



Annual Report 2019-2020

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OFFICE BEARERS

Office Bearers

GENERAL COMMITTEE

ROLE	NAME
Commodore	Graham Cunningham
Vice Commodore	Drew Marget
Rear Commodore	Scott Llewelyn
Secretary	Nikki Shwarz
Treasurer	Shaun Chalmers
Club Captain	Scott Llewelyn
Committee	Georgie Silverwood
Committee	Howard Critchley
Committee	Mark Klemens
Committee	Jonathan Long
Committee	Rollo Wright

OUR TEAM

ROLE	NAME
Chief Executive Officer	Henry Dyer
Communications & Sponsorship	Hollie Hick
Finance	Deborah Hodgson
Member Services	Sara Petautschnig
Food and Beverage	Nikki Fisher
Head Chef	Bernard McCarthy
Maintenance	Kiean Wicks
Sailing	Ben Fels
Sailing Co-Ordinator	Jorja Crowe
Training	David White
Volunteers	Debra Kwasnicki

COMMODORE'S COMMENTS

Commodore's Comments

As Commodore of the SSCBC, I commend to you this 2019-20 Annual Report.

The 2019-20 season has been an interesting and difficult one for us all.

Despite the reported deficit this year, your Club is in good shape and has been able to continue to service Members' needs during these difficult COVID-19 days.

I would like to thank my fellow Committee Members for their ongoing support and dedication to the Club and extend my thanks to the numerous Members who have volunteered throughout the year. Whether it be at one of our Club races or for one of our large regattas, of which there has been a few this year, we simply could not host the regattas without your support.

I would also like to thank our Management Team and Staff for their commitment and passion in delivering services to our Members.

Lastly, I would like to thank our loyal sponsors who continue to contribute to the Club.

I look forward to some great winter days at the Club and to the summer season.

A handwritten signature in black ink, appearing to read 'G. Cunningham', with a long horizontal stroke extending to the right.

Graham Cunningham

Commodore

July 15, 2020

CHIEF EXECUTIVE OFFICER'S REPORT

Chief Executive Officer's Report

STRATEGIC HIGHLIGHTS

In my first year as CEO, I am happy to report that the team at the Club has been working tirelessly to overhaul the SSCBC systems and processes. I am pleased to announce that as of 1 July 2020, we introduced the new member management system (NorthStar).

NorthStar is a Yacht Club centric member system utilised throughout Australia and overseas. I look forward to you being able to log on to our Member Portal and update your contact details, pay subscriptions and book into the training programs, with other features to be introduced in the near future. Importantly, this will be the back end to our new 'Check-In' procedure, every time you come to the Club, we will be able to record the use and validate Member access. This was a key concern for a number of Members in the 2018-19 Member Survey.

The Clubhouse Redevelopment has, of course, been impacted by COVID-19; the decision was taken to defer the major works until at least 2022. We have leveled the grass areas and put new turf down; plans for the revised Clubhouse are being submitted to Council and works will commence soon for a new garbage and refuse area and a new sailing storage shed.

FINANCIAL HIGHLIGHTS

A total overhaul of the chart of accounts, departments and the adoption of accrual accounting has been a major accomplishment. We now go into the 2020-21 financial year with a zero-based budget and greatly improved management reporting. I hope you will appreciate the changes to the Annual Report and the increased level of detail provided.

There were a number of abnormal transactions included in our 2019-20 accounts, these include:

- Australian Sports Foundation Grant;
- Back pay for Food and Beverage staff from the prior year;
- The redundancy of the General Manager;
- Loss on the sale of assets, which had not been previously accounted for; and
- The write off of some of the redevelopment costs.

These matters along with revenue recognition changes to accounting standards has resulted in a deficit, the full details of which are explained in the Treasurers Report.

The Club previously employed a number of our key people under casual and/or contract arrangements. These key team members were converted to salaried employees and this shows as an increase in employment expenses but in reality, these changes were cost neutral. The key was to provide certainty of employment and an ability to better budget expenditure.

OPERATING HIGHLIGHTS

On the water we had an unprecedented season of regattas with the Australian Youth Championships, RS:X Windsurfing 2020 World Olympic Qualifiers and the Optimist State Championships, all taking place over the summer. In the middle of this, who can forget the smoke haze across the water from the devastating bushfires in Victoria and New South Wales. Our Club acquitted itself well, sailing through these important events and showing the world what our Club can do. I thank the

CHIEF EXECUTIVE OFFICER'S REPORT

Management Team and in particular Ben Fels, David White and Deb Kwasnicki and the willing and dedicated team of volunteers. You have truly done the Club proud!

Our Food and Beverage offering continues to go from strength to strength, quickly becoming a well-oiled machine. Remember, we only brought food and beverage in-house some 18 months ago.

Unfortunately, COVID-19 brought a halt to our Couta Boat season in March. What we had of a season was marred by numerous weather interruptions which saw a number of races postponed and rescheduled!

During the COVID-19 period we have been able to offer Members a variety of services including virtual sailing, rules seminars, podcasts, boat and mooring management and limited F&B services. When we are fully open again, post COVID-19, you will see a refreshed Clubhouse, with a number of maintenance tasks having taken place, including: re-sanding and oiling of the decks, a tidy up of the workshops and storage downstairs and an overhaul of the Training Centre which will now be rebranded as the Sailing Centre, sporting our Club colours.

LOOKING AHEAD

I look forward to our on-water activity program recommencing and cannot wait to steer our Club into the new post COVID-19 uncharted waters.



Henry Dyer

Chief Executive Officer

July 15, 2020

CLUB CAPTAIN'S REPORT

Club Captain's Report

STRATEGIC HIGHLIGHTS

At the time of writing this report, we are all experiencing a situation that has affected our every way of life as we know it, but hopefully we will soon be at the end and we can all return to some normality.

Our sailing season, as we all know, was unfortunately cut short due to COVID-19, but in the time we had, we saw some memorable highlights, these include:

- David Hendy's team Romy C2003 winning the Division 1 Aggregate Series, both Line Honours and Handicap, Mercedes-Benz Mornington CBA National Championships Line Honours and Handicap and CBA State Championships Line Honours. A well-deserved result and achievement;
- The newcomers on Beau C1998, with a mix of experienced and relatively new Couta Boat sailors, have embraced SSCBC, both on and off the water. They have also achieved some fine performances throughout the season. The standout was winning handicap honours in the CBA State Championships;
- The Gant Portsea Cup was sailed in light to moderate breeze and a strong outgoing tide. Lauchie Vaughan, the youngest skipper in the fleet, took the helm of Sorrento, recording a 3rd Line Honours and 1st on Handicap. A fantastic and very popular victory;
- Gill Next Gen once again was a huge success. The popularity of this event continues to attract a wide variety of young adult sailors, some with little experience and others who are world class sailors, all wanting to sail our wonderful Couta Boats and enjoy SSCBC's post-race hospitality. A highlight of the year was seeing one of our Junior Club Captains, Annabelle Williamson, skippering Aliscia C33 to Line Honours victory in Division 2; and
- The enormous amount of time and effort put in by Howard Critchley and others to drive the Couta Boat rejuvenation program, with a goal to increase the number of Couta Boats and sailors on the water. This proved to be a tremendous success, placing a number of Members on Couta Boats and adding a number of dormant Couta Boats to both Div. 1 and Div. 2 fleets. This program is here to stay, and I am sure with Howard leading the way, this program will be even more successful next season.

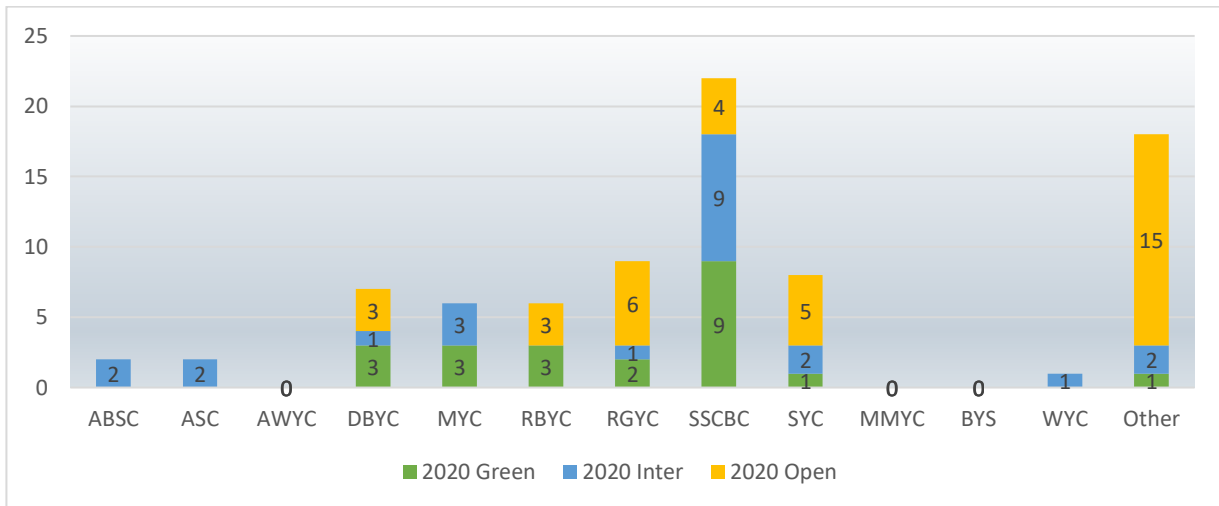
We also hosted three major regattas - Australian Youth Championships, RS:X Windsurfing World Championships and the Victorian Optimist Championships. To host the above premium regattas, all within a very short timeframe, was a mammoth task. The professionalism and positive approach by SSCBC's Race Management Teams, Management and Administration staff, Bosons, and last but definitely not least, our wonderful volunteers, who kept putting their hands up to assist whatever the role – congratulations! Your contributions on and off the water ensured all of these events were a huge success and based on the feedback to date from sailors, coaches, parents and sponsors, this was definitely the case.

OPERATING HIGHLIGHTS

This season's training program, once again, continued to grow in all areas. David White and his coaching team continue to do an awesome job with our junior and youth sailors, while encouraging parental involvement on and off the water. Getting parents involved with all the regattas hosted at the Club, has given them valuable race management experience and allowed them to learn regatta processes along the way.

The latest State Optimist sailing numbers, as shown in the graph below, show the number of our sailors attending competitions/regattas in the 2020 season. It proves that our program under David White's leadership, is encouraging a healthy base for the future enabling a pathway for our sailors to transition to youth classes and our small club is punching well above its weight!

CLUB CAPTAIN'S REPORT



In general, sailing participation numbers were stronger than ever, despite the shortened season. Many of our junior and youth sailors were also very busy flying the SSCBC flag, competing in Worlds, Nationals, and State regattas all around the Bay. A massive commitment and effort. Congratulations to all sailors and parents.

LOOKING AHEAD

Three of our Members have gained selection to compete for Australia at the 2021 Tokyo Olympics in the 49er FX and 49er Class. We congratulate Tess Lloyd and Will and Sam Phillips and wish them every success.

You will be able to see this amazing talent and other members of the Australian Team training out of the Club this winter.

As this is my last term as Club Captain, I would like to take this opportunity to say thank you to the SSCBC management and staff, the SSCBC Committee, all our volunteers, sponsors, the CBA committee, members of the SSCBC sailing committee, Cousta Boats sailors and Members for all your support over the past three years.

Scott Llewelyn

Club Captain

July 15, 2020

TREASURER'S REPORT

Treasurer's Report

I am pleased to present my second Treasurer's report to the Members.

Throughout the financial year ended 31 March 2020 (FY20), Sorrento Sailing Coutu Boat Club (SSCBC, Club) delivered an expansive program of sailing and Member services whilst continuing to invest in the future. Key highlights from a financial perspective include:

- delivery of three major regattas and a full program of Club racing and Member events;
- achieving a surplus in the first full year of in-house food and beverage operations;
- investment in the support fleet including the acquisition of Jos Law (Highfield 6.6);
- delivery of the western and northern lawn replacement and releveling project;
- progress with the Clubhouse redevelopment project;
- continued enhancement of the operating platform including key personnel changes and new appointments; and
- commencing implementation of the NorthStar member management system and other software enhancements.

ANNUAL RESULT

Reported earnings

The reported statutory result for FY20 is (\$219,745) (FY19: \$111,347). Key factors impacting the result are set out below:

Adoption of AASB15 which requires admission fees, paid life memberships and locker access rights to be recognised on a straight-line basis over the expected term of the implied contract. If AASB15 were applied to FY19, the impact would be to reduce prior period income by \$79,079.

One off items which had a net impact of (\$132,128). These include:

- Australian Sports Foundation donations drawdown of \$96,303;
- write off capitalised Clubhouse redevelopment expenditure relating to previous scheme (\$83,353);
- management termination and recruitment costs (\$58,644);
- employment costs incurred in FY20 attributable to FY19 (\$75,659) relating to payroll tax and award application; and
- book loss on sale of fixed assets (\$10,744).

The table below sets out reported and adjusted comprehensive income for the current and comparative period.

	FY20	FY19
Reported comprehensive income for the year	(219,745)	111,347
Adjustments:		
FY19 impact of AASB15		(79,079)
Net one-off items	56,479	
Reflect FY19 costs incurred in FY20	75,659	(75,659)
Net adjustments	132,138	(154,738)
Adjusted comprehensive income for the year	(87,607)	(43,391)

TREASURER'S REPORT

Operating unit performance

A summary of the performance of each operating unit (reflecting adjustments outlined above) is presented in the table below.

	FY20	FY19	Var
Club fees	1,695,520	1,552,206	143,314
Members services	(124,314)	(102,087)	(22,228)
Food and beverage	27,127	50,513	(23,386)
Sailing	(44,944)	9,216	(54,160)
Training centre	(25,786)	(25,669)	(117)
Communication and sponsorship	168,470	157,146	11,324
Maintenance	(248,112)	(295,483)	47,371
Net general and administration	(1,256,870)	(1,092,474)	(164,397)
Adjusted net operating unit result	191,090	253,370	(62,279)
Depreciation	(278,697)	(296,761)	18,064
Adjusted comprehensive income for the year	(87,607)	(43,391)	(44,216)

Cash position and capital expenditure

Cash on hand at the end 31 March 2020 was \$3,394,711, a decrease of \$238,099 from the prior period end. The negative cash movement is reflective of the lower operating cash surplus compared to FY19 and significant capital expenditure for which further detail is provided in the table below. It is noted that the high operating cash inflow reported in FY19 is largely attributable to receipts for paid life memberships and locker use rights issued in FY18 and FY19 which are one-off in nature.

	FY20
Capital expenditure	
Moorings	67,956
Highfield 6.6 (Jos Law)	65,000
Training yachts and sailing gear	35,430
Food & beverage	39,734
General building	14,136
Vehicle	15,000
Northern and western lawn works	72,563
Capitalised redevelopment expenditure	109,782
Other	8,799
Total capital expenditure	428,399

TREASURER'S REPORT

UNDERLYING PERFORMANCE AND OUTLOOK

A key metric to assess operational performance is underlying EBITDA as presented in the table below.

	FY20	FY19	Var
Reported comprehensive income for the year	(219,745)	111,347	(331,092)
Add back:			
Net interest	(54,322)	(77,455)	23,133
Depreciation	275,205	296,761	(21,556)
Reported EBITDA	1,138	330,653	(329,515)
Adjustments for one-off items	132,128	(75,659)	207,787
Adjusted EBITDA	133,266	254,994	(121,728)
Admission fee income including deferred	(129,971)	(243,741)	113,770
Other deferred income	(54,956)	0	(54,956)
Underlying EBITDA	(51,661)	11,253	(62,914)

This metric provides the Committee and Management with an understanding of the sustainability of the Club's operations. The Committee is conscious of the deficit and the need to prudently consider cost saving and revenue growth initiatives to ensure the Club can:

- continue to deliver best of class sailing and sail training programs;
- maintain its fleet of support vessels;
- deliver a food and beverage product which provides quality and value to Members and guests; and
- support capital expenditure to sustain the current building, grounds and equipment.

Note that the above does not include income from admission fees or interest. The Committee views income from these sources as a pool of capital to be preserved for periodic major capital expenditure. The most significant current major project is the Clubhouse redevelopment. The project continues to be progressed and related sub-projects delivered including the lawn refurbishment (FY19) and hardstand shed development (planned to be completed prior to the FY20/21 season). Definitive contracts for Clubhouse works will not be executed until there is certainty of financial capacity. As flagged in this report last year, current analysis indicates that a building levy will be required if the project is to proceed.

Less visible to Members are the platform investments in people and systems which have been made in recent years and continue to be progressed. SSCBC does not have a marina or extensive functions business and therefore disproportionately relies on its membership subscription base compared to other clubs or squadrons. Ensuring our membership proposition remains relevant and valuable is critical the SSCBC's financial strength and future prospects.

CONCLUSION

FY20 concluded and FY21 commenced under a cloud of uncertainty created by the COVID-19 virus. Your Club is navigating this uncertainty and current indicators suggest there will be not be a material adverse financial impact. This is due to the Government initiatives and support from Members with subscription collection ahead of prior years at the date of this report.

TREASURER'S REPORT

In conclusion, I would like to express my gratitude to fellow Committee members and particularly the SSCBC staff for their continuing contribution to the success of the Club.

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Shaun Chalmers

Treasurer

July 15, 2020

FINANCIAL SUMMARY

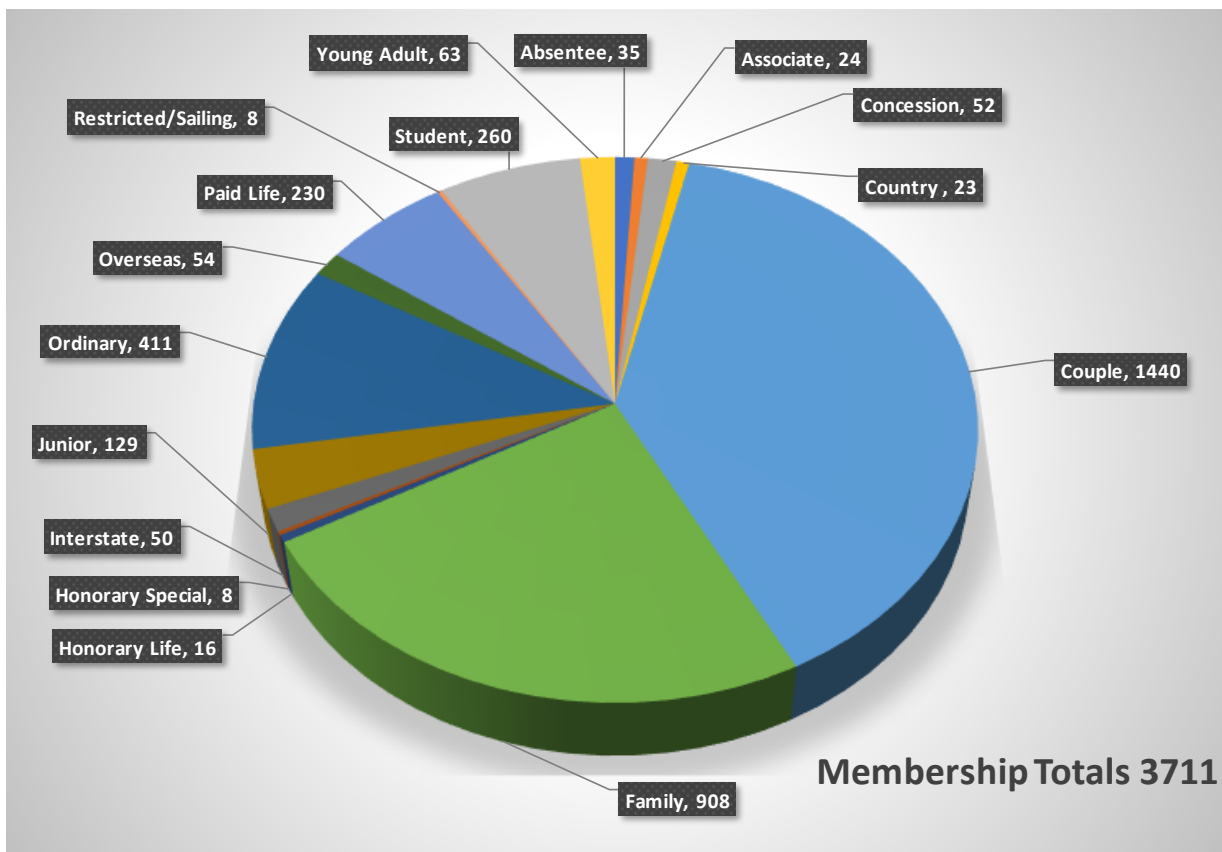
Financial Summary

2019-2020 was an interesting year and brought us a number of challenges with smoke haze, COVID-19 and a jam-packed sailing calendar.

The Treasurer's report speaks to the Financial Statements; below are a few key statistics which add some of the 'colour' to our accounts.

MEMBERSHIP

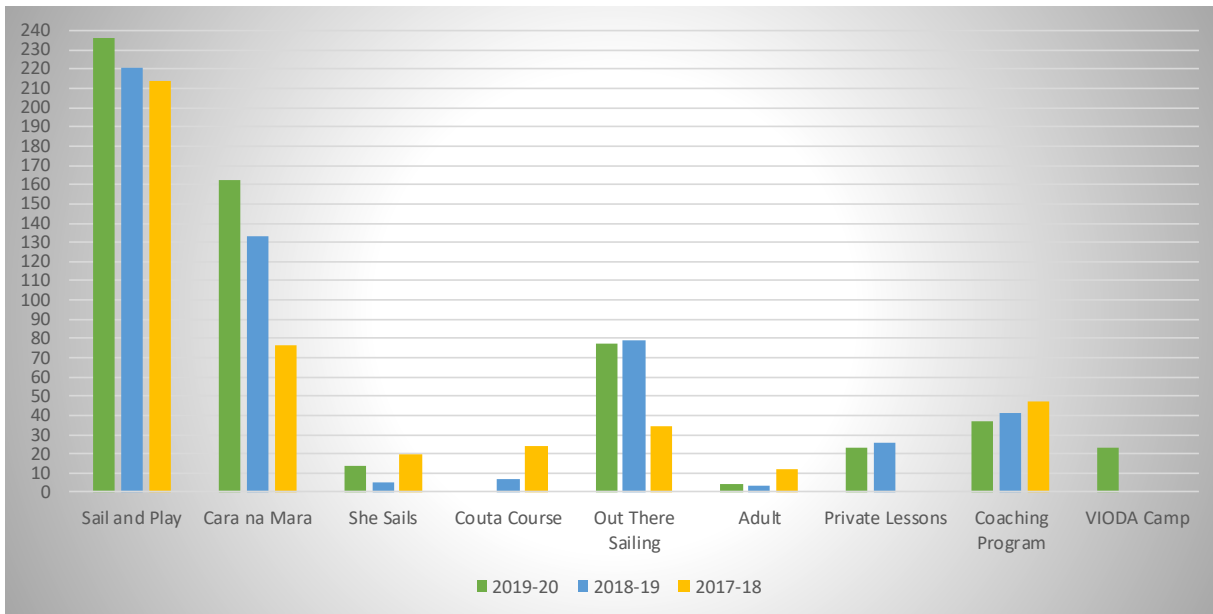
Membership as at year end sat at a total of 3,711 Members (based on 'head count'), the following graph shows the split over the various membership categories.



TRAINING CENTRE

The Training Centre had a total of 576 participants in its various courses during the 2019-20 Sailing Season, a 12 per cent growth over the 2018-19 season. The graph below breaks the participants up across the various courses on offer and shows a comparison against the previous two years.

FINANCIAL SUMMARY

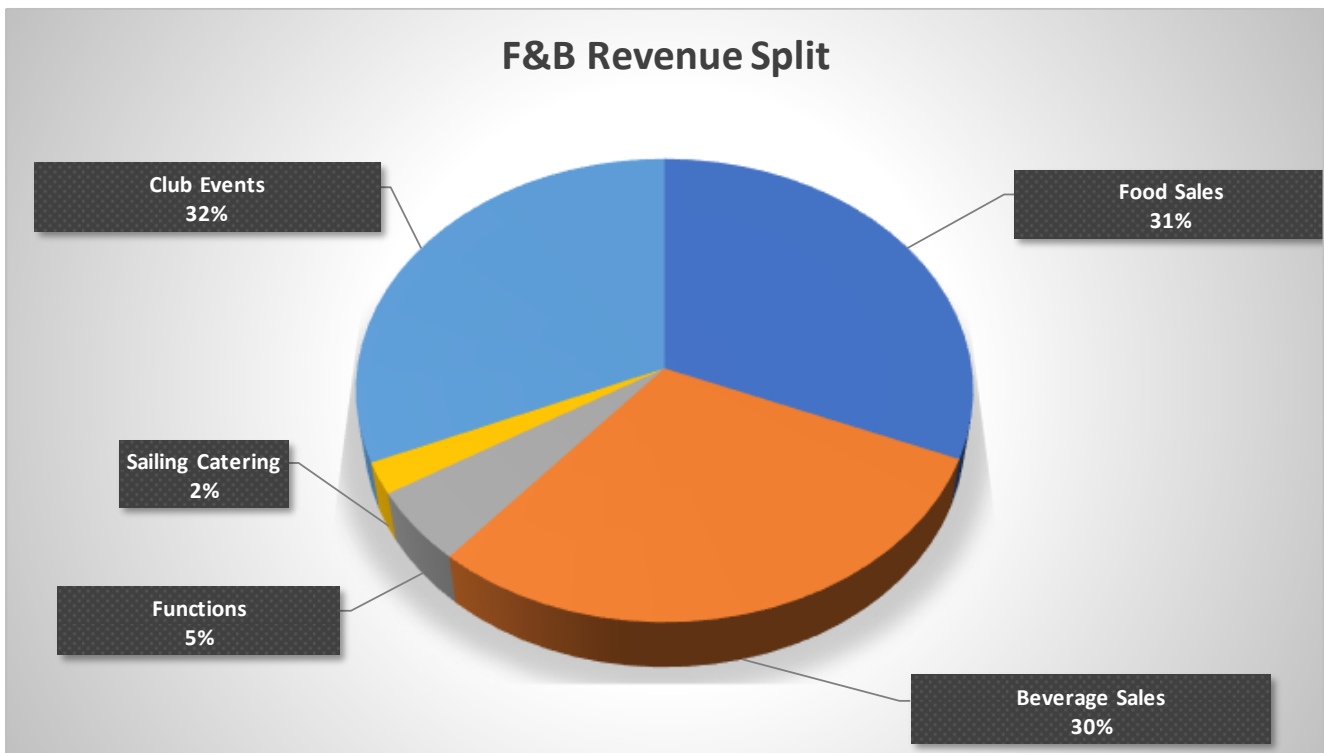


SAILING

The introduction of Crew Register for the 2020-21 season will mean that we can provide sailing related statistics in the future at present there is no reliable way to provide relevant statistics in this space.

FOOD AND BEVERAGE

The following graph shows the percentage split of Food and Beverage revenue: where Club Events represents Member events e.g. Summer Drinks and Golf Day etc.; Sailing catering is the food and beverage supplied to regattas and volunteer packs; and Functions are external events such as weddings.

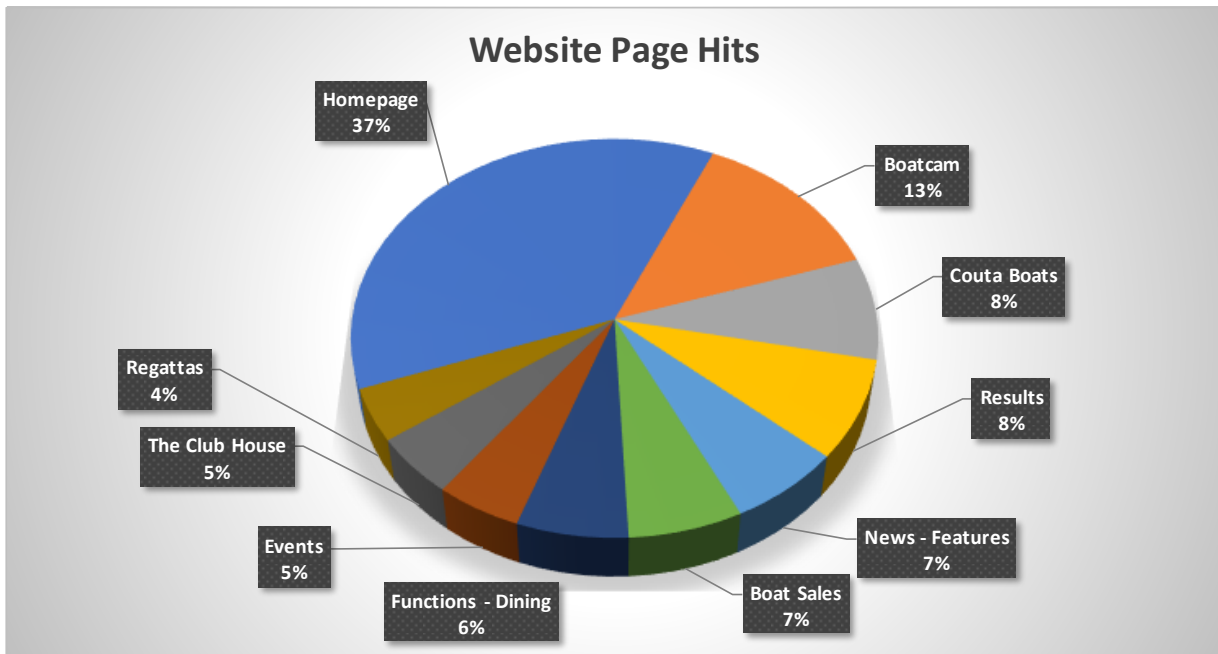


FINANCIAL SUMMARY

COMMUNICATIONS

Analysis of our communications shows growth in 'Followers' with Facebook growth at 18.4% over last year and Instagram showing a growth rate of 27%. Interestingly the 'views' of content on these media saw a lift of 22.29% on Facebook and 47.62% on Instagram.

The following graph shows the percentage of views of the individual pages on our website, the Home page of course being the largest, but interestingly the Boat Cam gets the largest number of hits.



FINANCIAL SUMMARY

The following table provides a snapshot of our results by Department.

DEPARTMENT		2019-20	2018-19
Club Fees	Revenue	\$ 1,778,685	\$1,631,285
	Profit/(Loss)	\$ 1,695,520	\$ 1,631,285
Member Services	Revenue	\$ 149,449	\$ 152,794
	Profit/(Loss)	\$(124,314)	\$(102,087)
Food and Beverage	Revenue	\$ 2,322,590	\$1,908,361
	Profit/(Loss)	\$27,127	\$50,513
Sailing	Revenue	\$312,078	\$59,076
	Profit/(Loss)	\$5,096	\$9,216
Training Centre	Revenue	\$ 182,749	\$ 153,427
	Profit/(Loss)	\$(25,786)	\$(25,669)
Communications and Sponsorship	Revenue	\$235,040	\$245,567
	Profit/(Loss)	\$ 118,430	\$157,146
Maintenance	Revenue	\$4,718	\$3,418
	Profit/(Loss)	\$(248,112)	\$(295,239)
General	Revenue	\$91,918	\$107,932
	Profit/(Loss)	\$(1,389,005))	\$(1,016,816)
Gross Profit	Profit/(Loss)	\$58,953	\$408,107
Depreciation	Total	\$(278,697)	\$(296,761)
Net Profit	Profit/(Loss)	\$(219,745)	\$111,346

Club Fees revenue includes:

- Member Subscriptions - \$1,633,079
- Admission Fees - \$129,971; and
- Locker Fees - \$5,755.

The adoption of *AASB 15: Revenue from Contracts with Customers* and *AASB 1058: Income of Not-for-Profit Entities (Annual reporting periods beginning on or after 1/1/2019)* has resulted in a proportion of fees earned being booked to the accounts each year and not as the funds are received as previously was the case.

The only expense recognised in this department is the Australian Sailing Levies.

Member Services includes all the Club social functions revenue and corresponding expenses.

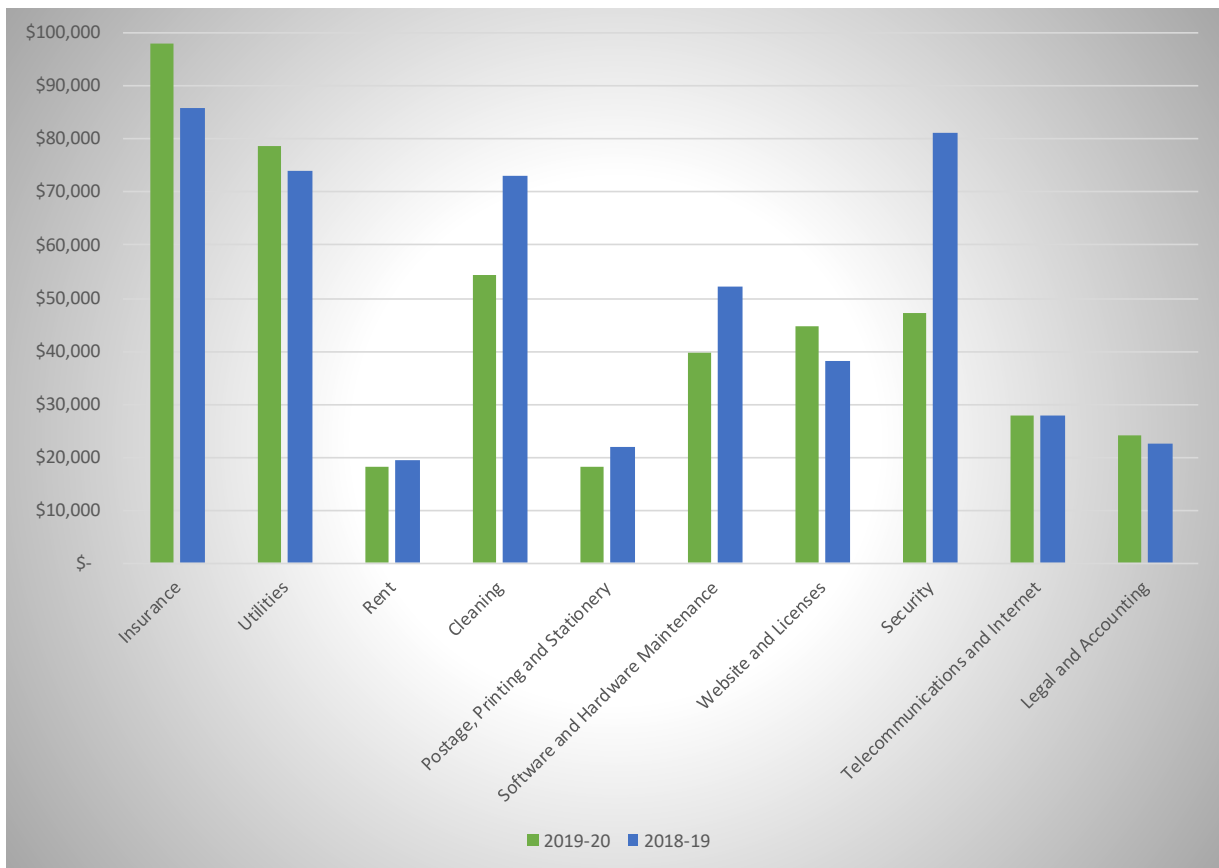
Sailing was the beneficiary of Government Sporting Grants totaling \$50,000 which was a contribution towards the hosting of the RSX:20 Windsurfer Regatta which has made this department appear profitable.

General revenue includes interest received on investments, credit card surcharges as applied to subscription transactions paid, along with some miscellaneous income.

FINANCIAL SUMMARY

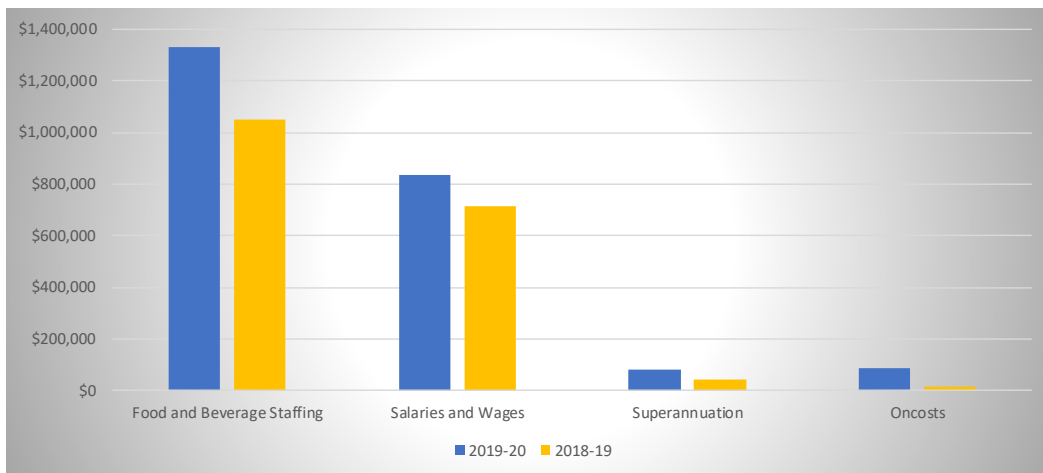
Expenditure increases in general and administration include software licenses; insurance; general overheads, and employment on-costs. It is noted that in-housing F&B operations increased employment on-costs, as the Club now attracts a higher State Payroll Tax and Workers Compensation premium. These on-costs apply to all employees however the total cost is reported in general and administration and not allocated to respective operating units.

In the past we have provided a summary income and expenditure statement which compared the major expenditure items i.e. employment, administration, insurance etc. in a table. With the changes to our chart of accounts and departments the comparative chart presented below provides an improved representation of our administrative expenditure.



FINANCIAL SUMMARY

The following graph shows the employment costs for the Club with the abnormal items, as outlined in the CEO's and Treasurer's report, removed for comparative purposes.



FINANCIAL STATEMENTS

Financial Statements

Sorrento Sailing Couta Boat Club Inc.

Financial Statements

For the Year Ended 31 March 2020

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
Sales revenue	3	5,028,499	4,189,299
Cost of sales		(2,282,467)	(1,833,288)
Gross profit		2,746,032	2,356,011
Finance income		59,288	77,455
Administrative expenses		(1,441,645)	(1,038,495)
Depreciation expenses		(275,205)	(296,761)
Department expenses		(1,134,937)	(814,798)
Other expenses		(168,312)	(172,065)
Finance expenses		(4,966)	-
Profit/(loss) for the year		(219,745)	111,347
Other comprehensive income		-	-
Total comprehensive income for the year		(219,745)	111,347

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As At 31 March 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	3,394,711	3,632,810
Trade and other receivables	6	66,230	66,039
Inventories	7	79,216	84,390
Other assets	9	114,410	87,662
TOTAL CURRENT ASSETS		<u>3,654,567</u>	<u>3,870,901</u>
NON-CURRENT ASSETS			
Right-of-use asset	10	83,843	-
Property, plant and equipment	8	4,218,557	4,188,551
TOTAL NON-CURRENT ASSETS		<u>4,302,400</u>	<u>4,188,551</u>
TOTAL ASSETS		<u>7,956,967</u>	<u>8,059,452</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	217,067	250,744
Lease liabilities	14	1,969	-
Employee benefits	12	181,450	132,524
Other liabilities	13	188,021	621,038
TOTAL CURRENT LIABILITIES		<u>588,507</u>	<u>1,004,306</u>
NON-CURRENT LIABILITIES			
Lease liabilities	14	95,962	-
Other liabilities	13	2,609,720	-
TOTAL NON-CURRENT LIABILITIES		<u>2,705,682</u>	<u>-</u>
TOTAL LIABILITIES		<u>3,294,189</u>	<u>1,004,306</u>
NET ASSETS		<u>4,662,778</u>	<u>7,055,146</u>
EQUITY			
Reserves		37,433	37,433
Retained earnings		4,625,345	7,017,713
TOTAL EQUITY		<u>4,662,778</u>	<u>7,055,146</u>

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

2020

	Retained Earnings	Jetty Development	Clubhouse Building	Asset Revaluation Reserve	Total
Note	\$	\$	\$	\$	\$
Balance at 1 April 2019	7,017,713	-	-	37,433	7,055,146
Cumulative adjustment upon adoption of new accounting standards – AASB 15	(2,172,623)	-	-	-	(2,172,623)
Balance at 1 April 2019 restated	4,845,090	-	-	37,433	4,882,523
Deficit attributable to members	(219,745)	-	-	-	(219,745)
Balance at 31 March 2020	4,625,345	-	-	37,433	4,662,778

2019

	Retained Earnings	Jetty Development	Clubhouse Building	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2018	1,133,073	28,000	5,745,293	37,433	6,943,799
Surplus attributable to members	111,347	-	-	-	111,347
Transfer from/(to) reserves	5,773,293	(28,000)	(5,745,293)	-	-
Balance at 31 March 2019	7,017,713	-	-	37,433	7,055,146

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	5,481,034	5,031,266
Payments to employees and suppliers	(5,349,266)	(4,242,680)
Interest received	59,288	117,066
Finance costs	(4,966)	-
Net cash provided by/(used in) operating activities	18 <u>186,090</u>	<u>905,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	6,000	-
Purchase of property, plant and equipment	(428,399)	(386,887)
Net cash provided by/(used in) investing activities	<u>(422,399)</u>	<u>(386,887)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Lease repayments	(1,790)	-
Net cash provided by/(used in) financing activities	<u>(1,790)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	(238,099)	518,765
Cash and cash equivalents at beginning of year	3,632,810	3,114,045
Cash and cash equivalents at end of financial year	5 <u><u>3,394,711</u></u>	<u><u>3,632,810</u></u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2020

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Associations Incorporation Reform Act 2012* and Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

At inception of a contract, 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 Association where Association is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, 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; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost, less accumulated depreciation and impairment losses.

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(b) Leases

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that Association anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Association and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Revenue from the sale of goods and services is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial year.

Admission fees are brought to account as revenue over the same time period as the average tenure of membership (assumed to be 20 years).

Life memberships and life locker use rights are brought to account as revenue over the expected use period which is based on life expectancy.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Other revenue is recognised when the right to receive the revenue has been established.

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Association are:

Sale of goods

FINANCIAL STATEMENTS

Revenue from sale of goods is recognised when the goods are physically transferred to the customer.

Member subscriptions, admission fees, merchandise and gallery, and sponsorship and advertising

Income from these sources is recognised when the income is earned which is usually when the service is performed.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

The carrying amount of the jetty is reviewed annually by the committee to ensure it is not in excess of the recoverable amount of the asset. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(f) Property, plant and equipment

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant, Equipment and Furniture	10%-33.3%
Water Storage & Treatment	2.5%-3%
Jetty	5%
Boats	7.5%-20%
Moorings	2.5%
Motor Vehicles	22.5%-33.3%

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.

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(g) Cash and cash equivalents

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

(h) Employee benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Association does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(i) Adoption of new and revised accounting standards

During the current year, the Association adopted the following new Australian Accounting Standards. The adoption of these Standard's has reduced Retained Earnings.

AASB 16 Leases (Annual reporting periods beginning on or after 1/1/2019)

The Association has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16, recognised at 1 April 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

(i) Adoption of new and revised accounting standards

The Association has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where Association is the lessee. The lease liabilities are measured at the present value of the remaining lease payments. An average borrowing rate as at 1 April 2019 of 3% was used to discount the lease payments.

The right-of-use assets for equipment were measured at their carrying amount as if AASB 16 had been applied since the commencement date, but discounted using Association's incremental borrowing rate per lease term as at 1 April 2019.

The right-of-use assets for the remaining leases were measured and recognised in the statement of financial position as at 1 April 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised as at 1 April 2019 (that are related to the lease).

The following practical expedients have been used by Association in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have a remaining lease term of less than 12 months as at 1 April 2019 have been accounted for in the same way as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate;

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- applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The adoption of AASB 16 had no effect on opening retained earnings.

AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-for-Profit Entities (Annual reporting periods beginning on or after 1/1/2019)

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

The table below provides details of the significant changes and quantitative impact of these changes on the initial date of application, being 1 April 2019.

(i) Adoption of new and revised accounting standards

	As Presented 31/03/2019	Application Impact	As At 1/04/2019
	\$	\$	\$
Statement of financial position			
Assets			
Right of use assets - WDV	-	83,843	83,843
Unexpired lease charges - current portion	-	4,989	4,989
Unexpired lease charges - non-current portion	-	47,547	47,547
Liabilities			
Current lease liabilities	-	54,647	54,647
Non-current lease liabilities	-	95,822	95,822
Life memberships and lockers	-	384,464	384,464
Admission fees	-	1,801,251	1,801,251
Equity			
Accumulated surplus	-	2,172,623	2,172,623

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3 Revenue and Other Income

Revenue from continuing operations

	2020 \$	2019 \$
Revenue		
- sale of goods and services	3,095,039	2,541,394
- membership fees	1,590,468	1,392,484
- admission fees	128,321	243,741
- life memberships and lockers	54,955	-
- other income	159,716	11,680
Total Revenue	5,028,499	4,189,299

4 Result for the Year

The result for the year includes the following specific expenses:

Other expenses:		
Employee benefit expenses	971,006	584,430
Net loss on disposal of property, plant and equipment	10,774	-
Superannuation contributions	82,044	41,617
Bad debts	3,492	-

5 Cash and Cash Equivalents

Cash at bank and in hand	1,564,825	770,128
Short-term deposits	1,829,886	2,862,682
	3,394,711	3,632,810

6 Trade and Other Receivables

CURRENT

Trade receivables	57,818	35,916
Sundry debtors	8,412	30,123
Total current trade and other receivables	66,230	66,039

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

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7 Inventories

	2020	2019
	\$	\$
CURRENT		
At cost:		
Inventory	79,216	84,390
	<u>79,216</u>	<u>84,390</u>

8 Property, plant and equipment

Buildings		
At cost	3,775,769	3,647,825
Accumulated depreciation	(1,234,128)	(1,099,987)
Total buildings	<u>2,541,641</u>	<u>2,547,838</u>
Capital works in progress		
At cost	271,305	244,876
Plant and equipment		
At fair value		
At directors' valuation	350,000	350,000
At fair value	350,000	350,000
At cost	2,530,656	2,427,157
Accumulated depreciation	(1,475,045)	(1,381,320)
Total plant and equipment	<u>1,405,611</u>	<u>1,395,837</u>
Total property, plant and equipment	<u>4,218,557</u>	<u>4,188,551</u>

(a) Movements in carrying amounts of property, plant and equipment

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

	Capital Works in Progress	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Year ended 31 March 2020				
Balance at the beginning of year	244,876	2,547,838	1,395,837	4,188,551
Additions	109,782	84,055	234,562	428,399
Disposals/write offs	(83,353)	(7,733)	(37,058)	(128,144)
Depreciation expense	-	(82,519)	(187,730)	(270,249)
Balance at the end of the year	<u>271,305</u>	<u>2,541,641</u>	<u>1,405,611</u>	<u>4,218,557</u>

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9 Other Assets

	2020	2019
	\$	\$
CURRENT		
Prepayments	102,274	87,662
Accrued income	12,136	-
	<u>114,410</u>	<u>87,662</u>

10 Right-of-use assets

The Association's leases consist of lease of land. The lease term is 21 years.

Right-of-use asset	88,799	-
Accumulated depreciation	(4,956)	-
	<u>83,843</u>	<u>-</u>

Statement of Profit or Loss and Other Comprehensive Income

Depreciation - right-of-use assets	275,205	-
Interest expense on lease liabilities	4,966	-
	<u>280,171</u>	<u>-</u>

11 Trade and Other Payables

Current		
Trade payables	32,865	132,801
GST payable	49,459	49,168
Sundry payables and accrued expenses	134,743	68,775
	<u>217,067</u>	<u>250,744</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

12 Provisions

CURRENT		
Provision for annual leave	70,805	104,153
Provision for long service leave	9,118	28,371
Provision for time in lieu	101,527	-
	<u>181,450</u>	<u>132,524</u>

13 Other Liabilities

CURRENT		
Deposits for lockers and life memberships	43,578	602,099
Admission fees	129,971	-
Other deferred income	14,472	18,939
Total	<u>188,021</u>	<u>621,038</u>

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	2020	2019
	\$	\$
NON-CURRENT		
Deposits for lockers and life memberships	938,440	-
Admission fees	1,671,280	-
Total	2,609,720	-
14 Lease Liabilities		
Represented by:		
- lease liabilities - current	54,647	-
- lease liabilities - non-current	95,822	-
- unexpired lease charges - current	(4,989)	-
- unexpired lease charges - non-current	(47,547)	-
Total	97,933	-

15 Financial Risk Management

The Association is exposed to a variety of financial risks through its use of financial instruments.

The Association's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Association is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Association are:

- Trade receivables
- Cash at bank
- Trade and other payables

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Net fair values

Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions used have been described in the relevant areas in the Notes to the Financial Statements. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

Net fair values are approximated by their carrying values of each category of financial instruments and have been disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

16 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Sorrento Sailing Couta Boat Club Inc. during the year is \$283,764 (2019: \$146,308)

17 Contingencies

In the opinion of the Committee of Management, the Association did not have any contingencies at 31 March 2020 (31 March 2019:None).

18 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020	2019
	\$	\$
Net result for the year	(219,745)	111,347
Non-cash flows in profit:		
- depreciation and amortisation	275,205	296,761
- net loss on disposal of property, plant and equipment	10,774	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(191)	72,706
- (increase)/decrease in prepayments	(26,748)	(12,358)
- (increase)/decrease in inventories	5,174	(5,136)
- increase/(decrease) in income in advance	4,079	307,519
- increase/(decrease) in trade and other payables	88,617	104,755
- increase/(decrease) in provisions	48,925	30,058
Cashflows from operations	186,090	905,652

19 Events after the end of the Reporting Period

The World Health Organisation declared the COVID-19 coronavirus a pandemic and the Association is managing the potential impacts on operations. At the date of the report, an estimate of the financial impact of these events cannot be made. The Association has developed initiatives to mitigate risks associated with the event.

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Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial years.

20 Statutory Information

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

Sorrento Sailing Couta Boat Club Inc.
3154 Point Nepean Rd
Sorrento VIC 3943

STATEMENT BY MEMBERS OF COMMITTEE

In accordance with a resolution of the committee of Sorrento Sailing Couta Boat Club, the members of the committee declare that the financial statements and notes as set out on pages 17 to 31:

1. give a true and fair view of the financial position of Sorrento Sailing Couta Boat Club as at 31 March 2020 and its performance for the year ended on that date in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Associations Incorporation Reform Act 2012.
2. at the date of this statement, there are reasonable grounds to believe that Sorrento Sailing Couta Boat Club Inc will be able to pay its debts as and when they fall due.

This statement is signed for and on behalf of the committee by:



Commodore

Graham Cunningham



Treasurer

Shaun Chalmers

Dated 16 July 2020

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SORRENTO SAILING COUTA BOAT CLUB INC.

Sorrento Sailing Couta Boat Club Inc.

Independent Audit Report to the members of Sorrento Sailing Couta Boat Club Inc.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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

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

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ACCRU MELBOURNE (AUDIT) PTY LTD

16 July 2020



C J FLYNN
Director

CONTACT US

Contact Us

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