable will be recognised when the goods are delivered. The association's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with volume discounts) are made within a credit term of 30 to 45 days.

Customers have a right to return products within 60 days as stipulated in the current contract terms. At the point of sale, a refund liability is recognised based on an estimate of the products expected to be returned, with a corresponding adjustment to revenue for these products.

Consistent with the recognition of the refund liability, the association further has a right to recover the product when customers exercise their right of return so consequently the company recognises a right to returned goods asset and a corresponding adjustment is made to cost of sales.

Historical experience of product returns is used to estimate of the number of returns on a portfolio
level, using the expected value method. It is considered highly probable that significant reversal in the cumulative revenue will not occur given the consistency in the rate of return presented in the historical information.

All revenue is stated net of the amount of goods and services tax.

In the comparative period

Non-reciprocal grant revenue was recognised in profit or loss when the association obtained control of the grant and it was probable that the economic benefits gained from the grant would flow to the Entity and the amount of the grant could be measured reliably.

If conditions were attached to the grant which must be satisfied before the association was eligible to receive the contribution, the recognition of the grant as revenue was deferred until those conditions were satisfied.

When grant revenue was received whereby the association incurred an obligation to deliver economic value directly back to the contributor, this was considered a reciprocal transaction and the grant revenue was recognised in the statement of financial position as a liability until the service had been delivered to the contributor; otherwise the grant was recognised as income on receipt.

The association received non-reciprocal contributions of assets from the government and other parties for no or nominal value.

These assets were recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

Donations and bequests were recognised as revenue when received.

Interest revenue was recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue was recognised when the right to receive a dividend had been established. Rental income from operating leases was recognised on a straight-line basis over the term of the relevant leases.

Revenue from the rendering of a service was recognised upon the delivery of the service to the customer.

j. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the assets and liabilities statement.

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

k. **Financial Assets**

Initial recognition and measurement

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

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

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

Classification and subsequent measurement

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

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

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

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

Derecognition

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

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

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the association no longer controls the asset

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

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

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

Impairment

The association recognises a loss allowance for expected credit losses on:

– financial assets that are measured at amortised cost or fair value through other comprehensive income;
– lease receivables;
– contract assets (eg amount due from customers under contracts);
– loan commitments that are not measured at fair value through profit or loss; and
– financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

– financial assets measured at fair value through profit or loss; or
– equity instruments measured at fair value through other comprehensive income.

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

The association uses the simplified approach to impairment, as applicable under AASB 9: *Financial Instruments.* The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade and other receivables.

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

Recognition of expected credit losses in financial statements

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

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

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

l. **New and Amended Accounting Policies Adopted by the association**

Initial application of AASB 16

The association is not party to any material leases as a lessee, or lessor. Therefore this standard has not had any impact on the financial statements.

The association is party to leases that have significantly below-market terms and conditions principally to enable the association to further its objectives (commonly known as peppercorn/concessionary leases), the association has adopted the temporary relief under AASB 2018-8 and measures the right of use assets at cost on initial recognition. As these amounts are immaterial, they have not been brought to account in the financial statements.

Initial application of AASB 15 and AASB 1058

The association has applied AASB 15: *Revenue from Contracts with Customers* and AASB 1058: *Income of Not-for-Profit Entities* using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*.

The association has elected to apply AASB 1058 retrospectively only to contracts that are not completed contracts at the date of initial application. The adjustment to opening retained surplus on 1 July 2019 was an increase of $0 with a corresponding decrease in contract liabilities. A classification change occurred which resulted in the deferred income now being classified as contract liability in line with wording used in AASB 15.

m. **Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the association retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements must be presented.

n. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the association.

Key Estimates

(i) Impairment

The Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Entity that may be indicative of impairment triggers.

(ii) Plant and equipment

As indicated in Note 1, the association reviews the useful life of plant and equipment on annual basis.

Key Judgements

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Note 2: Accounts Receivable and Other Debtors

	2020	2019
	$	$
Trade and other debtors	51,397	101,038
	51,397	101,038

Note 3: Inventories

Plants held for sale	76,445	30,000

Note 4: Property, Plant and Equipment

Vehicle assets	80,099	80,099
Less accumulated depreciation	(46,114)	(34,786)
	33,985	**45,313**
Leasehold improvements	167,672	149,855
Less accumulated depreciation	(136,334)	(135,644)
	31,338	**14,211**
Office equipment	54,084	44,013
Less accumulated depreciation	(37,086)	(34,190)
	16,998	**9,823**
Total Property, Plant and Equipment	**82,320**	**69,347**

Note 5: Cash and Cash Equivalents

Petty cash	3,259	2,868
Cash at bank	338,766	218,339
Total cash on hand	342,025	221,207

Note 6: Cash Flow information

Current Year Surplus	216,177	43,020
Adjusted for:		
- Depreciation	14,915	2,773
Movements in working capital:		
- (increase)/decrease in trade and other debtors	49,641	(40,194)
- (increase)/decrease in inventory	(46,445)	(5,086)
- (decrease)/ increase in provisions	(4,281)	16,892
- (decrease)/increase in accounts payable and other payables	(71,206)	75,875
Cash flow from operating activities	**158,801**	**93,280**

Note 7: Related Party Transactions

Transactions with related parties	-	-
Balances owing to (from) related parties	-	-

Note 8: Contingent Items

Contingent Liabilities	-	-
Contingent Assets	-	-

Note 9: Events after the balance date

Since the balance date, the increased levels of community transmission of COVID-19 across Victoria has seen increased restrictions put in place for the State, including Stage 4 lockdowns. During this time, the business has continued to operate however, facilities have been closed and there has been some impact on service delivery.

Due to the significant uncertainty surrounding the future impacts of the pandemic on both local and international economies and uncertainty surrounding any future Government imposed restrictions on the association's operations, it is not possible to estimate the full impact of the COVID-19 pandemic on business operations or financial results.

The committee and management will continue to monitor the financial and non-financial impacts of the pandemic on operations, and will put in place various mitigation strategies in response to any further changes. These financial statements have been prepared based upon conditions in place at the balance date. The committee and management have considered the events that have occurred since the balance date and to the time of signing. As these events occurred after the balance date, and are not evidence of conditions in place at the balance date, no adjustments have been made to these financial statements as a direct result of subsequent events.

No other matters or circumstances have arisen between the end of the financial period, and the date of this report, which have directly, significantly affected or may significantly affect the operations of the business, the results of those operations or the state of affairs of the business in future financial years.

Note 10: Going Concern

The Committee and Management have considered the association's financial results to the date of signing, its forward forecasts and budgeted cashflows, and believes that the business will continue to be able to pay its debts as and when they become payable, despite the impacts of COVID-19 on operations and the broader economy. The financial statements have therefore been prepared on a going concern basis, as assessed by the Committee for a period of twelve months from the date of this report. These assessments and forward forecasts are based on information available at the time of signing, and are also based on the assumptions that operations will revert to a normal in the short to medium term, that payment terms will continue to be supported by key suppliers and government support will also continue. Should any of these assumptions and expectations not eventuate, or should government restrictions on trade become stricter and / or continue to impact the association in the longer term, then these budgets may not be accurate and the association's ability to continue to trade may then be in doubt. As the current estimates and assumptions are forward looking, future events or conditions may cause actual results to differ from current estimates. The significant, and likely direct, impact of future Government imposed restrictions may also render current assessments inaccurate. The Committee and management are unable to accurately determine when all of the currently imposed restrictions will be lifted, and when normal operations can resume, nor is the Committee able to determine the extent of Government support into the future. The Committee has conducted its assessments and forward planning with the expectation that normal trading levels will resume in the short term. Should normal trading not be able to resume in the short term, then the Committee's assumptions may no longer be valid and would need to be re-assessed. At the time of signing, the Committee and management have no intention to liquidate or cease operations for the foreseeable future, and accordingly these financial statements have been prepared on a going concern basis.

The Committee and management are also not aware of any material non-compliance with statutory or regulatory requirements, or of any pending changes to legislation which may significantly impact the association.

Note 11: Entity Details

The registered office, and principal place of business, of the association:

39 Wetherby Road

Doncaster VIC 3108

Certification by members of the Committee

In accordance with a resolution of the Committee Members of The Kevin Heinze Garden Centre Inc, the Committee declares that, in the Committee's opinion:

1. The financial statements and notes, as set out on pages 2 – 13, satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Reform Act 2012 (Vic)*: and
    a. comply with Australian Accounting Standards applicable to the Entity; and
    b. give a true and fair view of the financial position of the association as at 30 June 2020 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the association will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Name:
Position: Chairperson

Name: Gary Ayre
Position: Treasurer

Signed in Melbourne this 19 day of November 2020.

ASPARQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

KEVIN HEINZE GARDEN CENTRE INC

Qualified Opinion

We have audited the financial report of Kevin Heinze Garden Centre Inc (the Entity), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Certification by Members of the Committee.

In our opinion, except for the matters described in *Basis for Qualified Opinion* section of our report, the accompanying financial report of Kevin Heinze Garden Centre Inc is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Reform Act 2012 (Vic)*, including:

- giving a true and fair view of the Entity's financial position as at 30 June 2020 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note 1, and the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for Qualified Opinion

The Entity's inventories are not recorded in a manner that allows for each item to be specifically identified, valued and counted. Accordingly, we were not able to verify the accuracy of the Entity's records regarding inventory of $76,445 (2019: $30,000). This may result in adjustments to cost of sales, net income and members' equity.

The previous financial report was not audited. We were unable to satisfy ourselves by alternative means concerning a number of opening balances disclosed in the statements of financial performance and cash flows, and the statement of financial position, as comparative figures. Whilst we were satisfied with the material accuracy of amounts recorded in the statement of financial position at 30 June 2019, the impact of opening balances on the current period financial performance and cash flows prevents us from forming an opinion on the financial report taken as a whole.

The Entity receives a sizeable amount of revenue in the form of cash. Such revenue is susceptible to error, miscalculation and misappropriation. It is extremely difficult to establish controls over the collection of cash revenue prior to entry in an Entity's financial records. Accordingly, our audit procedures with respect to cash revenue has been restricted to the amounts recorded in the financial records. We are unable to express an opinion whether cash revenue is complete. This may result in revenue being understated.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (the ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the ACNC Act, which has been given to the Committee, would be in the same terms if given to the Committee as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Committee's financial reporting responsibilities under the ACNC Act and the *Associations Incorporation Reform Act 2012 (Vic)*. As a result, the financial report may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Events occurring after the balance date

We draw attention to Notes 9 and 10 to the financial report, which disclose that the financial report has been prepared on a going concern basis, notwithstanding the impact on the business of the COVID-19 pandemic and government imposed restrictions on trade. The Committee has considered forward forecasts and cashflow budgets in their assessment of going concern and is satisfied that these assessments confirm the Entity will be able to pay its debts as and when they fall due. Further government-imposed restrictions on trade may render these assessments, and budgets, to be invalid and requiring reassessment. The ongoing uncertainty regarding future impacts of the pandemic, and possible further restrictions on trade, mean it is not possible to estimate the full impact on the Entity' s operations and financial position into the future. Any such analysis would be prospective in nature. Actual results may differ from budgeted results and any user of these financial statements should take the variable, and unknown, nature of future impacts of the pandemic, and possible government restrictions on trade, into consideration when making any decisions based on these financial statements.

Our opinion is not modified in respect of this matter.

Other Information

The Committee is responsible for the other information. The other information comprises the Entity's Annual Report and the Committee's Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Committee for the Financial Report

The Committee of the Entity is responsible for the preparation of the financial report that gives a true and fair view and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act and the *Associations Incorporation Reform Act 2012 (Vic)* and is appropriate to meet the needs of the members. The Committee's responsibility also includes such internal control as the Committee determines is necessary to enable the preparation of a 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 Committee is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Committee either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility 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.

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

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities within the Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our opinion.

We communicate with the Committee 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.

Asparq Audit & Assurance Pty Ltd

Asparq Audit & Assurance Pty Ltd
ACN 163 796 147

Jonathan Kyvelidis
Director

Signed in Melbourne this 19th day of November 2020.

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AUDITOR'S INDEPENDENCE DECLARATION UNDER

SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012

TO THE COMMITTEE OF KEVIN HEINZE GARDEN CENTRE INC

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 Committee of Kevin Heinze Garden Centre Inc.

As the lead audit partner for the audit of the financial report of Kevin Heinze Garden Centre Inc for the 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 of the *Australian Charities and Not for Profits Commission Act 2012* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

Asparq Audit & Assurance Pty Ltd
ACN 163 796 147

Jonathan Kyvelidis
Director

Signed in Melbourne this 19th day of November 2020.