

Health Services Union NSW

ABN: 85 037 751 682

Financial Statements

For the Year Ended 30 June 2020

Health Services Union NSW

ABN: 85 037 751 682

Contents

For the Year Ended 30 June 2020

	Page
Financial Statements	
Council's Certificate	1
Accounting Officer's Report	2
Independent Audit Report	3
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

Health Services Union NSW

ABN: 85 037 751 682

Council's Certificate

We, Mark Sterrey, Gerard Hayes and Lynne Russell, being three members of the Union Council ('the Council') of Health Services Union NSW ('the Union'), do state on behalf of the Council, and in accordance with a resolution passed by the Council that:

(a) In the opinion of the Council, the attached financial report shows a true and fair view of the financial affairs of the Union as at 30 June 2020.

(b) In the opinion of the Council, meetings of the Council were held during the year ending 30 June 2020 in accordance with the rules of the Union.

(c) To the knowledge of any member of the Council, there have been no instances where records of the Union or other documents (not being documents containing information made available to a member of the Union under Sub-Section 512(2) of the *Industrial Relations Act 1991*, as applied by Sub-Section 282(3) of the *Industrial Relations Act 1996*) or copies of these records or documents, or copies of the rules of the Union, have not been furnished, or made available to the members in accordance with the requirements of the *Industrial Relations Act 1991*, the Regulations thereto, or the rules of the Union.

(d) The Union has complied with Sub-Sections 517(1) and (5) of the *Industrial Relations Act 1991*, in relation to the financial report in respect of year ended 30 June 2020, and the Auditors' Report thereon.

Mark Sterrey

President



Gerard Hayes

Secretary



Lynne Russell

Assistant Secretary/Treasurer



Dated: 24th August 2020

Health Services Union NSW

ABN: 85 037 751 682

Accounting Officer's Report

I, Lynne Russell, being the Officer responsible for keeping the accounting records of Health Services Union NSW, certify that as at 30 June 2020, the number of members of the Union was 43,218 (2019: 38,976).

In my opinion:

(a) The attached financial report shows a true and fair view of the financial affairs of the Union as at 30 June 2020.

(b) A record has been kept of all moneys paid by, or collected from, members and all moneys so paid or collected have been credited to the bank account to which those moneys are to be credited, in accordance with the rules of the Union.

(c) Before any expenditure was incurred by the Union, approval of the incurring of expenditure was obtained in accordance with the rules of the Union.

(d) With regard to funds of the Union raised by compulsory levies or voluntary contributions from members, or funds other than the General Fund operated in accordance with the rules, no payments were made out of any such fund for the purposes other than those for which the fund was operated.

(e) No loans or other financial benefits were made to persons holding office in the Union.

(f) The register of members of the Union was maintained in accordance with the *Industrial Relations Act 1996*.

(g) gives the attached financial report a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended at 30 June 2020.



Lynne Russell

Assistant Secretary/Treasurer

Dated: 24th August 2020

**INDEPENDENT AUDITOR'S REPORT
To the Members of Health Services Union NSW**Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61(0) 2 8226 4500

F +61(0) 2 8226 4501

www.rsm.com.au**Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of Health Services Union NSW (the "Union"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, the Council's certificate and the Accounting Officer's certificate.

In our opinion,

- (a) These were kept by the Union, in respect of the year ended 30 June 2020 under review, satisfactory records detailing the sources and nature of income of the Union (including income from members) and the nature and purposes of expenditure, and
- (b) The accompanying financial report, including the Council's certificate and the Accounting Officer's Report are prepared in accordance with Section 510 of the Industrial Relations Act 1991 (NSW), as applied by Section 282 (3) of the Industrial Relations Act 1996. This report has been prepared from the accounting records of the Union and is properly drawn up so as to give a true and fair view of:
 - (i) the financial position of the Union as at 30 June 2020; and
 - (ii) its financial performance and its cash flows for the year ended 30 June 2020;

and is in accordance with the Industrial Relations Act 1996 and Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Union in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Council are responsible for the other information. The other information comprises the information in Health Services Union NSW annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council's, Secretary's and Assistant Secretary/Treasurer's responsibility for the financial report

The Council, Secretary, and Assistant Secretary/Treasurer of the Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Industrial Relations Act 1996, and for such internal control as the Council, Secretary, and Assistant Secretary/Treasurer of the Union determine is necessary to enable 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.

In preparing the financial report, the Council, Secretary, and Assistant Secretary/Treasurer of the Union are responsible for assessing the Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council, Secretary, and Assistant Secretary/Treasurer of the Union either intend to liquidate the Union or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

We communicate with the Council, Secretary, and Assistant Secretary/Treasurer of the Union 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.

I declare that I am an approved auditor, a member of the Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.



RSM AUSTRALIA PTY LTD



Cameron Hume
Director

Sydney, NSW
Dated: 24 August 2020

Health Services Union NSW

ABN: 85 037 751 682

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	4	22,236,222	19,989,714
Other income	4	260,296	115,153
Employee benefits expense	5	(11,845,554)	(10,247,793)
Depreciation and amortisation expense	5	(1,296,738)	(1,218,906)
Finance costs	5	-	(67,555)
Marketing and campaign expenses		(772,534)	(418,636)
Consulting and professional fees		(568,412)	(416,301)
Insurance expenses		(1,470,156)	(1,135,750)
Utilities and telephone expenses		(789,781)	(824,190)
Computer and IT expenses		(404,284)	(416,460)
Office administration and travel expenses		(1,111,152)	(1,380,979)
Other expenses	5	(736,480)	(598,505)
Affiliation and capitation fees		(1,381,293)	(1,304,441)
Donations		(137,609)	(461,431)
Delegates conference expenses		(626,059)	(183,437)
Total surplus for the year		1,356,466	1,430,483
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Superannuation actuarial gain/(loss)		23,837	(673,957)
Superannuation actual return on fund assets		71,678	260,832
Total other comprehensive income/(loss) for the year, net of tax		95,515	(413,125)
Total comprehensive income for the year, net of tax		1,451,981	1,017,358

The accompanying notes form part of these financial statements.

Health Services Union NSW

ABN: 85 037 751 682

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	3,240,718	4,836,847
Trade and other receivables	7	269,780	274,397
Other financial assets	8	2,000,000	1,674,461
Other assets	9	979,901	1,221,906
TOTAL CURRENT ASSETS		<u>6,490,399</u>	<u>8,007,611</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,828,723	6,605,655
Investment properties	11	11,274,665	8,807,097
TOTAL NON-CURRENT ASSETS		<u>18,103,388</u>	<u>15,412,752</u>
TOTAL ASSETS		<u>24,593,787</u>	<u>23,420,363</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,005,863	1,148,144
Short-term provisions	13	27,683	27,683
Employee benefits	14	2,378,463	2,351,275
TOTAL CURRENT LIABILITIES		<u>3,412,009</u>	<u>3,527,102</u>
NON-CURRENT LIABILITIES			
Employee benefits	14	514,380	677,844
TOTAL NON-CURRENT LIABILITIES		<u>514,380</u>	<u>677,844</u>
TOTAL LIABILITIES		<u>3,926,389</u>	<u>4,204,946</u>
NET ASSETS		<u>20,667,398</u>	<u>19,215,417</u>
EQUITY			
Accumulated Funds		<u>20,667,398</u>	<u>19,215,417</u>
TOTAL EQUITY		<u>20,667,398</u>	<u>19,215,417</u>

The accompanying notes form part of these financial statements.

Health Services Union NSW

ABN: 85 037 751 682

Statement of Changes in Equity For the Year Ended 30 June 2020

	Retained Earnings
	\$
Balance at 1 July 2018	<u>18,198,059</u>
Surplus for the period	1,430,483
Actuarial loss and return on fund assets	<u>(413,125)</u>
Total comprehensive surplus for the period	<u>1,017,358</u>
Balance at 30 June 2019	<u>19,215,417</u>
Balance at 1 July 2019	19,215,417
Surplus for the period	1,356,466
Actuarial gain and return on fund assets	95,515
Total comprehensive surplus for the period	<u>1,451,981</u>
Balance at 30 June 2020	<u>20,667,398</u>

The accompanying notes form part of these financial statements.

Health Services Union NSW

ABN: 85 037 751 682

Statement of Cash Flows For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
OPERATING ACTIVITIES:		
Cash receipts from customers	24,563,353	21,569,157
Payments to suppliers and employees	(22,018,879)	(18,572,341)
Interest received	78,698	90,077
Interest paid	-	(94,481)
Net cash provided by operating activities	23 <u>2,623,172</u>	<u>2,992,412</u>
INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment and investment property	220,347	73,399
Purchase of property, plant and equipment	(1,281,300)	(564,694)
(Payment)/proceeds from investments	(325,539)	1,509,969
Purchase of investment properties	(2,832,809)	-
Net cash (used in) / provided by investing activities	<u>(4,219,301)</u>	<u>1,018,674</u>
FINANCING ACTIVITIES:		
Repayment of borrowings	-	(4,000,000)
Net cash used in financing activities	<u>-</u>	<u>(4,000,000)</u>
Net (decrease) / increase in cash and cash equivalents held	(1,596,129)	11,086
Cash and cash equivalents at beginning of year	4,836,847	4,825,761
Cash and cash equivalents at end of financial year	6 <u>3,240,718</u>	<u>4,836,847</u>

The accompanying notes form part of these financial statements.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers Health Services Union NSW ('the Union') as an individual not-for-profit entity, incorporated and domiciled in Australia. The Union is an organisation of employees registered under the *New South Wales Industrial Relations Act 1996*. In accordance with the Act the Union is a body corporate and has perpetual succession. By virtue of this method of incorporation, the Union is not subject to the *Corporations Act 2001*.

The financial report of the Health Services Union NSW for the period ended 30 June 2020 was authorised for issue in accordance with a resolution of the Union Council ('the Council') on 24 August 2020. The Union has the power to amend and reissue the financial statements.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the New South Wales *Industrial Relations Act 1996*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals 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.

2 Summary of Significant Accounting Policies

(a) Comparative figures

(i) Comparative figures

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

(ii) Retrospective accounting policy

When the Union applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be presented.

(b) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

Plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Union commencing from the time the asset is held ready for use.

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

Class of Fixed Assets	Depreciation Rate
Buildings	2.5%
Motor vehicles	22.5%
Office furniture and equipment	5% - 33.3%
Plant & equipment	10% - 50%

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

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the Statement of Profit and Loss and Other Comprehensive Income in the year that the item is derecognised.

(c) Investment properties

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight-line basis over 40 years.

(d) Financial instruments

(a) Classification

The Union classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Union's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Union has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Union reclassifies debt investments when and only when its business model for managing those assets changes.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Union commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Union has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Union measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Impairment

The Union assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Union applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(f) Impairment of non-financial assets

The carrying amount of non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purpose of assessing value in use of assets not held primarily to generate cash, this represents depreciated current replacement cost, as the Union is a not-for-profit organisation.

Impairment loss

Assets that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation change for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. The reclassification between cash and cash equivalents and other financial assets to reflect this policy has occurred during the year.

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Union has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(i) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(i) Employee benefits (continued)

Other long-term employee benefits

Other employees benefits payable later than one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. In the case of Long Service Leave this results in an amount not materially different to that achieved by discounting future cash flows.

Employees of the Union are entitled to benefits from superannuation plans on retirement, disability, or death.

Define benefits superannuation schemes

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted every three years, with interim valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to the end of the reporting period where interim valuation is performed at an earlier date.

The superannuation schemes for Health Services Union NSW are:

- the State Authorities Superannuation Scheme (SASS); and
- the State Authorities Non-Contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the Schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

The superannuation expense includes net interest measured at and reported as defined benefit costs.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(i) Employee benefits (continued)

The amount recorded in profit or loss are limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in other comprehensive income with no subsequent recycling to profit or loss. Interest income is measured using the same discount rate used to measure the defined benefit obligation (market yields on 10 year Commonwealth government bonds).

Other entities' responsibility for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of the fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Risks

There are a number of risks to which the Fund exposes the Union. The more significant risks relating to the defined benefits are:

Investment risk - The risk that investment returns will be lower than assumed, and the employer will need to increase contributions to offset this shortfall.

Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions.

Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk,

Significant events

There were no fund amendments, curtailments or settlements during the year.

(j) Provisions

Provisions are recognised when the Union has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(k) Trade and other payables

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

(l) Income tax

No provision for income tax is necessary as the Union is exempt from income tax under Section 50 -15 of the *Income Tax Assessment Act 1997*.

(m) Leases

The Union assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Union as a lessee

The Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Union applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Union as a lessor

Leases in which the Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(n) Revenue and other income

Interest revenue

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

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(n) Revenue and other income (continued)

Subscriptions

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

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(p) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. 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.

(q) Functional and presentation currency

The functional currency of the Union is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

(r) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical knowledge and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Union makes estimates and assumptions concerning the future. The resulting accounting estimates by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities include the determination of employee entitlements for long service leave, the asset or liability in respect of the defined superannuation plans, depreciation of property, plant and equipment, the fair value of available for sale financial assets and the going concern basis.

Critical judgments in applying the Union's accounting principles

The critical judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are those described in Notes 2 (b), 2 (c), 2 (d), 2 (f), 2 (i), and 2 (r).

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(s) Adoption of New Australian Accounting Standard requirements

The Union has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Union's has assessed the resulting impact and concluded there is no material impact on adoption.

(t) Related Party Disclosures

Related parties for the purpose of the disclosures made in Note 22 of this financial report include Officers and entities in which Officers have a significant interest in, and their transactions with the Union.

3 Information to be provided to Members or Registrar

In accordance with the requirements of the *Industrial Relations Act, 1991 (NSW)* the attention of members is drawn to the provisions of Sub-Sections (1) and (2) of Section 512 which reads as follows:

(a) A member of an organisation, or the Industrial Registrar, may apply to the organisation for specified information prescribed by the regulations in relation to the organisation.

(b) An organisation must, on the making of such an application, make the specified information available to the member or the Industrial Registrar in the manner, and within the time, prescribed by the regulations.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

4 Revenue and Other Income

	2020	2019
	\$	\$
Revenue		
Membership contributions	20,487,247	18,295,955
Service fees	400,000	380,000
Rental income	1,348,975	1,313,759
Total revenue	<u>22,236,222</u>	<u>19,989,714</u>
Other income	89,815	23,397
Profit for the sale of property, plant and equipment	93,612	26,141
Interest income	76,869	65,615
Total other income	<u>260,296</u>	<u>115,153</u>
Total revenue and other income	<u>22,496,518</u>	<u>20,104,867</u>

5 Expenses

	2020	2019
	\$	\$
Depreciation		
Depreciation - buildings	508,542	485,905
Depreciation - motor vehicles	344,980	311,046
Depreciation - furniture and fixtures	340,032	331,246
Depreciation - plant and equipment	103,184	90,709
Total depreciation	<u>1,296,738</u>	<u>1,218,906</u>
Finance costs		
Interest expense	-	67,555
Other expenses		
Motor vehicle expenses	460,947	441,092
Other expenses	275,533	157,413
Total other expenses	<u>736,480</u>	<u>598,505</u>
Employee expenses		
Salaries and wages	10,185,471	8,411,956
Superannuation	1,043,931	845,960
Other employee expenses	616,152	989,877
Total employee expenses	<u>11,845,554</u>	<u>10,247,793</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

6 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash on hand	2,236,987	2,536,847
Cash on deposit	1,003,731	2,300,000
	<u>3,240,718</u>	<u>4,836,847</u>

7 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Trade receivables	24,374	12,000
Accrued income	152,629	208,831
Other receivables	92,777	53,566
Total current trade and other receivables	<u>269,780</u>	<u>274,397</u>

8 Other Financial Assets

	2020	2019
	\$	\$
CURRENT		
Held to maturity financial assets	2,000,000	1,674,461

9 Other Assets

	2020	2019
	\$	\$
CURRENT		
Prepayments	979,901	1,221,906

10 Property, Plant and Equipment

	2020	2019
	\$	\$
NON-CURRENT		
Building		
At cost	5,731,986	5,731,986
Accumulated depreciation	(2,341,172)	(2,197,871)
Total buildings	<u>3,390,814</u>	<u>3,534,115</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

10 Property, Plant and Equipment (continued)

Valuation of Properties

The following valuations of properties have been conducted:

	Certified Practising Valuer	Valuation Date	Fair Value \$
Property			
Unit 23/126-128 Auburn Street, Wollongong NSW	2	1 March 2019	520,000
Unit 5/2-6 Hunter Street, Parramatta NSW	3	8 March 2019	700,000
Level 2, 109 Pitt Street, Sydney NSW	1	12 March 2019	8,485,000
Total property			<u>9,705,000</u>
Investment Property			
Unit 13, 15 Meadow Way, Banksmeadow NSW	4	7 March 2019	1,300,000
Lot 50/SP52105 / Lot 32/SP46628, 370 Pitt Street Sydney NSW	1	12 March 2019	1,050,000
Lot 34/SP70031 Level 8, 109 Pitt Street, Sydney NSW	1	12 March 2019	690,000
Level 3, 109 Pitt Street Sydney NSW	1	12 March 2019	7,470,000
Level 9, 109 Pitt Street Sydney NSW	1	12 March 2019	6,090,000
Lot 55-60/SP71295 Level 10, 109 Pitt Street Sydney NSW	1	12 March 2019	3,870,000
Lot 87/SP72095 Level 15, 109 Pitt Street Sydney NSW	1	12 March 2019	1,145,000
Total investment property			<u>21,615,000</u>

1. M. Walsh, AAPI Certified Practising Valuer, Registered Valuer No. 67012, of Valuecorp.
2. Brendan Carr, AAPI Certified Practising Valuer, Registered Valuer No. 68248, of Martin Morris & Jones Pty Ltd.
3. D B Hayward, AAPI Certified Practising Valuer, Registered Valuer No. 68116, of Macquarie Bell Pty Ltd.
4. Tony Lenord, AAPI Certified Practising Valuer, Registered Valuer No. 67997, of Egan National Valuers (NSW).

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

10 Property, Plant and Equipment (continued)

	2020	2019
	\$	\$
Plant and equipment		
At cost	1,573,618	1,421,559
Accumulated depreciation	<u>(1,297,867)</u>	<u>(1,194,683)</u>
Total plant and equipment	<u>275,751</u>	226,876
Furniture, fixtures and fittings		
At cost	6,497,290	5,932,490
Accumulated depreciation	<u>(4,201,530)</u>	<u>(3,861,498)</u>
Total furniture, fixtures and fittings	<u>2,295,760</u>	2,070,992
Motor vehicles		
At cost	1,437,078	1,370,088
Accumulated depreciation	<u>(570,680)</u>	<u>(596,416)</u>
Total motor vehicles	<u>866,398</u>	773,672
Total plant and equipment	<u>3,437,909</u>	<u>3,071,540</u>
Total property, plant and equipment	<u>6,828,723</u>	<u>6,605,655</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

10 Property, Plant and Equipment (continued)

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 \$	Furniture, Fixtures and Fittings \$	Motor Vehicles \$	Total \$
Balance at 1 July 2019					
Balance at the beginning of the year	3,534,115	226,876	2,070,992	773,672	6,605,655
Additions	-	152,059	564,800	564,441	1,281,300
Disposals - written down value	-	-	-	(126,767)	(126,767)
Depreciation expense	(143,301)	(103,184)	(340,032)	(344,948)	(931,465)
Balance at 30 June 2020	3,390,814	275,751	2,295,760	866,398	6,828,723
Balance at 1 July 2018					
Balance at the beginning of the year	3,677,417	215,880	2,254,599	816,625	6,964,521
Additions	-	101,705	147,639	315,350	564,694
Disposals - written down value	-	-	-	(47,257)	(47,257)
Depreciation expense	(143,302)	(90,709)	(331,246)	(311,046)	(876,303)
Balance at 30 June 2019	3,534,115	226,876	2,070,992	773,672	6,605,655

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

11 Investment Properties

	2020	2019
	\$	\$
At cost	16,536,947	13,704,138
Accumulated depreciation	(5,262,282)	(4,897,041)
	<u>11,274,665</u>	<u>8,807,097</u>

	2020	2019
	\$	\$
Balance at the beginning of the period	8,807,097	9,149,700
Additions	2,832,809	-
Depreciation	(365,241)	(342,603)
	<u>11,274,665</u>	<u>8,807,097</u>

The fair value of the investment property is \$21,615,000 Note 10.

12 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	167,336	194,840
Rental bonds collected	136,935	116,489
Member income in advance	260,741	535,901
Other payables	310,318	201,122
GST payable	130,533	99,792
	<u>1,005,863</u>	<u>1,148,144</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Provisions

	2020	2019
CURRENT	\$	\$
Building make good provision	27,683	27,683

14 Employee Benefits

	2020	2019
CURRENT	\$	\$
Long service leave	1,039,626	1,108,195
Provision for employee benefits	1,338,837	1,243,080
	2,378,463	2,351,275

	2020	2019
NON-CURRENT	\$	\$
Long service leave	166,896	234,845
Defined benefit obligations		
Provision for employee benefits	347,484	442,999
	514,380	677,844

Defined benefit plan

Employees of the Union are entitled to benefits from superannuation plans on retirement, disability or death. The Union participated in twelve employer-sponsored superannuation plans. Two of these, State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS) are defined benefit plans. The following sets out details in respect of the defined benefit superannuation plans only.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(a) Reconciliation of the Net Defined Benefit Liability/(Asset)

	2020	2019
	\$	\$
The amounts included in the Statement of Financial Position as net liability Defined Benefits Superannuation Plans are as follows:		
Net defined benefit liability at start of year	442,999	29,874
Current service cost	123,113	108,431
Net interest on the net defined benefit liability	5,848	792
Actual return on fund assets less interest income	(71,678)	(260,832)
Actuarial losses arising from changes in financial assumptions	49,060	586,017
Actuarial losses arising from liability experience	(201,858)	(21,283)
	<u>347,484</u>	<u>442,999</u>

Reconciliation of the Fair Value of Fund Assets

	2020	2019
	\$	\$
Fair value of fund assets is as follows:		
Beginning of the year	5,163,924	4,812,897
Interest income	66,226	123,912
Actual return on Fund assets less interest income	71,678	260,832
Contributions by participants	36,750	36,106
Benefits paid	(1,715,562)	(97,560)
Taxes, premiums & expenses paid	(34,683)	27,737
	<u>3,588,333</u>	<u>5,163,924</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(b) Reconciliation of the defined benefit obligation

	2020	2019
	\$	\$
Present value of defined benefit obligations at beginning of the year	5,606,923	4,842,770
Current service cost	123,113	108,432
Interest cost	72,074	124,704
Contributions by participants	36,750	36,106
Actuarial losses arising from changes in financial assumptions	49,060	586,017
Actuarial losses arising from liability experience'	(201,858)	(21,283)
Benefits paid	(1,715,562)	(97,560)
Taxes, premiums & expenses paid	(34,683)	27,737
Present value of defined benefit obligations at end of the year	3,935,817	5,606,923

(c) Reconciliation of the effect of the Asset Ceiling

	2020	2019
	\$	\$
Adjustment for effect of asset ceiling at beginning of the year	-	-
Change in the effect of asset ceiling	-	-
Adjustment for effect of asset ceiling at end of the year	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

(d) Fair value of fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity as it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 2020

Asset category	Total (A\$'000)	Quoted prices in active markets for identical assets		
		Level 1 (A\$'000)	Significant observable inputs Level 2 (A\$'000)	Unobservable inputs Level 3 (A\$'000)
Short term securities	4,096,298	1,889,511	2,206,787	-
Australian Fixed Interest	1,066,448	-	1,066,448	-
International Fixed Interest	1,909,424	30,408	1,879,015	-
Australian Equities	7,294,211	6,901,927	392,284	-
International Equities	11,950,330	11,487,308	463,022	-
Property	3,352,466	644,805	16,266	2,691,395
Alternatives	10,522,833	23,409	4,337,075	6,162,350
Total	40,192,010	20,977,368	10,360,897	8,853,745

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Employee Benefits (continued)

The percentage invested in each asset class at the balance sheet date:

	2020	2019
	%	%
Short Term Securities	10	10
Australian Fixed Interest	3	5
International Fixed Interest	5	5
Australian Equities	18	20
International Equities	30	27
Property	8	9
Alternatives	26	25
	<u>100</u>	<u>100</u>

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

All Fund assets are invested by STC at arm's length through independent fund managers.

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets include as at 30 June 2020 \$36.9 million (2019: \$99.5 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$340 million (30 June 2019: \$316 million).

- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$343 million (30 June 2019: \$331 million).

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(e) Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2020	30 June 2019
Discount rate	0.87% pa	1.32% pa
Salary increase rate (excluding promotional increases)	3.2% pa	3.2% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2020 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(e) Significant Actuarial Assumptions at the Reporting Date (continued)

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	as above	as above-0.5% pa	as above+0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	3,935,817	4,171,524	3,719,082

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	3,935,817	4,099,992	3,784,385

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	3,935,817	4,005,406	3,870,061

	Base Case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation (A\$)	3,935,817	3,982,583	3,900,507

*Assumes the short-term pensioner mortality improvement factors for years 2020-2023 also apply for years after 2023.

**Assumes the long-term pensioner mortality improvement factors for years post 2023 also apply from the years 2020 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(e) Significant Actuarial Assumptions at the Reporting Date (continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(f) Employer contributions

	2020 SASS \$	2019 SANCS \$
Expected employer contributions to be paid in the next reporting period	-	-

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2020 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans."

	2020 \$	2019 \$
Accrued Benefits	2,458,927	3,746,127
Net market value of Funds assets	<u>(3,588,334)</u>	<u>(5,163,924)</u>
Net deficit	<u>(1,129,407)</u>	<u>(1,417,797)</u>

(b) Contribution recommendations

Recommended contribution rates for the Union are:

Multiple of member contributions	% member salary
n/a	n/a

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Employee Benefits (continued)

(f) Employer contributions (continued)

(d) Economic assumptions

The economic assumptions adopted for the 30 June 2020 actuarial investigation of the Pooled Fund are:

Weighted Average Assumptions	30-Jun-20	30-Jun-19
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	7.4% pa
Expected rate of return of Funds assets backing other liabilities	6.0% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	3.2% pa
Expected rate of CPI increase	2.0% pa	2.2% pa

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

(g) Maturity profile

The weighted average duration of the defined benefit obligation is 10.7 years (2019: 9.8 years).

15 Capital and Leasing Commitments

Operating lease commitments

The following amounts are payable in respect of:

	2020	2019
	\$	\$
- not later than one year	23,364	10,672
- between one year and five years	24,714	19,566
- later than five years	-	-
	48,078	30,238

Operating leases are in place for computer equipment.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

16 Lessor Commitments

Operating lease commitments receivable - Union as lessor

Health Services Union NSW leases out its investment property (see Note 11) under commercial leases. These non-cancellable leases have terms between 1 and 6 years. All leases include provisions for Health Services Union NSW to increase rent to CPI of 4% per annum with current market rental assessments performed regularly in accordance with the lease agreements.

The future minimum lease payments under non-cancellable leases are:

	2020	2019
	\$	\$
- not later than one year	1,080,904	1,054,608
- between one year and five years	896,177	1,265,403
Total minimum lease payments	1,977,081	2,320,011

17 Financial Risk Management

The main risks the Union is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Union's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and derivatives.

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

	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents	3,240,718	4,836,847
Loans and receivables	269,780	274,397
Other financial assets	2,000,000	1,674,461
Total financial assets	5,510,498	6,785,705
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	1,005,863	1,148,144

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Financial Risk Management (continued)

Financial risk management policies

The Union Council has overall responsibility for the establishment of Health Services Union NSW's financial risk management framework.

The day-to-day risk management is carried out by Health Services Union NSW's finance function under policies and procedures which have been approved by Union. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the policies and procedures. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate movements.

The Union does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Health Services Union NSW and arises principally from Health Services Union's receivables.

The receivables of the Health Services Union NSW are with lessees and members. Bank guarantees are in place to secure the receivables from lessees and member fees are automatically deducted as part of their salary and wages.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Union might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Union manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- using interest rate swaps to manage interest payments;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Health Services Union NSW ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Financial Risk Management (continued)

(c) Liquidity Risk - Asset maturity analysis

The table below reflect maturity analysis for financial assets.

	Within 1 Year		1 to 5 Years		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable						
Cash and cash equivalents	3,240,718	4,836,847	-	-	3,240,718	4,836,847
Trade, term and loans receivables	269,780	274,397	-	-	269,780	274,397
Held-to-maturity investments	2,000,000	1,674,461	-	-	2,000,000	1,674,461
Total anticipated inflows	5,510,498	6,785,705	-	-	5,510,498	6,785,705

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis

	Within 1 Year		1 to 5 Years		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables (excluding estimated annual leave)	1,005,863	1,148,144	-	-	1,005,863	1,148,144
Total contractual outflows	1,005,863	1,148,144	-	-	1,005,863	1,148,144

The timing of expected outflows is not expected to be materially different from contracted cashflows, with the exception of the borrowings in the year ended 30 June 2020. They were classified as current liabilities due to the Union not having an unconditional right to defer settlement beyond 12 months.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Financial Risk Management (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Union is also exposed to earnings volatility on floating rate instruments.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

17 Financial Risk Management (continued)

Financial instrument composition and maturity analysis

The Union's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years		Maturing Over 5 Years		Non-interest Bearing		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	3,240,718	4,836,847	3,240,718	4,836,847
Held-to-maturity investments	1.95	2.30	-	-	2,000,000	1,674,461	-	-	-	-	-	-	2,000,000	1,674,461
Total Financial Assets			-	-	2,000,000	1,674,461	-	-	-	-	3,240,718	4,836,847	5,240,718	6,511,308

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

18 Interest of Key Management Personnel

The key management personnel of the Union are the Officers and other key management personnel. Their remuneration paid during the year is as follows:

	2020	2019
	\$	\$
Short-term benefits	1,844,016	1,679,174
Long-term benefits	(93,406)	117,372
Post-employment benefits	413,024	397,214
	<u>2,163,634</u>	<u>2,193,760</u>

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 22: Related Party Transactions.

(a) Name of Officers

The following persons were Officers of Health Services Union NSW during the financial year.

(i) Names of Responsible Persons

Name	Position	Status
Mark Sterrey	President	Re-elected 16 July 2018
Lindy Twyford	Senior Vice President	Elected 16 July 2018
Steven Fraser	Junior Vice President Member of Audit & Finance Committee	Elected 16 July 2018
Gerard Hayes	Secretary	Re-elected 16 July 2018
Lynne Russell	Assistant Secretary/Treasurer	Elected 3 October 2018
Kim Hadson	Ordinary Member of Union Committee	Elected 16 July 2018
Laycombe Reilly	Ordinary Member of Union Committee; Member of Union Council	Elected 28 March 2019
Thelma Thames	Ordinary Member of Union Committee	Elected 16 July 2018
Melissa Todhunter	Ordinary Member of Union Committee	Elected 16 July 2018
Alan Wilcock	Ordinary Member of Union Committee; Member of Union Council; Member of Audit & Finance Committee	Resigned 12 June 2020
Michael Callinan	Member of Union Council; Member of Audit & Finance Committee	Elected 16 July 2018
Joan Catlin	Member of Union Council; Member of Audit & Finance Committee	Re-elected 16 July 2018
Patricia Reid	Member of Union Council; Member of Audit & Finance Committee	Resigned 8 October 2019
Robert Aney	Member of Union Council	Elected 16 July 2018
Graeme Baillie	Member of Union Council	Elected 16 July 2018
Bryan Billington	Member of Union Council	Elected 16 July 2018
Sharon Carney	Member of Union Council	Re-elected 16 July 2018
John Jetty Dore	Member of Union Council	Resigned 10 August 2019

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

18 Interest of Key Management Personnel (continued)

(a) Name of Officers (continued)

Name	Position	Status
Leesa Franks	Member of Union Council	Elected 16 July 2018
Edalina Hondros	Member of Union Council	Elected 16 July 2018
Mark Jay	Member of Union Council	Resigned 22 July 2019
Jeffrey Knee	Member of Union Council	Re-elected 16 July 2018
John Lawrence	Member of Union Council	Re-elected 16 July 2018
Suzanne McGuire	Member of Union Council	Elected 16 July 2018
William Oddie	Member of Union Council	Re-elected 16 July 2018
Josephine Peacock	Member of Union Council	Re-elected 16 July 2018
Gillian Reilly	Member of Union Council	Re-elected 16 July 2018
Donna Riley	Member of Union Council	Elected 16 July 2018
Bruce Rowling	Member of Union Council	Re-elected 16 July 2018
Andrew Teece	Member of Union Council	Elected 16 July 2018
Darriea Turley	Member of Union Council; Member of Audit & Finance Committee	Re-elected 16 July 2018
Toni Winters	Member of Union Council	Elected 16 July 2018

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of Health Services Union NSW during the financial year.

Gerard Hayes - Secretary
Lynne Russell - Assistant Secretary/Treasurer
Ben Chapman - Chief of Staff
Angela Nigro - Chief Financial Officer
Ayshe Lewis - Divisional Manager - Industrial Services
Jodie Cowdrey - Divisional Manager - Private Sector - resigned
Rob Sheehy - Divisional Manager - Public Metro Sector
Joshua Howarth - Divisional Manager - Public Regional Sector
Lauren Hutchins - Divisional Manager - Aged Care Sector
Stuart Hatter - Divisional Manager - Ambulance Sector
Jessica Epps - Divisional Manager - Private Sector
Adam Hall - Divisional Manager - Campaigns
Jodi Fisher - Human Resources Manager
Andrew Lillicrap - Corporate Services Manager - resigned
Dianne Campbell - Administration Manager
Samantha Howes - Communications Manager

All of the above persons were also key management persons during the year ended 30 June 2020.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

19 Auditors' Remuneration

	2020	2019
	\$	\$
Remuneration of the auditor of the Union		
- auditing or reviewing the financial statements	48,300	46,950
- other services	6,550	6,450
	<u>54,850</u>	<u>53,400</u>

Other services relate to assistance provided in the completion of the financial statements.

20 Fair Value Measurement

The Union measures the following assets and liabilities at fair value on a recurring basis:

- Financial liabilities - interest rate swap.
- All other financial assets and financial liabilities the fair value approximates the carrying amount.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Fair Value Measurement (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

The table below shows the assigned level for each asset and liability not measured at fair value but for which fair value is disclosed in the financial statements.

		Level 1	Level 2	Level 3	Total
	Note	\$	\$	\$	\$
30 June 2020					
Recurring fair value measurements					
Buildings	10	-	-	9,705,000	9,705,000
Investment property	11	-	-	21,615,000	21,615,000
30 June 2019					
Recurring fair value measurements					
Buildings	10	-	-	9,705,000	9,705,000
Investment property	11	-	-	21,615,000	21,615,000

21 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Health Services Union NSW does not have any contingent liabilities at the end of the reporting period.

Contingent Assets

Health Services Union NSW does not have any contingent assets at the end of the reporting period.

22 Related Party Transactions

(a) Health Services Union NSW

During the current period net service fees of \$400,000 (2019: \$380,000) were charged to the HSU NSW Branch.

Capitation fees and levies charged by HSU National to the HSU NSW Branch were \$1,064,833 (2019: \$946,835), of which \$1,032,768 (2019: \$922,074) related to Health Services Union NSW during the year ended 30 June 2020. HSU NSW Branch billed the Health Services Union NSW for the reimbursement of those capitation fees and levies of \$1,032,768 (2019: \$922,074) for the period ended 30 June 2020.

During the current period, the Health Services Union NSW received from Health Services Union NSW Branch \$144 (2019: Nil) due to membership subscriptions belonging to HSU NSW received by HSU NSW Branch. During the current period, \$3,805 was charged by HSU NSW to HSU National for their share of apportioned expenses.

During the current period, Health Services Union NSW reimbursed Health Services Union NSW Branch \$612 (2019: \$Nil) due to membership contributions belonging to the Health Services Union NSW Branch received by the Health Services Union NSW.

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements For the Year Ended 30 June 2020

22 Related Party Transactions (continued)

(a) Health Services Union NSW (continued)

During the current period, \$9,090 was charged by HSU NSW to HSU NSW Branch for National Council conference travel expenses.

During the current period, \$1,913 was charged by HSU National Office to HSU NSW for subscriptions expenses.

During the current period, \$11,556 was charged by HSU NSW to HSU National Office for national executive travel expenses.

(b) Officers of the Union

The aggregate amount of remuneration paid to Officers during the period is disclosed in Key Management Personnel Compensation.

There have been no other transactions between the Officers and the Union other than those relating to their membership of the Union and the reimbursement by the Union in respect of expenses incurred by them in the performance of their duties. For details of disclosures relating to key management personnel, refer to Note 18: Interests of Key Management Personnel.

23 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

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

	2020	2019
	\$	\$
Surplus for the year	1,356,466	1,430,483
Cash flows excluded from surplus attributable to operating activities		
Adjustments for:		
- depreciation	1,296,738	1,218,906
- net gain on disposal of property, plant and equipment	(93,612)	(26,141)
Changes in assets and liabilities:		
- decrease in trade and other receivables	4,617	54,821
- decrease / (increase) in other assets	242,005	(272,735)
- (decrease) / increase in trade and other payables	(142,281)	172,815
- decrease in interest rate swap	-	(11,544)
- increase in provisions	-	6,437
- (decrease) / increase in employee benefits	(40,761)	419,370
Cashflows from operations	<u>2,623,172</u>	<u>2,992,412</u>

Health Services Union NSW

ABN: 85 037 751 682

Notes to the Financial Statements

For the Year Ended 30 June 2020

24 Events After the end of the Reporting Period

On January 30, 2020, the World Health Organisation declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Union's operations, suppliers or other vendors and customers. The operations of the Union could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the Union's financial position and operating results, however the magnitude will be determined by the duration of COVID-19.

The Union will monitor the ongoing developments and be proactive in mitigating the impact on its operations. Notwithstanding, the Union expects there may be an impact as a result of these events into the new year, however the magnitude will be determined by the duration of COVID-19.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Union, the results of those operations, or the state of affairs of the Union in future financial years.

25 Capital Management

The Council controls the capital of Health Services Union NSW in order to ensure the entity continues as a going concern as well as ensuring that sufficient cash flows are available to fund benefits for its members. Capital consists of financial liabilities supported by financial assets of Health Services Union NSW.

Health Services Union NSW effectively manages that Union's capital by assessing the Union's financial risk and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes in the strategy adopted by management during the year.

26 Union Details

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

Health Services Union NSW

Level 2

109 Pitt Street

SYDNEY NSW 2000