PONY CLUB ASSOCIATION OF VICTORIA INC.
(ABN 64 320 020 091)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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REPORT BY THE COMMITTEE

Your committee present this report on the Association for the year ended 30 June 2020.

Committee Members
The names of each person who has been a committee member during the year and to the date of this report are maintained in a register at the principal place of business of the Association and can be reviewed upon written request to the executive committee.

Principal Activities
The principal activity of the Association during the financial year were that of a state sporting organisation. No significant change in the nature of these activities occurred during the year.

State of Affairs
No significant change in the nature of these activities occurred during the year.

Operating result
The surplus for the year amounted to $4,884 (2019: surplus $44,284).

Signed in accordance with a resolution of the Committee.

Peter Favaloro
President

Dated this 8th day of September 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Continuing operations			
Revenue	2	1,064,853	1,000,831
Other revenue	2	5,180	10,296
Employee benefits expenses		(435,098)	(388,398)
Cost of publications and merchandise sold		(22,670)	(45,051)
Instructor expenses		(3,965)	-
Events related expenses		(146,998)	(118,568)
Marketing and advertising expenses		(11,815)	(5,483)
Council expenses		(18,578)	-
Depreciation and amortisation expense	3	(58,248)	(39,598)
Grant and sponsorship expenses		-	(5,404)
Insurance expenses		(122,217)	(73,957)
Information technology expenses		(21,532)	(16,739)
Office expenses		(27,063)	(86,009)
Affiliation and capitation expenses		(42,742)	(25,665)
Professional expenses		(35,964)	(29,521)
Repairs and maintenance expenses		(23,381)	(22,535)
Utility expenses		(19,993)	(18,443)
Vehicles expenses		(1,767)	-
Volunteer expenses		(3,241)	(26,072)
Bank charges		(6,054)	(759)
Finance costs		(60,687)	(63,410)
Sundry expenses		(3,136)	(1,231)
Surplus before income tax	3	**4,884**	**44,284**
Income tax expense	1(a)	-	-
Surplus for the year		**4,884**	**44,284**
Other comprehensive income, net of income tax			
Other comprehensive income for the year, net of income tax		-	-
Total other comprehensive income for the year		**-**	**-**
Surplus attributable to:			
Members of the Association		4,884	44,284
Surplus for the year		**4,884**	**44,284**
Total comprehensive income attributable to:			
Members of the Association		4,884	44,284
Total comprehensive income for the year		**4,884**	**44,284**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	402,477	76,125
Trade and other receivables	5	2,622	142,407
Financial asset	6	-	406,117
Inventories	7	33,294	45,318
Non-current asset held-for-sale	8	2,209,273	-
TOTAL CURRENT ASSETS		**2,647,666**	**669,967**
NON-CURRENT ASSETS			
Right-of-use assets	9	19,214	-
Property, plant and equipment	10	548,528	2,767,551
Intangible assets	11	-	23
TOTAL NON-CURRENT ASSETS		**567,742**	**2,767,574**
TOTAL ASSETS		**3,215,408**	**3,437,541**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	45,116	63,680
Income received in advance	13	97,837	238,357
Borrowings	14	1,252,994	1,331,978
Lease liabilities	15	7,143	-
Provisions	16	59,401	65,707
TOTAL CURRENT LIABILITIES		**1,462,491**	**1,699,722**
NON-CURRENT LIABILITIES			
Lease liabilities	15	12,309	-
Provisions	16	7,822	9,917
TOTAL NON-CURRENT LIABILITIES		**20,131**	**9,917**
TOTAL LIABILITIES		**1,482,622**	**1,709,639**
NET ASSETS		**1,732,786**	**1,727,902**
EQUITY			
Retained surplus		1,732,786	1,727,902
TOTAL EQUITY		**1,732,786**	**1,727,902**

The accompanying notes form part of these financial statements.

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

	Note	Retained Surplus $	Total $
Balance at 1 July 2018		1,683,618	1,683,618
Surplus for the year		44,284	44,284
Other comprehensive income for the year		-	-
Total comprehensive income for the year		44,284	44,284
Balance at 30 June 2019		**1,727,902**	**1,727,902**
Balance at 1 July 2019		1,727,902	1,727,902
Surplus for the year		4,884	4,884
Other comprehensive income for the year		-	-
Total comprehensive surplus for the year		4,884	4,884
Balance at 30 June 2020		**1,732,786**	**1,732,786**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from memberships and other sources		822,798	799,397
Receipts from sale of publications and merchandise		47,112	97,554
Receipts from grants and sponsorship revenue		194,208	82,397
Payments to suppliers and employees		(958,015)	(980,415)
Interest received		5,180	10,296
Finance costs paid		(60,106)	(63,410)
Net cash provided by/(used in) operating activities	18(b)	**51,177**	**(54,181)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(44,410)	(36,276)
Net proceeds from/(payments for) investments in financial assets		406,117	(406,117)
Net cash provided by/(used in) investing activities		**361,707**	**(442,393)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(47,500)	-
Repayment of leases		(7,548)	-
Net cash used in investing activities		**(55,048)**	**-**
Net increase/(decrease) in cash and cash equivalents		357,836	(496,574)
Cash and cash equivalents at beginning of year		44,147	540,721
Cash and cash equivalents at end of year	18(a)	**401,983**	**44,147**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Pony Club Victoria Association of Victoria Inc. as an individual entity, incorporated and domiciled in Australia. Pony Club Victoria Association of Victoria Inc. is a not-for-profit incorporated Association.

Statement of Compliance
The financial statement is a general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Associations Incorporation Reform Act 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statement containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial statement are presented below. They have been consistently applied unless otherwise stated.

Basis of Preparation
The financial statements, except the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained under changes in accounting policies.

(a) Income Tax
The Association is considered to be exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act 1997 as a charitable institution.

(b) 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, and, if applicable, bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(c) Trade and Other Receivables
Trade and other receivables are recognised at amortised cost, less any provision for impairment.

(d) Inventories
Inventories consist of publications and badges and are stated at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(e) Property, Plant and Equipment
Freehold land and buildings
Freehold land is stated at cost. Buildings are stated at cost less accumulated depreciation.

Plant and equipment
Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Plant and Equipment (continued)

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

The carrying amount of plant and equipment is reviewed annually by the executive committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the estimated replacement cost of the asset. The cost of plant and equipment constructed within the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all plant and equipment are depreciated over their useful lives to the Association commencing from the time the asset is held ready for use. The depreciation method and rates used for each class of depreciable asset are:

Class of Plant and Equipment	Depreciation rates	Depreciation method
Buildings	2.5%	Straight line method
Property improvements	5%-10%	Reducing balance method
Office furniture and equipment	10%-25%	Reducing balance method
Storage and transport equipment	10%-25%	Reducing balance method
Event equipment	10%-25%	Reducing balance method

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial performance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

(f) Intangible assets

Software

Software is brought to account at cost less, where applicable, any accumulated amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The carrying amount of intangible assets is reviewed annually by the executive committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the estimated replacement cost of the asset. The cost includes the cost of the software and the labour to install the software.

Amortisation

Software is amortised over its useful life to the Association commencing from the time the asset is held ready for use. The amortisation method and rates used for each class of depreciable asset are:

Class of Intangible	Depreciation rates	Depreciation method
Software	25% - 40%	Reducing balance method

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial performance date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

(g) Investments and Other Financial Assets

(1) Classification

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

(i) those to be measured subsequently at fair value (either through OCI or through profit or loss), and

(ii) those to be measured at amortised cost.

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

The Association measures its investments and other financial assets at amortised cost.

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Association 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 Association has transferred substantially all the risks and rewards of ownership.

(3) Measurement

At initial recognition, the Association 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.

(4) Impairment

For trade receivables the Association assesses whether there has been a significant increase in credit risk. For trade receivables, the Association applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Refer to Note 1(c) and Note 1(q).

The Association has applied AASB 9 retrospectively, but this has not had a material impact the on the comparative information.

(h) Impairment of Assets

At each reporting date, the Association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(i) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair Value Measurement (Continued)

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.

(k) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Association to an employee superannuation fund and are charged as expenses when incurred.

(l) Provisions

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

Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

(m) Revenue

Revenue arises mainly from:

(i) Revenue from membership fee subscriptions
(ii) Rendering of other services, such venue hire, accommodation revenue and yard and stable hire;
(iii) Revenue from events
(iv) Revenue from the sale of merchandise
(v) Sponsorship and donation revenue;
(vi) Government grant funding; and
(vii) Interest received.

To determine whether and when to recognise revenue, the Association follows a 5-step process:

(1) Identifying the contract with a customer;
(2) Identifying the performance obligations;
(3) Determining the transaction price;
(4) Allocating the transaction price to the performance obligations; and
(5) Recognising revenue when/as the performance obligation(s) are satisfied.

Revenue, including government grant funding that is subject to a funding arrangement that is both enforceable and sufficiently specific regarding its purpose, is recognised at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods to its customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Donations and sponsorships are recognised as revenue when received.

Revenue relating to the sale of merchandise 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.

Government grant funding provided to the Association in accordance with a funding arrangement that is not both enforceable and sufficiently specific regarding its purpose, is recognised as revenue in the statement of profit or loss and other comprehensive income when the Association obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Group and the amount of the grant can be measured reliably.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue (Continued)

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

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

(n) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

(o) Leases

Policy applicable before 1 July 2019

As a lessee, the Association classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Association.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement. In addition, minimum operating lease payments were recognised as an expense on a straight-line-basis over the lease term, except where another systematic basis was more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the statement of financial position.

Policy applicable after 1 July 2019

The Association has applied AASB16 *Leases* using a modified retrospective approach with the cumulative effect of initial application recognised at date of initial application (1 July 2019). The right-of-use asset is initially recognised at the present value of the lease liability adjusted by the value of any accrued or prepaid lease payments. Comparative information in the Association’s financial statements is not restated and there is $nil impact on retained surpluses. The Association applied the approach consistently to all leases in which it is a lessee.

On transition to AASB16 *Leases*, The Association elected to apply the practical expedient to ‘grandfather’ the assessment of which transactions are leases. The Association has applied this practical expedient to all of its contracts and therefore applied AASB16 *Leases* only to contracts that were previously identified as leases.

For any new contracts entered into on or after 1 July 2019, the Association considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Association assesses whether the contract meets three key evaluations which are whether:

(i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Association;
(ii) The Association has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
(iii) The Association has the right to direct the use of the identified asset throughout the period of use. The Association assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Association recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Association depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Association measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Association's incremental borrowing rate.

The Association has elected not to apply the recognition and measurement criteria above to:
(i) *Short-term leases* – where the lease term does not exceed 12 months;
(ii) *Leases of low value assets* – leases for which the underlying asset has a fair value below $10,000.

Lease payments for leases that have been designated as *short-term leases* or *leases of low value assets* are expensed on either a straight-line basis over the lease term or another systematic basis.

(p) Non-current asset held-for sale

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

(q) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when:
(i) it is expected to be realised or intended to be sold or consumed in normal operating cycle; or
(ii) it is held primarily for the purpose of trading; or
(iii) it is expected to be realised within twelve months after the reporting period; or
(iv) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or
(iii) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The Association's policy for allowance for doubtful receivables is based on the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables and considers an assessment of recoverability and ageing analysis of outstanding accounts and management's estimates. Details regarding the provision for doubtful debts are detailed in Note 5. There were no trade receivables at 30 June 2020 (2019: $nil) that were regarded as doubtful.

Estimation of useful lives of assets

The Association determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of property, plant and equipment

The Association assesses impairment at each reporting date by evaluation of conditions and events specific to the Association that may be indicative of impairment triggers. Management have not identified any indicators to suggest that property, plant and equipment is impaired and accordingly have not recorded a provision for impairment.

Employee benefits provision

As discussed in Note 1(k), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(s) Adoption of new and revised accounting standards

During the current year, the Association has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has not significantly impacted the recognition and measurement of transactions and the presentation and disclosures of the financial statements as noted below:

AASB 16 *Leases*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the statement of financial position by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

At balance date the Association did not have low value or short term leases.

The impact of the adoption of this standard has been presented in Note 21.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of new and revised accounting standards (Continued)

AASB 15 *Revenue from Contracts with Customers*
The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the Association of the amount expected to be entitled for performing under the contract.

The adoption of this standard has not significantly impacted the recognition and measurement of revenue transactions and the presentation and disclosures of the financial statements.

AASB 1058 *Income of Not-for-Profit Entities*
This standard applies to income received where no contract is in place.

The adoption of this standard has not significantly impacted the recognition and measurement of revenue transactions and the presentation and disclosures of the financial statements.

(t) New, revised or amending Accounting Standards and Interpretations adopted

Management assessment indicates that there are no new Australian Accounting Standards that have been issued but are not yet effective with an expected material impact on the Group's financial report in the period of initial application.

(u) Comparative Figures

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

(v) Going concern

Note 23 *Events after the reporting date* notes that the COVID-19 restrictions have affected member renewals which had commenced in late May 2020 due to member clubs not being able to conduct activity and have heavily impacted the operations and income of the Pony Club Victoria Equestrian Centre (PCVEC). The PCVEC has been run on a care and maintenance basis since.

In addition to the above Note 14 *Borrowings* discloses that the commercial bill facility of $1,252,000 is due to mature on 23 August 2021.

Despite these matters the financial statements have been prepared on the going concern basis as on 13 August 2020 the Association accepted an offer made on 11 August 2020 to sell its property situated at 640 Little Yarra Road, Gladysdale for $2,600,000. The offer is subject to a termite inspection which, due to COVID-19 lockdown restrictions, has not yet been undertaken but the Committee believe that the property sale will settle.

The cash inflow from the sale of the Gladysdale property, should the sale conditions be met, will provide the Association with sufficient working capital to meet the payment terms of the commercial bill and to continue trading through the COVID-19 pandemic.

The Committee therefore believes that Association will be able to meet its ordinary obligations arising from normal activities from the date of signing the financial statements for the year ended 30 June 2020 to the date of signing the financial statements for the year ended 30 June 2021.

NOTE 2: REVENUE

	Note	2020 $	2019 $
Revenue from operating activities			
- Membership related revenue		609,328	610,352
- Events and entry fees		111,431	106,758
- Coaching revenue		21,431	14,709
- Sale of publications and merchandise		47,112	97,554
- PCVEC revenue		81,343	84,238
- Grants and sponsorship revenue		194,208	82,397
- Sundry revenue		-	4,823
		1,064,853	1,000,831
Other revenue			
- Interest income		5,180	10,296
Total revenue and other revenue		1,070,033	1,011,127

NOTE 3: SURPLUS BEFORE INCOME TAX

Surplus before income tax is arrived at after taking into consideration the following charges:

	Note	2020 $	2019 $
Cost of publications and merchandise sold		22,670	45,051
Depreciation and amortisation expense:			
- Buildings and property improvements		30,600	28,912
- Office furniture and equipment		9,742	4,716
- Storage and transport equipment		4,653	5,646
- Event equipment		6,025	-
- Software		23	324
- Right-of-use assets		7,205	-
		58,248	39,598
Rental expense on operating leases		-	7,949
Finance costs:			
- Interest on borrowings		60,106	63,410
- Interest expense on leases		581	-
		60,687	63,410

NOTE 4: CASH AND CASH EQUIVALENTS

	Note	2020 $	2019 $
Cash at bank		93,244	65,062
Cash management account		109,040	10,863
Term deposit		200,000	-
Cash on hand		193	200
		402,477	76,125

	Note	2020 $	2019 $
NOTE 5: TRADE AND OTHER RECEIVABLES			
Current			
Trade receivables		2,622	142,407
NOTE 6: FINANCIAL ASSETS			
Current			
Term Deposit		-	406,117
NOTE 7: INVENTORIES			
At cost			
Finished goods		33,294	45,318
NOTE 8: NON-CURRENT ASSET HELD-FOR-SALE			
Current			
Property - 640 Little Yarra Road, Gladysdale		2,209,273	-
NOTE 9: RIGHT-OF-USE-ASSETS			
Equipment:			
At cost		26,419	-
Accumulated amortisation		(7,205)	-
		19,214	-

Movements in Carrying Amounts

Movement in the carrying amounts for each class of right-of-use asset between the beginning and the end of the current financial year:

	Note	Equipment $	Total $
2020			
Balance at beginning of the year		-	-
Recognised on implantation of AASB 16	23	26,419	26,419
Amortisation		(7,205)	(7,205)
Balance at end of the year		19,214	19,214

NOTE 10: PROPERTY, PLANT & EQUIPMENT

	Note	2020 $	2019 $
Land:			
At cost		250,000	1,591,630
Buildings:			
At cost		326,148	776,148
Accumulated depreciation		(97,857)	(89,692)
		228,291	686,456
Property improvements:			
At cost		-	475,036
Accumulated depreciation		-	(79,368)
		-	395,668
Total land and buildings		478,291	2,673,754
Office furniture and equipment:			
At cost		83,610	97,397
Accumulated depreciation		(56,533)	(57,513)
		27,077	39,884
Storage and transport equipment:			
At cost		34,707	88,642
Accumulated depreciation		(19,731)	(34,729)
		14,976	53,913
Event equipment:			
At cost		47,451	-
Accumulated depreciation		(19,267)	-
		28,184	-
Total property, plant and equipment		548,528	2,767,551

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:

	Land, buildings and property improve-ments $	Office furniture and equipment $	Storage and transport equipment $	Event Equipment $	Total $
2020					
Balance at beginning of the year	2,673,754	39,884	53,913	-	2,767,551
Reclassification	-	-	(34,209)	34,209	-
Transfer to non-current asset held-for sale	(2,209,273)	-	-	-	(2,209,273)
Additions	44,410	-	-	-	44,410
Disposals	-	(3,065)	(75)	-	(3,140)
Depreciation	(30,600)	(9,742)	(4,653)	(6,025)	(51,020)
Balance at end of the year	478,291	27,077	14,976	28,184	548,528

	Note	2020 $	2019 $

NOTE 11: INTANGIBLE ASSETS

	2020 $	2019 $
Software:		
At cost	-	30,579
Accumulated depreciation	-	(30,556)
Total intangible assets	-	23

Movements in Carrying Amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

	Software $	Total $
2020		
Balance at beginning of the year	23	23
Amortisation	(23)	(23)
Balance at end of the year	-	-

	Note	2020 $	2019 $

NOTE 12: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current		
Unsecured liabilities		
Trade payables	23,108	11,291
Other payables	20,078	26,153
Net GST payable	1,930	26,236
Financial liabilities as trade and other payables	45,116	63,680

NOTE 13: INCOME RECEIVED IN ADVANCE

	2020 $	2019 $
Current		
Membership and insurance fees	97,837	238,357

NOTE 14: BORROWINGS

	Note	2020 $	2019 $
Current			
Bank overdraft	(b)	494	31,978
Commercial Bill Facility	(a)(b)	1,252,500	1,300,000
		1,252,994	1,331,978

(a) Commercial Bill Facilities

The commercial bill is a facility that matures monthly with the next roll over date being 22 July 2020. The facility was renegotiated during the year resulting in revised quarterly principal repayments of $12,500 commencing 22 January 2020, with the remaining facility due on 23 August 2021. The facility is treated as a current liability given the monthly maturity arrangement.

NOTE 14: BORROWINGS (Continued)

(b) Commercial Bill and Overdraft Facilities

The commercial bill and bank overdraft facilities are secured by a registered mortgage over the property situated at 640 Little Yarra Road, Gladysdale (Certificate of Title Volume 10877 Folio 391), a registered mortgage over the property situated at 73-75 Mackie Road, Mulgrave (Certificate of Title Volume 09520 Folio 842) and general security over all present and after-acquired property.

NOTE 15: LEASE LIABILITIES

	Note	2020 $	2019 $
Current			
Equipment	(a)	7,143	-
Non-current			
Equipment	(a)	12,309	-
Total lease liabilities		19,452	-

(a) The Association has a lease for a photocopier. The key terms of the lease are as follows:
- (i) 60-month lease expiring in February 2023;
- (ii) Fixed monthly rental payments with no CPI or annual fixed increase;
- (iii) No options for extension; and
- (iv) An incremental borrowing rate of 2.5%.

Maturity analysis of lease liabilities

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 30 June 2020 is as follows:

Payable - minimum lease payments	
- not later than one year	7,548
- later than one year and not later than five years	12,580
Minimum lease payments	20,128
Less future finance charges	(676)
Present value of minimum lease payments	19,452

NOTE 16: PROVISIONS

	Note	2020 $	2019 $
Current			
Annual leave		38,911	37,212
Long service leave		20,490	28,495
		59,401	65,707
Non-current			
Long service leave		7,822	9,917
Total provisions		67,223	75,624

	Note	2020 $	2019 $

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

Any person(s) having authority or responsibility for planning and controlling the activities of the Association, directly or indirectly, including any committee member (whether executive or otherwise) of that entity is considered key management personnel (KMP).

	Note	2020 $	2019 $
Total compensation paid to KMP		154,312	228,535

NOTE 18: RELATED PARTY TRANSACTIONS

Related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP individually or collectively with their close family members.

During the year there were no transactions with related parties transactions which were entered into by the Association.

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2020 $	2019 $
Cash and cash equivalents	4	402,477	76,125
Bank overdraft	13	(494)	(31,978)
		401,983	44,147

(b) Reconciliation of cash flows from operations with surplus for the year

	2020 $	2019 $
Surplus for the year	4,884	44,284
Non-cash flows in surplus for the year		
Depreciation and amortisation expense	58,248	39,598
Loss on disposal of property, plant and equipment	3,140	-
Interest expense on leases	581	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	139,785	76,677
Increase in inventories	12,024	1,349
Decrease in trade and other payables	(18,564)	(54,125)
Decrease in provisions	(8,401)	(63,804)
(Decrease)/increase in income in advance	(140,520)	(98,160)
	51,177	(54,181)

NOTE 20: COMMITMENTS

There are no contingent liabilities at reporting date. The operating lease commitments reported in the financial statements for the year ended 30 June 2019 have been recognised as a lease liability on 1 July 2019 (refer to Note 22).

	Note	2020 $	2019 $

NOTE 21: CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date (2019: $nil).

NOTE 22: CHANGE IN ACCOUNTING POLICY

The Association has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*
In applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these standards did not have a material impact on the financial statements.

(b) AASB 16 *Leases*
The adoption of this standard has had an impact on the recognition and measurement of lease transactions and the presentation and disclosures of the financial statements. The table below details the impact on the statements of profit or loss and other comprehensive income and the statements of financial performance.

	As reported 30 June 2019 $	Adjustments $	As at 1 July 2019 $
Impact on statement of financial position			
Right of Use (ROU) Asset (Note 9)	-	26,419	26,419
Lease liabilities (Note 15)	-	26,419	26,419
Retained surplus	-	-	-

Impact on statement of profit or loss and other comprehensive income
There is was no initial impact on the statement of profit or loss and other comprehensive income.

NOTE 23: EVENTS AFTER REPORTING DATE

On 31 January 2020 the World Health Organisation declared a pandemic in relation to the COVID-19 virus, which introduced lockdown restrictions from March 2020 to early June 2020 whereby the Association had to cease all operations. In June 2020 with the easing of social restrictions the Association was able to recommence operations, albeit with some restrictions still in place.

However, as of 9 July 2020, with another outbreak of the COVID-19 virus the Association once again had to cease some operations as metropolitan Melbourne re-entered stage 3 lockdown restrictions which was escalated to stage 4 lockdown restrictions on 5 August 2020 for a period of six weeks. Regional Victoria re-entered stage 3 lockdown restrictions on 5 August 2020. These restrictions have affected member renewals which had commenced in late May 2020 due to member clubs not being able to conduct activity and have heavily impacted the operations and income of the Pony Club Victoria Equestrian Centre (PCVEC). The PCVEC has been run on a care and maintenance basis since.

NOTE 23: EVENTS AFTER REPORTING DATE (Continued)

To minimise the financial impact on the Association, the State Council has formed a Risk and Finance Committee which meets weekly in order to review and act quickly to the COVID-19 restrictions which can and does change at short notice. To minimise the risk of a cash shortfall the properties at 73-75 Mackie Road Mulgrave (the state office) and 640 Little Yarra Road Gladysdale (PCVEC) were put on the market for sale. With an offer for PCVEC accepted, the sale of the Mulgrave property will be reviewed. The committee have reviewed the membership fees and management have put in place a 6 months membership in place of a 12 month membership for the remainder of 2020 only, to effectively half the cost to renewing members and to move the next renewal date to a date where it is anticipated the effects of the COVID-19 restrictions have eased to better encourage renewals. From 1 January 2021 onward, the membership will return to a 12-month basis. Management have put in place payment by credit/debit card only through our online platform which has significantly improved cash flow and reduced workload on staff. The committee is reviewing membership categories to make it more attractive for renewing and new members. Staff have put in place a number of online initiatives to keep members engaged to encourage member retention. One staff member has been retrenched and the PCVEC manager placed on reduced hours. Management have applied for all government assistance available and have been provided with a $200,000 grant through the Community Sport Sector COVID-19 Short-term Survival Package, $15,000 through the Victorian Business Support fund, and has applied for and is receiving JobKeeper payments for all eligible staff.

As such, this event has not affected the going concern assessment upon which the financial statements are prepared.

On 13 August 2020 the Association accepted an offer made on 11 August 2020 to sell its property situated at 640 Little Yarra Road, Gladysdale for $2,600,000. The offer is subject to a termite inspection which, due to COVID-19 lockdown restrictions, has not yet been undertaken.

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

NOTE 24: ASSOCIATION DETAILS

The principal place of business of the Association is:

73-75 Mackie Road
MULGRAVE VIC 3170

STATEMENT BY THE MEMBERS OF THE COMMITTEE

In accordance with a resolution by the members of the committee of Pony Club Association of Victoria Inc., the members of the committee of the Association declare that:

1. The financial statements and notes, as set out on pages 4 to 24, are in accordance with the *Associations Incorporation Reform Act 2012* and:

    a. Comply with Australian Accounting Standards – Reduced Disclosure Requirements; and

    b. Give a true and fair view of the financial position of the Association as at 30 June 2020 and of its performance for the financial year ended on that date.

2. The Association will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the members of the committee and is signed for and on behalf of the committee by:

Peter Favaloro
President

Dated this 8th day of September 2020.

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Independent Auditor's Report to the Members of Pony Club Association of Victoria Inc.

Opinion

We have audited the financial report of Pony Club Association of Victoria Inc. (the Association), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the members of the committee.

In our opinion, the accompanying financial report of the Association has been prepared in accordance with the *Associations Incorporation Reform Act 2012*, including:

(a) giving a true and fair view of the Association's financial position as at 30 June 2020 and of its financial performance and cash flows for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Associations Incorporation Reform Act 2012*.

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 Association 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.

Emphasis of Matter

We draw attention to Note 22 of the financial statements, which describes the effects of the World Health Organisation's declaration of a global health emergency on 31 January 2020 relating to the spread of COVID-19. Our opinion is not modified in respect of this matter.

Other Information

The members of the committee are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

Responsibilities of the Members of the Committee for the Financial Report

The members of the committee of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Associations Incorporation Reform Act 2012* and for such internal control as the members of the determines 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 members of the committee are responsible for assessing the ability of the Association to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

The members of the committee are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.

- Concludes on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluates 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. The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Crowe Vic

CROWE VIC

GORDON ROBERTSON
Partner
Signed at Pakenham this 15th day of September 2020