

North Central Local Learning and Employment Network Inc.

ABN 93 103 445 051

Financial Statements - 31 December 2022

North Central Local Learning and Employment Network Inc.

Contents

31 December 2022

Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6
Financial declaration for responsible person	20
Independent auditor's report	21

North Central Local Learning and Employment Network Inc.
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	2022 \$	2021 \$
Revenue			
Revenue	3	1,673,698	1,460,677
Expenses			
Salaries and employee benefits expense		(965,743)	(714,622)
Depreciation expense	4	(52,979)	(53,699)
Finance costs	4	(3,384)	(2,089)
Project costs		(204,003)	(133,388)
Motor vehicle expenses		(54,599)	(22,107)
Administration and associated costs		(80,695)	(78,158)
Occupancy and associated costs		(33,782)	(19,128)
Advertising and promotional costs		(13,486)	(4,539)
Other expenses		(1,216)	(1,800)
Surplus for the year		263,811	431,147
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>263,811</u>	<u>431,147</u>

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

North Central Local Learning and Employment Network Inc.
Statement of financial position
As at 31 December 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	5	1,114,494	725,794
Trade and other receivables	6	189,172	352,057
Total current assets		<u>1,303,666</u>	<u>1,077,851</u>
Non-current assets			
Property, plant and equipment	7	22,923	721
Right-of-use assets	8	56,479	34,909
Total non-current assets		<u>79,402</u>	<u>35,630</u>
Total assets		<u>1,383,068</u>	<u>1,113,481</u>
Liabilities			
Current liabilities			
Trade and other payables	9	99,139	106,257
Other liabilities	10	249,650	280,733
Lease liabilities	11	44,434	14,812
Employee benefits	12	82,546	56,815
Total current liabilities		<u>475,769</u>	<u>458,617</u>
Non-current liabilities			
Lease liabilities	11	13,374	21,639
Employee benefits	12	2,698	5,809
Total non-current liabilities		<u>16,072</u>	<u>27,448</u>
Total liabilities		<u>491,841</u>	<u>486,065</u>
Net assets		<u>891,227</u>	<u>627,416</u>
Equity			
Retained earnings		<u>891,227</u>	<u>627,416</u>
Total equity		<u>891,227</u>	<u>627,416</u>

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

North Central Local Learning and Employment Network Inc.
Statement of changes in equity
For the year ended 31 December 2022

	Retained earnings \$	Total equity \$
Balance at 1 January 2021	196,269	196,269
Surplus for the year	431,147	431,147
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>431,147</u>	<u>431,147</u>
Balance at 31 December 2021	<u>627,416</u>	<u>627,416</u>
	Retained earnings \$	Total equity \$
Balance at 1 January 2022	627,416	627,416
Surplus for the year	263,811	263,811
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>263,811</u>	<u>263,811</u>
Balance at 31 December 2022	<u>891,227</u>	<u>891,227</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

North Central Local Learning and Employment Network Inc.
Statement of cash flows
For the year ended 31 December 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		1,924,822	1,612,423
Payments to suppliers and employees		(1,469,454)	(1,161,911)
Short-term and low-value lease payments		(18,234)	(7,585)
Interest received		5,458	1,439
Interest paid		(3,384)	(2,089)
Net cash from operating activities	16	<u>439,208</u>	<u>442,277</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(1,092)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,092)</u>	<u>-</u>
Cash flows from financing activities			
Payment of principal component of lease liability		<u>(49,416)</u>	<u>(54,739)</u>
Net cash used in financing activities		<u>(49,416)</u>	<u>(54,739)</u>
Net increase in cash and cash equivalents		388,700	387,538
Cash and cash equivalents at the beginning of the financial year		<u>725,794</u>	<u>338,256</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>1,114,494</u></u>	<u><u>725,794</u></u>

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

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 1. Significant accounting policies

The financial statements were authorised for issue 11 April 2023 by the committee.

New or amended Accounting Standards and Interpretations adopted

The association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the association:

AASB 1060 General Purpose Financial Statements - *Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060). North Central Local Learning and Employment Network Inc. (herein referred to as the association) has adopted AASB 1060 from 1 January 2022. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs). As a result, there are additional minimum disclosure requirements for key management personnel, related parties and financial instruments.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

The association does not have 'public accountability' as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards* and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation and disclosure requirements in those Standards as modified by AASB 1060.

Accounting policies

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Income tax

The association is exempt from paying income tax under section 50-45 of the *Income Tax Assessment Act 1997* and subsequently has not been charged any income tax expense.

Impairment of assets

At the end of each reporting period, the association assesses whether there is any indication that an asset may be 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 immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the association would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Note 1. Significant accounting policies (continued)

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 using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Comparative figures

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

When 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 disclosed.

Economic dependence

The association is economically dependent on the State of Victoria for grant funding used to fund its operations and various programs. At the date of this report, the committee have no reason to believe that continued support will not be forthcoming.

Note 2. Critical accounting judgements, estimates and assumptions

The committee members 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

Impairment

The association assesses impairment at each reporting period by evaluating the conditions and events specific to the association that may be indicative of impairment triggers. Recoverable amount of the relevant assets are reassessed using the value-in-use calculation which incorporates various key assumptions.

Useful lives of property, plant and equipment

The association reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Key judgements

Identifying performance obligations under AASB 15

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.

Determination and time of revenue recognition under AASB 15

For each revenue stream, the association applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation.

Revenue from government grants and other community funding agreements is recognised once the performance obligation/s under the government grant or funding agreement are satisfied. Performance obligations are typically satisfied over time, being over the term of the project. The association measures its progress towards satisfying its performance obligations, which are generally satisfied over time, based on an appropriate output method (such as the number of individuals who have participated in the program at a particular point in time in proportion to the underlying obligation).

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the association will make.

The association determines the likelihood to exercise the options on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to future strategy of the association, in addition to the following:

- If there are significant penalties to terminate (or not to extend), the association is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the association is typically reasonably certain to extend (or not terminate).
- Otherwise, the association considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Short-term lease arrangements

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease.

The association entered into an option to extend the initial lease term of the associations office premises, which expired during the year ended 31 December 2019. The premises is currently being leased on a month to month basis, with no significantly penalties imposed to either party should the agreement be terminated. There is no purchase option included in the lease agreement. The association has treated the office premises as a short-term lease, with such payments being disclosed in profit or loss.

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the association's leases, the association's incremental borrowing rate is used, being the rate that the association would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the association:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. The association expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

Note 3. Revenue and other income

	2022 \$	2021 \$
Revenue from contracts with customers	616,297	529,851
Grant revenue without sufficiently specific obligations	761,000	698,954
Other sources of revenue	296,401	231,872
	<u>1,673,698</u>	<u>1,460,677</u>

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 3. Revenue and other income (continued)

	2022	2021
	\$	\$
(a) Revenue from contracts with customers		
The association has disaggregated revenue by the association's grants/funding agreements and timing of revenue recognition.		
Grants and funding agreements		
Department of Education & Training - Local Learning and Employment Network	401,047	393,184
Department of Premier and Cabinet- Engage!	50,000	36,667
Department of Families, Fairness and Housing - Engage!	50,000	-
Helen MacPherson Smith Trust - Strong Families Strong Children Buloke	-	100,000
Department of Transport (Buloke Loddon L2P Program)	115,250	-
	<u>616,297</u>	<u>529,851</u>
(b) Grant revenue without sufficiently specific obligations		
Strong Youth Strong Community Project	161,000	90,000
Agnico Eagle (formerly Kirkland Lake Gold) Community Program	600,000	600,000
Other grants received	-	8,954
	<u>761,000</u>	<u>698,954</u>
(c) Other sources of revenue		
Projects delivered to public schools	210,744	206,569
Interest received	5,458	1,439
Contribution of assets for nil consideration	25,000	-
Other income	55,199	23,864
	<u>296,401</u>	<u>231,872</u>
	<u><u>1,673,698</u></u>	<u><u>1,460,677</u></u>
	2022	2021
	\$	\$
Timing of revenue recognition from revenue from contracts with customers		
Services transferred to customers:		
- over time	<u>616,297</u>	<u>529,851</u>

The association applies the practical expedient in AASB 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Accounting policy for revenue

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 to 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, at the time of which services are rendered.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 3. Revenue and other income (continued)

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 (for example 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.

Payment of operating grants, donations and bequests are typically due either at the inception of the contract, or as and when applicable payment milestones are satisfied, which may occur over the term of the contract. Such contracts do not typically contain a significant financing component. Where such contracts contain variable consideration, the recognition of such consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Volunteer services

A not-for-profit entity may, as an accounting policy choice, elect to recognise volunteer services, if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. As an accounting policy choice, the association has elected not to recognise such volunteer contributions as revenue and expenditure within profit or loss. This election has no impact on the association's profit or loss or net assets.

Interest Income

Interest income is recognised using the effective interest method.

Note 4. Expenditure

	2022 \$	2021 \$
Depreciation of property, plant and equipment: Plant and equipment	3,776	309
Depreciation of right-of-use assets: Motor vehicles	49,203	53,390
Total depreciation expense	<u>52,979</u>	<u>53,699</u>
	2022 \$	2021 \$
Employee benefits expense - contributions to superannuation funds	84,712	62,201
Rental expense on operating leases excluded in lease liability measurement: Short-term lease expense	18,234	7,585
Loss on disposal	114	-
	2022 \$	2021 \$
Finance costs: Lease liabilities	<u>3,384</u>	<u>2,089</u>

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 5. Cash and cash equivalents

	2022	2021
	\$	\$
<i>Current assets</i>		
Cash at bank	251,699	117,358
Short-term investments - bank deposits	862,795	608,436
	<u>1,114,494</u>	<u>725,794</u>

Accounting policy for 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.

Note 6. Trade and other receivables

	2022	2021
	\$	\$
<i>Current assets</i>		
Grants receivable	177,900	352,057
FBT instalments paid	11,272	-
	<u>189,172</u>	<u>352,057</u>

Accounting policy for trade and other receivables

Trade and other receivables include amounts from customers for goods sold and services performed in the ordinary course of business. 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.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Refer to Note 1 for further discussions on the determination of impairment losses.

Note 7. Property, plant and equipment

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment: at cost	32,754	20,627
Plant and equipment: accumulated depreciation	(9,831)	(19,906)
	<u>22,923</u>	<u>721</u>

Each class of property, plant and equipment is carried at cost as indicated, less, where applicable, accumulated depreciation and impairment losses.

Note 7. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the association and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial period which they occur.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset and depreciation rate

Plant and equipment 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 occur.

Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and equipment \$	Total \$
Balance at the beginning of year	721	721
Additions	26,092	26,092
Disposals	(114)	(114)
Depreciation expenses	(3,776)	(3,776)
	<u>22,923</u>	<u>22,923</u>
Carrying amount at the end of the year	<u>22,923</u>	<u>22,923</u>

Note 8. Right-of-use assets

The association's lease portfolio includes motor vehicles and the lease term is:

Class of lease	Lease term
Motor vehicles	1-3 years

Options to extend or terminate

There are options to extend or terminate contained in the association's property lease agreement. However as the lease is now on a month-by-month basis with no significant penalty, this lease meets the short-term exemption criteria and as such, the property lease has been excluded from measurement. These clauses typically provide the association opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the association.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 8. Right-of-use assets (continued)

	2022	2021
	\$	\$
(a) AASB 16 related amounts recognised in the balance sheet		
Motor vehicles	113,823	55,407
Accumulated depreciation	<u>(57,344)</u>	<u>(20,498)</u>
	<u><u>56,479</u></u>	<u><u>34,909</u></u>

Movements in carrying amounts

Movements in carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year.

	2022	2021
	\$	\$
Balance at the beginning of year	34,909	46,430
Addition to right-of-use asset	70,773	41,869
Depreciation expense	<u>(49,203)</u>	<u>(53,390)</u>
	<u><u>56,479</u></u>	<u><u>34,909</u></u>

	2022	2021
	\$	\$
(b) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets	49,203	53,390
Interest expense on lease liabilities	3,384	2,089
Short-term leases expense	<u>18,234</u>	<u>7,585</u>
	<u><u>70,821</u></u>	<u><u>63,064</u></u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the association expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The association has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 9. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	9,896	14,627
Australian tax office payable	42,005	37,172
Superannuation payable	12,138	16,076
Accrued expenses	35,100	38,382
	<u>99,139</u>	<u>106,257</u>

Financial liabilities at amortised cost classified as trade and other payables

	Note	2022 \$	2021 \$
Trade payables and other payables		111,642	106,257
Less payable to ATO		<u>(41,962)</u>	<u>(37,172)</u>
Financial liabilities as trade payables	17	<u>69,680</u>	<u>69,085</u>

Accounting policy for trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the association during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Note 10. Other liabilities

	2022 \$	2021 \$
Contract liability	<u>249,650</u>	<u>280,733</u>

	2022 \$	2021 \$
--	------------	------------

(a) Contract liabilities

Balance at the beginning of the year	280,733	275,229
Add: grants for which performance obligations will only be satisfied in subsequent years	865,947	810,584
Less: grants for which performance obligations have been satisfied during the year	<u>(897,030)</u>	<u>(805,080)</u>
Closing balance at the end of the year	<u>249,650</u>	<u>280,733</u>

If grants are enforceable and have sufficiently specific performance obligations in accordance with AASB 15, the amount received at that point in time is recognised as a contract liability until the performance obligations have been satisfied.

Accounting policy for contract liabilities

Contract liabilities represent the association's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the association recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the association has transferred the goods or services to the customer.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 11. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Lease liability	45,982	16,127
Unexpired Interest	(1,548)	(1,315)
	<u>44,434</u>	<u>14,812</u>
<i>Non-current liabilities</i>		
Lease liability	13,527	22,418
Unexpired Interest	(153)	(779)
	<u>13,374</u>	<u>21,639</u>
	<u><u>57,808</u></u>	<u><u>36,451</u></u>

Accounting policy for leases

Lease recognition

The association as lessee

At inception of a contract, the association assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the association where the association is a lessee.

However, all contracts that are classified as short-term leases (i.e. a lease with a lease term of 12 months or less) and leases of low-value assets (i.e. fair value less than \$5,000 - \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease. The association's office premises lease satisfies the short-term lease exemption criteria.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at lease commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the association uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- lease payments under extension options, if the lessee is reasonably certain to exercise the options
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The association's photocopier lease contains a variable payment term that is not linked to an index or rate. Such variable lease payments that depend on the usage of the photocopier and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The association has no lease arrangements which have significantly below-market terms and conditions. Each of the association's lease arrangements are for use in the production or supply of goods or services, or for administrative purposes.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 12. Employee benefits

	2022 \$	2021 \$
<i>Current liabilities</i>		
Provision for annual leave	68,047	50,579
Provision for long service leave	14,499	6,236
	<u>82,546</u>	<u>56,815</u>
<i>Non-current liabilities</i>		
Provision for long service leave	2,698	5,809
	<u>85,244</u>	<u>62,624</u>

Accounting policy for employee benefits

Short-term employee benefits

Provision is made for the association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The association's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements of obligations for other long-term employee benefits for changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The association's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the association does not have an unconditional right to defer settlement for at least 12 months after the reporting date, in which case the obligations are presented as current provisions.

From 1 July 2019, the association registered its employees under Victoria's Portable Long Service Leave Scheme, which makes it fairer and easier for the association's employees working in the community services sector to access long service leave benefits. Since registration, the association has submitted a quarterly return to the Portable Long Service Leave Authority, which is based on each employees ordinary pay multiplied by 1.65% (being the levy applicable to the community services sector). The levy is equal to the minimum long service leave entitlement the association's employees receive under their relevant award.

In measuring the provision for long service leave, the provision has been crystallised from the date of registration as long service leave benefits accrued by employees since this date have been contributed to the authority (or recorded as a payable at balance date) via quarterly returns. The provision for long service leave at 31 December 2022 therefore reflects leave entitlements accrued by employees prior to registration, which is remeasured annually based on anticipated future wage and salary levels and changes in standard hours. Contributions payable to the authority are recognised as an expense in profit or loss as they are incurred.

Note 13. Capital commitments

No capital expenditure commitments were contracted for at year end.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 14. Related party and key management personnel (KMP) disclosures

The key management personnel of the association are detailed below:

- Board Members
- Executive Officer
- Business & Communications Manager
- Office Manager

The totals of remuneration paid to key management personnel (KMP) of the association during the year are as follows:

	2022	2021
	\$	\$
Key management personnel compensation:	<u>246,653</u>	<u>221,145</u>

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No board members have entered into any material contract with the association since the end of the previous financial year and there were no material contracts involving board members interests subsisting at year end. There were no loans to board members.

Note 15. Contingent assets and liabilities

The association's board members are not aware of any contingent liabilities or assets as at the date of signing this financial report.

Note 16. Cash flow information

	2022	2021
	\$	\$
Reconciliation of cash flow from operations with surplus after income tax		
Surplus after income tax expense	<u>263,811</u>	<u>431,147</u>
Non-cash flows in surplus/(deficit):		
Depreciation expense	52,979	53,699
Loss on disposal of property, plant and equipment	114	-
Motor vehicle gifted in accordance with AASB 1058	<u>(25,000)</u>	<u>-</u>
	<u>28,093</u>	<u>53,699</u>
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	162,885	(49,306)
(Increase)/decrease in other assets	3,246	-
Increase in trade and other payables	(7,118)	21,495
Increase/(decrease) in other liabilities	(31,083)	5,504
Increase/(decrease) in provisions	<u>19,374</u>	<u>(20,262)</u>
Cash flow from operations	<u><u>439,208</u></u>	<u><u>442,277</u></u>

Note 17. Financial risk management

The association's financial instruments consist mainly of deposits with banks, receivables, payables and lease liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 17. Financial risk management (continued)

	Note	2022 \$	2021 \$
<i>Financial assets</i>			
Financial assets at amortised cost:			
Cash and cash equivalents	5	1,114,494	725,794
Trade and other receivables	6	189,172	352,057
Total financial assets		<u>1,303,666</u>	<u>1,077,851</u>
<i>Financial liabilities</i>			
Financial liabilities at amortised cost:			
Trade and other payables	9	69,680	69,085
Lease liabilities	11	57,808	36,451
Total financial liabilities		<u>127,488</u>	<u>105,536</u>

Accounting policy for financial instruments

The association's financial instruments consist mainly of deposits with banks, receivables, payables and lease liabilities.

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the association becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets are classified into amortised costs. The association does not utilise hedging instruments.

Classifications are determined by both:

- the association's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

North Central Local Learning and Employment Network Inc.
Notes to the financial statements
31 December 2022

Note 17. Financial risk management (continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The association's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

The association makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The association uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Classification and measurement of financial liabilities

The association's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the association designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss. The association does not utilise derivative financial instruments.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Note 18. Auditor remuneration

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the association:

	2022 \$	2021 \$
<i>Audit and assurance services</i>		
Audit of the financial statements	10,990	9,900
	2022	2021
<i>Non-audit services:</i>		
Preparation of the financial statements	1,290	1,050

Note 19. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the association's operations, the results of those operations, or the association's state of affairs in future financial years.

Note 20. Associations details

The registered office and principal place of business is:

North Central Local Learning And Employment Network Inc.
 9c High Street
 Charlton Victoria 3525

North Central Local Learning and Employment Network Inc.
Financial declaration for responsible person
31 December 2022

The directors of North Central Local Learning and Employment Network Inc. declare that, in the directors opinion:

The financial statements and notes, as set out on pages 2 to 19 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

- comply with the Australian Accounting Standards - Simplified Disclosures
- give a true and fair view of the financial position of the association as at 31 December 2022 and its performance for the year ended on that date.

There are reasonable grounds to believe that North Central Local Learning and Employment Network Inc. will be able to pay its debts as and when they become due and payable.

The declaration is signed in accordance with subs 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulations 2013*.



Dan Straub
Chairperson



Win Scott
Deputy Chairperson

11 April 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent Auditor's Report to the Members of North Central Local Learning and Employment Network Inc

Report on the audit of the financial statements

Our opinion

In our opinion the accompanying financial report of North Central Local Learning and Employment Network Inc (the association), is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- i. giving a true and fair view of the association's financial position as at 31 December 2022 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – Simplified Disclosures.

What we have audited

The association's financial report comprises the:

- statement of financial position as at 31 December 2022
- statement of profit or loss and other comprehensive income for the year then ended
- statement of changes in equity for the year then ended
- statement of cash flows for the year then ended
- notes comprising a summary of significant accounting policies and other explanatory notes, and
- the certification by members of the committee that the annual statements give a true and fair view of the financial position of the association.

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

Other information

The association may prepare an annual report that may include the financial statements, committee's report and declaration and our audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairperson's report and reports covering governance and other matters.

The committee members are responsible for the other information. An annual report has not been made available to us as of the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the committee members and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Independence

We are independent of the association in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Committee's responsibility for the financial report

The committee of the association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-profits Commission Act 2012* and for such controls as the committee determines is necessary to enable preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the association's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the committee either intend to liquidate the association or cease operations, or have 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. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 11th day of April 2023

Lachlan Tatt
Lead Auditor