



Odyssey House
**ANNUAL
REPORT
2016**
FINANCIALS



Odyssey House McGrath Foundation

ABN 49 001 418 257

Annual report for the year ended 30 June 2016

Odyssey House McGrath Foundation

ABN 49 001 418 257

For the year ended 30 June 2016

Contents	Page
Directors' report	1
Auditor's independence declaration	4
Directors' declaration	5
Declaration by responsible office in respect of Fundraising Appeals	6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Independent auditor's report	28
Unaudited profit or loss account	30

Odyssey House McGrath Foundation

ABN 49 001 418 257

For the year ended 30 June 2016

The directors of Odyssey House McGrath Foundation (the "foundation") submit herewith the annual report of the foundation for the financial year ended 30 June 2016.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Occupation	Qualifications
Natalie Nicole Archer	Director	BA, B Com.
Christine Anne Bishop	Director	BA, LLB, B Sc. (Hons) M. Pysch. (For) (Hons), MFMH
Jan Copeland	Professor and Director, National Cannabis Prevention and Information Centre, UNSW	PhD, BSc. (Pysch) Hons, SRN, SRM
John Francis Coughlan	Director	BEC. Dip Rur. Acc. (UNE), FCA, FCPA B Com.
Timothy Michael Green (Resigned September 2015)	CEO	BA, MBA
Marina Go (resigned September 2015)	Publishing	BA, MBA
Valerie Hoogstad	Director, Senior Lecturer	BA, MBA
Douglas Norman Snedden	Director	BEC
Garry Ronald Wayling	Director	BCom, ACA, GAICD
Geoffrey James Wilson	Chairman	BSc
Stewart Hindmarsh (appointed February 2016)	Director	BEC/LLB (Hons), MBus (Fin)
David McGrath	Consultant	BSc(Psych) Hons, MBA, Juris Doctor (Studying)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activity

The principal activity of the foundation during the financial year was the provision of residential and non-residential drug and rehabilitation centres and a detoxication unit. There was no significant change in the nature of this activity during the financial year.

Strategy, objectives and performance

The foundation's long term objectives are to be sustainable and strive for continuous improvement so as to offer the best possible outcomes for the client's requiring our assistance.

The entities short term objectives are to improve service, delivery and organisational structure.

To achieve these objectives, the entity has adopted the following strategies:

Service delivery priorities:

1. Continuously improve the delivery of core business services and measure improvements against each stated success measures;
2. Successfully complete the accreditation process and embed quality improvement against our organisation's operations;

Odyssey House McGrath Foundation

ABN 49 001 418 257

For the year ended 30 June 2016

Strategy, objectives and performance (cont'd)

3. Strengthen our relationships and partnerships with stakeholders, including social housing provider, and employment, education and training provider including TAFE and the Aboriginal service system.

Organisational priorities

1. Secure an ongoing funding base for Odyssey House's core business;
2. Develop and implement an electronic client database that will streamline staff access to information and support improved client service delivery;
3. Increase public and community awareness of Odyssey House as a successful drug and alcohol service provider via our publications and website;
4. Build a strong evidence - based culture throughout the organisation based on quality data gathering and outcome reporting.

Meetings of directors

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 9 meetings of directors were held.

	Directors' meetings	
	Number eligible to attend	Number attended
Natalie Nicole Archer	9	3
Christine Anne Bishop	9	8
Jan Copeland	9	6
John Francis Coughlan	9	7
Timothy Michael Green	2	1
Marina Go	2	-
Valerie Hoogstad	9	6
Douglas Norman Snedden	9	9
Garry Ronald Wayling	9	8
Geoffrey James Wilson	9	1
Stewart Hindmarsh	4	3
David McGrath	9	7

Changes in state of affairs

There was no significant change in the state of affairs of the foundation during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the foundation, the results of those operations, or the state of affairs of the foundation in future financial years.

Indemnification of officers

The foundation has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the foundation or of any related body corporate

Odyssey House McGrath Foundation

ABN 49 001 418 257

For the year ended 30 June 2016

Environmental regulations

The foundation's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Members' guarantee

In accordance with the foundation's constitution, each member is required to contribute a maximum liable to contribute of \$50 each in the event that the foundation is wound up.

The total amount that members of the entity are liable to contribute if the foundation is wound up is \$550 (2015: \$550).

Auditor's independence declaration

The auditor's independence declaration is included after this report.

This director's report is signed in accordance with a resolution of directors.

On behalf of the Directors in accordance with a resolution of the Board of Directors:

Director:
Douglas Norman Snedden

Director:
John Francis Coughlan

Dated: 30th October 2016

The Directors
Odyssey House McGrath Foundation
PO Box 459
CAMPBELLTOWN NSW 2560

Dear Board Members,

Odyssey House McGrath Foundation

In accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of Odyssey House McGrath Foundation.

As the lead audit partner for the audit of the financial statements of Odyssey House McGrath Foundation for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been no contraventions of:

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



DELOITTE TOUCHE TOHMATSU



S B Thompson
Partner
Chartered Accountants
Parramatta

Dated: 30th October 2016

Odyssey House McGrath Foundation

ABN 49 001 418 257

Directors' Declaration

The board members declare that:

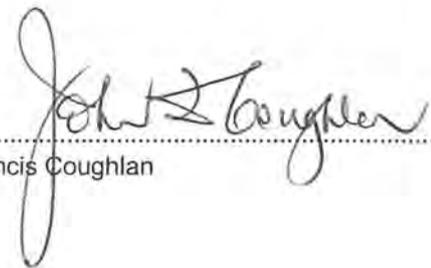
- a. in the board members' opinion, there are reasonable grounds to believe that the foundation will be able to pay its debts as and when they become due and payable; and
- b. in the board members' opinion, the attached financial statements and notes thereto are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Foundation; and

Signed in accordance with a resolution of the board members made pursuant to s.60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Director
Douglas Norman Snedden



Director
John Francis Coughlan



Dated: 30th October 2016

Odyssey House McGrath Foundation

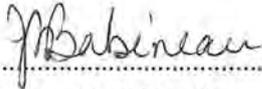
ABN 49 001 418 257

Declaration by responsible office in respect of Fundraising Appeals

I, Julie Babineau, Chief Executive Officer and responsible officer of Odyssey House McGrath Foundation, declare in my opinion that:

- (a) the financial report gives a true and fair view of all income and expenditure of Odyssey House McGrath Foundation with respect to fundraising appeal activities for the year ended 30 June 2016;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities for the year ended 30 June 2016;
- (c) the provisions of the Charitable Fundraising Act 1991 (NSW) and the conditions attached to the authority have been complied with for the year ended 30 June 2016; and
- (d) the internal controls exercised by Odyssey House McGrath Foundation are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Dated



.....
Julie Babineau (Chief Executive Officer)

Odyssey House McGrath Foundation

ABN 49 001 418 257

Statement of profit or loss and other comprehensive income for the year ended 30 June 2016

		2016	2015
	Note	\$	\$
Revenue	3	7,630,753	6,907,189
Investment income	3	57,293	81,695
Employee benefits expense		(5,455,931)	(5,177,542)
Depreciation and amortisation expense	10	(310,387)	(295,886)
Operating expenses		(1,473,049)	(1,296,921)
Finance costs		(9,794)	(15,488)
Profit before tax		438,885	203,047
Income tax expense		-	-
Profit for the year	3	438,885	203,047
Other comprehensive income		-	-
Total comprehensive income for the year		438,885	203,047

The accompanying notes form part of these financial statements.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Statement of financial position as at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	3,088,862	1,136,888
Trade and other receivables	6	28,883	131,505
Inventories	7	35,084	33,097
Financial assets	8	1,100,000	1,100,000
Other assets	9	27,176	35,631
Total current assets		4,280,005	2,437,121
Non-current assets			
Other assets	9	30,250	30,250
Property, plant and equipment	10	1,946,605	2,081,716
Total non-current assets		1,976,855	2,111,966
Total assets		6,256,860	4,549,087
Liabilities			
Current liabilities			
Trade and other payables	11	659,856	625,734
Other liabilities	12	1,486,882	161,357
Borrowings	13	45,237	88,775
Provisions	14	617,120	619,978
Total current liabilities		2,809,095	1,495,844
Non-current liabilities			
Other liabilities	12	21,771	21,771
Borrowings	13	58,414	115,664
Provisions	14	151,696	138,809
Total non-current liabilities		231,881	276,244
Total liabilities		3,040,976	1,772,088
Net assets		3,215,884	2,776,999
Equity			
Contributed equity		15,000	15,000
Retained earnings		3,200,884	2,761,999
Total equity		3,215,884	2,776,999

The accompanying notes form part of these financial statements.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Statement of changes in equity for the year ended 30 June 2016

2016

	Retained earnings	Total members' funds	Total
	\$	\$	\$
Balance at 1 July 2015	2,761,999	15,000	2,776,999
Profit for the year	438,885	-	438,885
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	438,885	-	438,885
Balance at 30 June 2016	3,200,884	15,000	3,215,884

2015

	Retained earnings	Total members' funds	Total
	\$	\$	\$
Balance at 1 July 2014	2,558,952	15,000	2,573,952
Profit for the year	203,047	-	203,047
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	203,047	-	203,047
Balance at 30 June 2015	2,761,999	15,000	2,776,999

The accompanying notes form part of these financial statements.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Statement of cash flows for the year ended 30 June 2016

	2016	2015
Note	\$	\$
Cash flow from operating activities		
Receipts from fundraising appeals, donations, residences and bequests	7,709,833	6,802,428
Payments to suppliers and employees	(5,670,566)	(6,384,636)
Interest received	57,293	81,695
Interest paid	(9,794)	(15,488)
Net cash generated by operating activities	<u>2,086,766</u>	<u>483,999</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	58,279	2,727
Payments for property, plant and equipment	(201,558)	(235,098)
Net cash (used in) investing activities	<u>(143,279)</u>	<u>(199,572)</u>
Cash flows from financing activities		
Repayment of borrowings	(100,788)	(14,958)
Net cash (used in) financing activities	<u>(100,788)</u>	<u>(14,958)</u>
Net increase in cash and cash equivalents	1,842,699	269,469
Cash and cash equivalents at the beginning of the year	1,136,888	768,047
Cash and cash equivalents at the end of financial year	5 <u>2,979,587</u>	<u>1,037,516</u>

The accompanying notes form part of these financial statements.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

1. General information

Odyssey House McGrath Foundation (“the foundation”) is a not for profit entity incorporated in Australia. The address of its registered office and principal place of business is as follows:

Odyssey House McGrath Foundation
13A Moonstone Place
Eagle Vale NSW 2558

2. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law.

For the purposes of preparing the financial statements, the foundation is a not-for-profit entity.

The financial statements were authorised for issue by the directors on 30th October 2016.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the foundation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

2. Significant accounting policies

(a) Revenue recognition

Sale of goods or services

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods or services are recognised when the goods or services are delivered and titles have passed at which time all the following conditions are satisfied:

- the foundation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the foundation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods or services sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the foundation; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the foundation and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

(b) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership of to the lessee. All other leases are classified as operating leases.

The foundation as lessee

Assets held under finance leases are initially recognised as assets of the foundation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Foundation's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements
for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(c) Contributions - Government grants / donations

A contribution occurs when the foundation receives an asset, including the right to receive cash or other forms of asset without directly giving approximately equal value to the other party to the transfer; that is, when there is a non-reciprocal transfer. Contributions would include donations and government grants. Contributions that are income exclude contributions by owners.

Income from contributions is recognised when all the following conditions are satisfied:

- the foundation obtains control of the contribution or right to receive the contribution;
- it is probable the economic benefits comprising the contribution will flow to the Foundation; and
- the amount of contribution can be measured reliably.

Income arising from contributions is measured at the fair value of the contributions received or receivable.

Where full control, measurement and benefit are achieved on receipt of funds, these funds are recognised as income on receipt.

Government grant funding is reviewed at each reporting date, to determine whether grant income is restrained from recognition due to an agreement to provide services or facilities that make it eligible to receive the income. Government funding that is determined to be of a service nature is brought to account when service obligations have been performed.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal value using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the foundation in respect of services by employees up to reporting date.

(e) Taxation

The foundation is exempted from income tax under Division 50 of the Income Tax Assessment Act 1997.

(f) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements

for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(f) Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives used for each class of depreciable asset are shown below:

Class of property, plant and equipment	Useful life
Plant and equipment	5 years
Motor vehicles	4.4 years
Leasehold improvements	20 years
Land and buildings	20 years
Leased motor vehicles	Over the lease term

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Impairment of tangible assets

At the end of each reporting period, the foundation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the foundation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. A loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see (h) above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see (h) above).

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements
for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Provisions

Provision is recognised when the foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that the foundation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'held-to-maturity' investments, 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(j) Financial instruments (cont'd)

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the foundation has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements
for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(j) Financial instruments (cont'd)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the foundation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the foundation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the foundation retains an option to repurchase part of a transferred asset), the foundation allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The foundation derecognises financial liabilities when, and only when, the foundation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

2. Significant accounting policies (cont'd)

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(l) 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.

(m) Comparative amounts

In the application of the foundation's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and actual results may differ from these estimates.

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

(n) Critical judgements in applying accounting policies

The directors evaluate estimates and judgments 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 foundation.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

As described at (f) above, the foundation reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the Financial Statements
For the Year Ended 30 June 2016

2. Significant accounting policies (cont'd)

(o) Application of new and revised Accounting Standards

Amendments to AASBs and the new Interpretation those are mandatorily effective for the current year

In the current year, the foundation has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

Standard	Requirement
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The amendment does not have any material impact on the disclosures or on the amounts recognised in the foundation's financial statements.

Standards and Interpretations in issue not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have yet to assess the early adoption of these Standards, but do not expect the adoption of these standards to have any impact on the reported position or performance of the foundation.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

3. Revenue

The following is an analysis of the foundation's revenue for the year from continuing operations excluding investment income.

	2016	2015
	\$	\$
<i>Revenue</i>		
Donations	446,458	502,534
Grants	5,574,741	4,974,205
Treatment cost and fees	1,174,953	1,101,527
Fundraising income	287,914	226,205
Other income	114,689	102,600
Profit on disposal of property, plant and equipment	31,998	119
	<u>7,630,753</u>	<u>6,907,190</u>

Investment income

Interest income

Bank deposits	57,293	81,695
---------------	--------	--------

The following is an analysis of investment income by category of asset.
Loans and receivables (including cash and bank balances)

	<u>57,293</u>	<u>81,695</u>
--	---------------	---------------

Total interest income earned on financial assets	<u>57,293</u>	<u>81,695</u>
--	---------------	---------------

4. Profit for the year

Profit for the year has been arrived at after charging (crediting):

Finance costs

Financial liabilities measured at amortised cost:

Unwinding of discount on financial liabilities	5,375	7,894
Interest on finance lease	4,419	7,594
Total finance costs	<u>9,794</u>	<u>15,488</u>

Salaries, wages and on costs	4,988,836	4,738,494
Superannuation contributions	467,095	439,048

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

5. Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	2,300	2,300
Cash at bank	3,086,562	534,588
Short-term bank deposits	-	600,000
19	<u>3,088,862</u>	<u>1,136,888</u>

Reconciliation of cash and cash equivalents

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	3,088,862	1,136,888
Less amount owing to residents		
Residents welfare accounts	11 (109,275)	(99,372)
Balance as per statement of cash flows	<u>2,979,587</u>	<u>1,037,516</u>

6. Trade and other receivables

Current

Trade receivables	7,910	17,174
Interest receivable	7,232	8,936
Other receivables	13,741	105,395
19	<u>28,883</u>	<u>131,505</u>

7. Inventories

Current

At cost:		
Stock on hand	<u>35,084</u>	<u>33,097</u>

8. Financial assets

Current

Held-to-maturity financial assets	19 <u>1,100,000</u>	<u>1,100,000</u>
-----------------------------------	---------------------	------------------

The foundation holds term deposits that carry interest at fixed rate.

9. Other assets

Current

Prepayments	<u>27,176</u>	<u>35,631</u>
-------------	---------------	---------------

Non-current

Rental bond	<u>30,250</u>	<u>30,250</u>
-------------	---------------	---------------

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

10. Property, plant and equipment

	2016	2015
	\$	\$
Buildings		
At cost	348,440	348,440
Accumulated depreciation	(117,488)	(105,132)
	<u>230,952</u>	<u>243,308</u>
Plant and equipment		
At cost	677,602	624,449
Accumulated depreciation	(513,783)	(437,530)
	<u>163,819</u>	<u>186,919</u>
Motor vehicles		
At cost	213,613	215,169
Accumulated depreciation	(76,436)	(131,210)
	<u>137,177</u>	<u>83,959</u>
Leasehold improvements		
At cost	4,218,586	4,193,820
Accumulated depreciation	(2,803,929)	(2,626,290)
	<u>1,414,657</u>	<u>1,567,530</u>
	<u>1,715,653</u>	<u>1,838,408</u>
	<u>1,946,605</u>	<u>2,081,716</u>

(a) Movements in carrying amounts

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

	Buildings	Plant and equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$	\$
2016					
Balance at 30 June 2015	243,308	186,919	83,959	1,567,530	2,081,716
Additions	-	53,153	120,040	28,365	201,558
Disposals	-	-	(22,683)	(3,599)	(26,282)
Depreciation and amortisation expense	(12,356)	(76,253)	(44,139)	(177,639)	(310,387)
Balance at 30 June 2016	<u>230,952</u>	<u>163,819</u>	<u>137,177</u>	<u>1,414,657</u>	<u>1,946,605</u>

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

11. Trade and other payables

	2016	2015
Note	\$	\$
Current		
Trade payables	92,600	114,741
Sundry payables and accrued expenses	457,981	411,621
Residents welfare accounts	109,275	99,372
	<u>659,856</u>	<u>625,734</u>

No interest is charged on the trade payables. The foundation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

12. Deferred revenue

Current		
Deferred income	10,887	10,887
Unexpired specific grants	1,475,995	150,470
	<u>1,486,882</u>	<u>161,357</u>
Non-current		
Deferred income	21,771	21,771

13. Borrowings

Current			
Lease liability (i)	15	17,674	61,212
Loan - Campbelltown property (ii)		27,563	27,563
		<u>45,237</u>	<u>88,775</u>
Non-current			
Lease liability (i)	15	22,395	49,842
Loan - Campbelltown property (ii)		36,019	65,822
		<u>58,414</u>	<u>115,664</u>
Total borrowings	19	<u>103,651</u>	<u>204,439</u>

(i) Lease liabilities are secured by the underlying leased assets.

(ii) The loan is secured over Campbelltown property. It is due to be repaid by 2018.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

14. Provisions

	2016	2015
	\$	\$
Current		
Provision for annual leave	260,990	279,018
Provisions for long service leave	295,914	283,643
Provisions for on costs	34,399	36,020
Provision for TIL and RDO	25,817	21,297
	<u>617,120</u>	<u>619,978</u>
Non-current		
Provisions for long service leave	151,696	138,809
	<u>151,696</u>	<u>138,809</u>

The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees.

15. Capital and leasing commitments

(a) Finance leases

	Note	2016	2015
		\$	\$
Minimum lease payments:			
not later than one year		19,608	75,517
later than one year and but not later than five years		23,838	42,792
Minimum lease payments		43,446	118,309
Less: finance changes		(3,377)	(7,255)
Present value of minimum lease payments	13	<u>40,069</u>	<u>111,054</u>

Finance leases are in place for motor vehicles and normally have a term between 1 and 2 years.

(b) Operating leases

Minimum lease payments under non-cancellable operating leases:			
not later than one year		107,301	107,301
later than one year and but not later than five years		113,302	214,602
later than five years		-	-
		<u>220,603</u>	<u>321,903</u>

Operating leases have been taken out for premises. Lease payments are increased on an annual basis to reflect market rentals.

16. Events occurring after the reporting date

There have been no events subsequent to balance date which would have a material effect on the foundation's financial statements as at 30 June 2016.

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

17. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the foundation is set out below:

	2016	2015
	\$	\$
Short-term employee benefits	553,933	534,819
Long-term benefits	93,778	88,741
	<u>647,711</u>	<u>623,560</u>

Non-executive directors provide their time on a pro bono bases and no fees are paid to these directors.

18. Information and declarations to be furnished under the Charitable Fundraising Act 1991

Details of aggregate gross income and total expenses of fundraising appeals

Gross proceeds from fundraising appeals

Fundraising functions	373,384	299,065
Donations from charitable trusts and foundations	68,000	27,800
General donations	379,238	412,401
	<u>820,622</u>	<u>728,739</u>

Fundraising functions

Real Men Cook	83,660	76,227
Fund Managers Awards (FMA)	108,412	90,225
Corporate Luncheon	88,140	78,002
City to Surf	2,456	-
Donation from FMA	35,000	-
ASX Thomson Reuters Charity Foundation Art Union	55,716	54,611
	<u>373,384</u>	<u>299,065</u>

Less cost of fundraising functions

Real Men Cook	16,225	14,608
Corporate Luncheon	32,699	23,252
ASX Thomson Reuters Charity Foundation Art Union	35,000	35,000
	<u>83,924</u>	<u>72,860</u>

Cost of other fundraising appeals	<u>318,054</u>	<u>331,956</u>
-----------------------------------	----------------	----------------

Total cost of fundraising appeals	<u>401,978</u>	<u>404,816</u>
--	----------------	----------------

Net surplus obtained from fundraising appeals	<u>418,644</u>	<u>334,450</u>
---	----------------	----------------

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements for the year ended 30 June 2016

18. Information and declarations to be furnished under the Charitable Fundraising Act 1991 (cont'd)

Details of aggregate gross income and total expenses of fundraising appeals (cont'd)

The foundation received donations from Corporate Organisations, Charitable Trusts, Companies and the general public. Fundraising appeals held during the year include Real Men Cook, the Corporate Luncheon, ASX Thomson Reuters, City to Surf and the Fund Managers Awards. The Foundation and the Sydney Children's Hospital Foundation are joint beneficiaries of the Fund Managers Awards.

	2016	2015
	\$	\$
Statement showing how funds received were applied for charitable purposes		
Net surplus obtained from fundraising appeals	418,644	334,450
This is applied to the charitable purposes in the following manner:		
To supplement Government assistance in funding the foundation's programs	418,644	334,450
	2016	2015
	\$	\$
	%	%

Comparison by monetary figures and percentages

Total cost of fundraising/ gross income from fundraising	401,978/820,622	49	404,815/739,265	55
Net surplus from fundraising / gross income from fundraising	416,644/820,621	51	334,450/739,265	45

19. Financial instruments

(a) Categories of financial instruments

	Note	2016	2015
		\$	\$
Financial assets			
Cash and cash equivalents	5	3,088,862	1,136,888
Held-to-maturity investments	8	1,100,000	1,100,000
Trade and other receivables	6	28,883	131,505
Total financial assets		4,217,745	2,368,393
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	11	659,855	625,734
Borrowings	13	103,651	204,439
Total financial liabilities		763,506	830,173

Odyssey House McGrath Foundation

ABN 49 001 418 257

Notes to the financial statements
for the year ended 30 June 2016

20. Fair value measurement

This note provides information about how the foundation determines fair values of various financial assets and financial liabilities.

The foundation does not have any financial assets and financial liabilities that are measured at fair value at the end of each reporting period.

Independent Auditor's Report to the Members of Odyssey House McGrath Foundation

We have audited the accompanying financial report of the Odyssey House McGrath Foundation, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration. In addition, we have audited Odyssey House McGrath Foundation's compliance with the specific requirements of the *Charitable Fundraising Act 1991* for the year 30 June 2016.

Directors' Responsibility for the Financial Report and for compliance with the Charitable Fundraising Act 1991

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, and *Australian Charities and Not-for-profits Commission Act 2012(Cth)* (the ACNC Act) and for compliance with the *Charitable Fundraising Act 1991*. The directors are also responsible for such internal control as the directors determine is necessary to enable compliance with requirements of the *Charitable Fundraising Act 1991* and the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's compliance with specific requirements of the *Charitable Fundraising Act 1991* and the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the entity has complied with specific requirements of the *Charitable Fundraising Act 1991* and the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the entity's compliance with specific requirements of the *Charitable Fundraising Act 1991* and amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with specific requirements of the *Charitable Fundraising Act 1991* and material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's compliance with the *Charitable Fundraising Act 1991* and preparation of the financial report that gives a true and fair view, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error, or non-compliance with the *Charitable Fundraising Act 1991* may occur and not be detected. An audit is not designed to detect all weaknesses in the entity's compliance with the *Charitable Fundraising Act 1991* as an audit is not performed continuously throughout the period and the tests are performed on a sample basis.

Any projection of the evaluation of compliance with the *Charitable Fundraising Act 1991* to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Opinion

In our opinion:

- (a) the financial report of Odyssey House McGrath Foundation is in accordance with the Division 60 of the ACNC Act, including:
 - (i) giving a true and fair view of the company' financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*
- (b) the financial report agrees to the underlying financial records of Odyssey House McGrath Foundation, that have been maintained, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations for the year ended 30 June 2016; and
- (c) monies received by Odyssey House McGrath Foundation, as a result of fundraising appeals conducted during the year ended 30 June 2016, have been accounted for and applied, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations.



DELOITTE TOUCHE TOHMATSU



S B Thompson
Partner
Chartered Accountants
Parramatta

Dated: 11th October 2016

Odyssey House McGrath Foundation

ABN 49 001 418 257

Unaudited profit and loss account for the year ended 30 June 2016

	2016 \$	2015 \$
Income		
Donations	446,458	502,534
Grants	5,574,741	4,974,205
Treatment cost and fees	1,174,953	1,101,527
Functions income - net	287,914	226,205
Other income	114,689	102,600
Profit on disposal of property, plant & equipment	31,998	119
Interest received	57,293	81,695
	<hr/>	<hr/>
	7,688,046	6,988,885
Less: expenses		
Affiliation fees/subscriptions	35,483	36,912
Amortisation of leased assets	177,639	170,433
Audit fees	36,040	40,800
Bank charges	8,508	10,613
Bedding & linen	5,802	320
Clinical supervision	11,742	13,391
Computer/IT expenses	50,418	58,555
Conferences	14,461	8,776
Consultant fees	99,410	82,996
Depreciation	132,748	125,453
Equipment purchases	16,219	3,506
Equipment rental and maintenance	19,525	15,795
Food & beverages	177,260	166,232
Interest paid	4,419	7,594
Unwinding of discount on financial liabilities	5,375	7,894
Hygiene supplies	44,134	56,746
Insurance	87,447	93,782
Kitchen supplies	6,760	5,950
Legal Fees	2,983	115
Maintenance of buildings and grounds	248,591	155,160
Marketing expenses	52,986	32,609
Medical supplies and testing	29,901	27,380
Motor vehicle expenses	33,184	33,387
Occupancy - building rentals	125,469	122,047
Occupancy - utilities	98,038	125,557
Office supplies, postage and printing	56,943	37,636
Recreation expense	28,195	19,069
Recruiting costs	34,086	10,093

Odyssey House McGrath Foundation

ABN 49 001 418 257

Unaudited profit and loss account for the year ended 30 June 2016

	2016	2015
	\$	\$
Rent	96,000	77,394
Internal Charges and sundry expenses	(117,050)	(75,798)
Salaries and on costs	5,455,931	5,177,542
Staff training	41,489	19,757
Strata fees	9,453	6,267
Telephone	61,823	62,311
Text books, teaching aids and reference materials	26,458	13,001
Transport	23,291	28,961
Travel - overseas	8,000	7,600
	<hr/>	<hr/>
	7,249,161	6,785,836
Profit before tax	<hr/> <hr/>	<hr/> <hr/>
	438,885	203,047

Saving and improving the lives of people dependent on alcohol and other drugs.



Odyssey House McGrath Foundation
13a Moonstone Place
EAGLE VALE NSW 2558

Telephone: (02) 9820 9999
Facsimile: (02) 9820 1796
Email: info@odysseyhouse.com.au
Website: www.odysseyhouse.com.au
Authority to Fundraise: CFN 12596
ABN: 49 001 418 257

Odyssey House McGrath Foundation incorporated and domiciled in Australia, is a public company limited by guarantee.

Donations to Odyssey House of \$2.00 and above are tax deductible.

Our Professional Services

Independent Auditors - Deloitte Australia

Banks - Westpac Banking Corporation and Bankwest

Legal Advisors - Marsdens Law Groups