

**Alfalfa House Community Food Co-operative**

**Financial Statements  
For the Year ended 30 June 2017**

# Alfalfa House Community Food Co-operative

## **Annual Report for the Year Ended 30 June 2017**

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# Alfalfa House Community Food Co-operative

## Board's Report For the Year Ended 30 June 2017

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Your board members submit the financial report of the Alfalfa House Community Food Co-operative, for the financial year ended 30 June 2017.

### Board Members

The names of board members throughout the year and at the date of this report are:

John D. Begg (term ended 27/11/16)  
Maurice Cabrera (term ended 27/11/16)  
Renata Field  
Jonathan Green  
Katherine Lustig  
Victoria Taylor (appointed 27/11/16, resigned 03/10/17)  
Mathew McMillan (appointed 27/11/16)  
Andrew Mcnicol (term ended 27/11/16)  
Catherine O'Keefe  
David Winterton (appointed 27/11/16)

### Principal Activities

The principal activities of the co-operative during the financial year were; the sale of organic and ethically sourced food, in line with the co-operative's objectives.

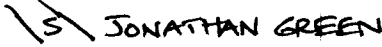
### Significant Changes

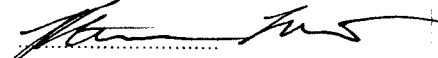
No significant change in the nature of these activities occurred during the year.

### Operating Result

The Profit after providing for income tax for the year ended 30 June 2017 amounted to \$22,895.

Signed in accordance with a resolution of the Board.

  
Jonathan Green

  
Katherine Lustig

Dated 16<sup>th</sup> November 2017

**Alfalfa House Community Food Co-operative**  
**Statement of Profit or Loss & Other Comprehensive Income**  
**For the Year ended 30 June 2017**

	Note	2017 \$	2016 \$
Revenue	2	1,174,331	1,193,634
Other revenue		36,125	42,904
Changes in inventories		(16,052)	4,007
Purchases		(719,596)	(764,449)
Employee benefits expense		(322,220)	(341,386)
Depreciation and amortisation		(10,233)	(10,227)
Rent and occupancy charges		(36,855)	(37,610)
Other costs		(82,063)	(106,997)
Sales POS variance		(542)	(19,856)
<b>Profit /(Loss) before income tax</b>	4	<u>22,895</u>	<u>(39,980)</u>
<b>Profit/(Loss) for the year</b>		<u>22,895</u>	<u>(39,980)</u>
<b>Other comprehensive income</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u>22,895</u>	<u>(39,980)</u>

*The accompanying notes form part of these financial statements.*

# Alfalfa House Community Food Co-operative

## Balance Sheet As at 30 June 2017

	Note	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	5	80,482	41,637
Trade and Other Receivables		-	3,336
Inventories	7	<u>55,176</u>	<u>71,228</u>
<b>Total Current Assets</b>		<u>135,658</u>	<u>116,201</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	<u>44,124</u>	<u>47,399</u>
<b>Total Non-Current Assets</b>		<u>44,124</u>	<u>47,399</u>
<b>Total Assets</b>		<u>179,782</u>	<u>163,600</u>
<b>Current Liabilities</b>			
Trade and Other Payables	9	36,438	43,506
Short-Term Financial Liabilities	10	6,091	6,169
Provisions	11	<u>19,984</u>	<u>19,551</u>
<b>Total Current Liabilities</b>		<u>62,513</u>	<u>69,226</u>
<b>Total Liabilities</b>		<u>62,513</u>	<u>69,226</u>
<b>Net Assets</b>		<u>117,269</u>	<u>94,374</u>
<b>Equity</b>			
Retained Profits		117,269	94,374
<b>Total Equity</b>		<u>117,269</u>	<u>94,374</u>

The accompanying notes form part of these financial statements.

**Alfalfa House Community Food Co-operative  
Statement of Changes in Equity  
For the Year ended 30 June 2017**

	2017 \$	2016 \$
<b>Opening Balance</b>	94,374	134,354
<b>Retained Earnings</b>		
Profit/(Loss) Attributable to Members	<u>22,895</u>	<u>(39,980)</u>
	22,895	(39,980)
<b>Closing Balance</b>	<u><u>117,269</u></u>	<u><u>94,374</u></u>
<b>Reconciliation of Retained Earnings</b>		
Opening Balance	94,374	134,354
Profit/(Loss) Attributable to Members	<u>22,895</u>	<u>(39,980)</u>
Closing Balance	<u><u>117,269</u></u>	<u><u>94,374</u></u>
<b>Total Equity</b>	<u><u>117,269</u></u>	<u><u>94,374</u></u>

*The accompanying notes form part of these financial statements.  
These financial statements have not been subject to audit or review and should be read in conjunction with the  
attached Compliance Report.*

# Alfalfa House Community Food Co-operative

## Statement of Cash Flows For the Year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		1,209,568	1,240,143
Payments to Suppliers and Employees		(1,164,575)	(1,278,415)
Interest Received		888	1,011
<b>Net Cash Inflow from Operating Activities</b>	6	45,881	(37,261)
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(7,036)	(6,074)
<b>Net Cash Outflow from Investing Activities</b>		(7,036)	(6,074)
Net Increase in Cash Held		38,845	(43,335)
Cash and Cash Equivalents as at 1 July 2016		41,637	84,972
<b>Cash and Cash Equivalents as at 30 June 2017</b>		<u>80,482</u>	<u>41,637</u>

*The accompanying notes form part of these financial statements.*

# Alfalfa House Community Food Co-operative

## Notes to the Financial Statements For the Year ended 30 June 2017

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The directors have prepared the financial statements on the basis that the co-operative is a non-reporting entity because there are no users who are dependent on its general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Co-operatives (Adoption of National Law) Act 2012 (NSW). The co-operative is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of the financial statements.

- (a) **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.
- (b) **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.
- (c) **Employee Benefits**  
Provision is made for the co-operative's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled.
- (d) **Property, Plant and Equipment**  
Property, plant and equipment are carried at cost, independent or committees' valuation. All assets excluding freehold land, are depreciated over their useful lives to the association.  
  
Leasehold improvements and office equipment are carried at cost less, where applicable, any accumulated depreciation.
- (e) **Income Tax**  
The co-operative is a not-for-profit organisation and the board consider it to be exempt from income tax under Division 50 of the Income Tax Assessment Act 1997 following their own self-assessment review of the co-operative's activities and objectives.
- (f) **Inventories**  
Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first in first out basis and are net of any rebates and discounts received.



# Alfalfa House Community Food Co-operative

## Notes to the Financial Statements For the Year ended 30 June 2017

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(g) **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

(h) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the assets and liabilities statement are shown inclusive of GST.

# Alfalfa House Community Food Co-operative

## Notes to the Financial Statements For the Year ended 30 June 2017

	2017	2016
	\$	\$
<b>2. Revenue</b>		
<b>Sales Revenue</b>		
Sale of Goods	<u>1,174,331</u>	<u>1,193,634</u>
	1,174,331	1,193,634
<b>Other Revenue</b>		
Interest Received	888	1,011
- Grants	-	15,000
- Annual Subscription Fees	18,596	-
- Joining Fees	11,660	13,800
- Fundraising	-	1,267
- Donations	4,981	-
- Government Subsidies	-	11,826
	<u>36,125</u>	<u>42,904</u>
	<u>1,210,456</u>	<u>1,236,538</u>
<b>3. Profit</b>		
<b>Expenses</b>		
Decrease in Inventories of Finished Goods or Wip	16,052	(4,007)
Raw Materials, Purchases and Consumables Used	719,596	764,449
Employee Benefits Expense	322,220	341,386
Depreciation and Amortisation	10,233	10,227
Rent	36,855	37,610
Other Expenses	<u>82,605</u>	<u>126,853</u>
	<u>1,187,561</u>	<u>1,276,518</u>
<b>4. Profit for the Year</b>		
Profit before income tax expense from continuing operations includes the following specific expenses:		
<b>Charging as Expense</b>		
Cost of Goods Sold	735,648	760,442
<b>Movements in Provisions</b>		
Depreciation		
- Depreciation of Property, Plant and Equipment	10,233	10,227
Net Expenses Resulting from Movement in Provisions	<u>10,233</u>	<u>10,227</u>
<b>5. Cash and Cash Equivalents</b>		
Cash on Hand	5,353	4,896
Deposits	3,585	-
Cash at Bank - acc 249	1,002	24,855
Cash at Bank - acc 250	50,934	11,886
Cash at Bank - acc 780	<u>19,608</u>	<u>-</u>
	<u>80,482</u>	<u>41,637</u>

*The accompanying notes form part of these financial statements.*

# Alfalfa House Community Food Co-operative

## Notes to the Financial Statements For the Year ended 30 June 2017

	2017 \$	2016 \$
<b>Reconciliation of Cash</b>		
Cash and Cash Equivalents	<u>80,482</u>	<u>41,637</u>
	<u><u>80,482</u></u>	<u><u>41,637</u></u>
<b>6. Cash Flow Information</b>		
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after Income Tax	22,895	(39,980)
<b>Adjustments for Non-Cash Components in Profit:</b>		
Depreciation	10,233	10,227
<b>Changes in Assets and Liabilities</b>		
Decrease in Trade and Other Receivables	-	4,375
Decrease in Inventories	16,052	(4,007)
Decrease in Trade and Other Payables	(3,732)	286
Increase in Provisions	433	(8,162)
<b>Net Cash Increase in Cash Held</b>	<u><u>45,881</u></u>	<u><u>(37,261)</u></u>
<b>7. Inventories</b>		
<b>Current</b>		
Stock on Hand	<u>55,176</u>	<u>71,228</u>
	<u><u>55,176</u></u>	<u><u>71,228</u></u>
<b>8. Property, Plant and Equipment</b>		
<b>Land and Buildings</b>		
Property Improvements		
Property Improvements	14,564	14,564
Less Accumulated Impairment	<u>5,684</u>	<u>3,499</u>
	8,880	11,065
<b>Total Land and Buildings</b>	<u><u>8,880</u></u>	<u><u>11,065</u></u>
<b>Plant and Equipment</b>		
Plant & Equipment	6,414	6,414
Less Accumulated Impairment	<u>2,475</u>	<u>1,780</u>
	3,939	4,634
Office Furniture & Equipment	32,358	30,583
Less Accumulated Impairment	<u>14,245</u>	<u>9,345</u>
	18,113	21,238
Furniture & Fittings	18,210	13,459
Less Accumulated Impairment	<u>6,166</u>	<u>4,527</u>
	12,044	8,932
Software	2,040	2,040
Less Accumulated Impairment	<u>892</u>	<u>510</u>
	1,148	1,530
<b>Total Plant and Equipment</b>	<u><u>35,244</u></u>	<u><u>36,334</u></u>
<b>Total Property, Plant and Equipment</b>	<u><u>44,124</u></u>	<u><u>47,399</u></u>

*The accompanying notes form part of these financial statements.*

# Alfalfa House Community Food Co-operative

## Notes to the Financial Statements For the Year ended 30 June 2017

	2017	2016
	\$	\$
<b>9. Trade and Other Payables</b>		
<b>Current</b>		
Trade Creditors	30,550	39,865
PAYG Withholding Payable	3,641	3,641
Provision for GST	2,247	-
	<u>36,438</u>	<u>43,506</u>
<b>Total Trade and Other Payables</b>	<u><u>36,438</u></u>	<u><u>43,506</u></u>
<b>10. Financial Liabilities</b>		
<b>Current</b>		
Superannuation Payable	<u>6,091</u>	<u>6,169</u>
	<u><u>6,091</u></u>	<u><u>6,169</u></u>
<b>Total Financial Liabilities</b>	<u><u>6,091</u></u>	<u><u>6,169</u></u>
<b>11. Provisions</b>		
<b>Current</b>		
Provision for Annual Leave	13,421	15,954
Provision for Long Service Leave	<u>6,563</u>	<u>3,597</u>
	<u><u>19,984</u></u>	<u><u>19,551</u></u>

The accompanying notes form part of these financial statements.

# Alfalfa House Community Food Co-operative

## Statement by Members of the Board For the Year ended 30 June 2017

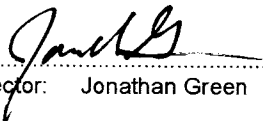
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The board has determined that the Co-operative is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the board as set out in the accompanying financial report;

1. This report presents a true and fair view of the financial position of Alfalfa House Community Food Co-operative as at 30 June 2017 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that Alfalfa House Community Food Co-operative will be able to pay its debts as and when they fall due.

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

  
Director: Jonathan Green

  
Director: Katherine Lustig

Dated 16<sup>th</sup> November 2017

# Alfalfa House Community Food Co-operative Compilation Report To Alfalfa House Community Food Co-operative

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We have compiled the accompanying special purpose financial statements of Alfalfa House Community Food Co-operative which comprise the balance sheet as at 30 June 2017, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

#### The Responsibility of the Directors

The directors are solely responsible for the information contained in the special purpose financial statements and have determined that the basis of accounting adopted is appropriate to meet their needs and for the purpose that the financial statements were prepared.

#### Our Responsibility

On the basis of information provided by the directors, we have compiled the accompanying special purpose financial statements in accordance with the basis of accounting adopted and APES 315: Compilation of Financial Information.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the directors provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The special purpose financial statements were compiled exclusively for the benefit of the directors. We do not accept responsibility to any other person for the contents of the special purpose financial statements.

**Sustainable Numbers Pty Ltd**  
Chartered Accountants  
Suite 405 Level 4, 83 York St Sydney NSW



Anthony Zahra  
Director  
1 November 2017

## **Alfalfa House Community Food Cooperative Limited Treasurer's Report 2017**

Results From Operations. This year, our sales were down slightly from the previous year (FY2016) by about 1.6% (or \$19K) which was down roughly 11% from the year before (FY2015). So, participation in our co-operative enterprise (as represented by the amount of food purchased through our store) has plateaued and has been, generally, in decline since 2014.

Notwithstanding this decreasing revenue, we did manage to end this fiscal year with a profit from operations of about \$22.9K. We did this with (i) significantly reduced (by about 7% or \$32.3K) operating and employee benefit expenses; and (ii) \$18.6K and \$5K in additional revenue from the Annual Subscription Fee and donations, respectively.

So, this is a good result, given the circumstances under which we started this year. The credit for achieving this result goes to everyone in the AH community (members, volunteers, staff, our new Manager and the Members' Council (MC)).

Investigation into Previous Years' Losses. Last year, we recorded approximately \$20K of losses incurred during the period of April 2014 through June 2016. These losses came from the recognition of a write-down (or reduction) in an amount of cash in our balance sheet that we thought we had but which we actually didn't. Over the past three years, there have been discrepancies between what the computer at the tills (or POS - point of sales software) says we are selling and what we actually deposit into our bank account. Those discrepancies were thought to be amounts awaiting deposit; cash or credit card receipts which we had, but had not yet been deposited to the bank account. The amounts were accumulated in our balance sheet as though we had this money. In August 2016, it became clear that we did not have this money. From 2014 and 2015, the amount accumulated was about \$15K; for 2016, the amount was about \$5K.

After a year of looking into these losses, it has been decided that we should close our investigation without a definitive answer as to how the losses were incurred.

The reason we are ending the investigation is that, given the unlikelihood of actually collecting on any insurance claim related to the losses, we don't think we should expend any further resources on trying to discover the details of what happened during that period. We do believe that the losses are a result of a combination of actual fraud and reporting errors in the POS.

Why is it difficult to understand what caused the losses? 1. During the period, changes (potentially, corrections) were made to the data in our POS records. Unfortunately, these changes are not readily visible. It would take a great deal of effort (and, potentially, money paid to a consultant) to figure out which daily balance sheets and sales figures were changed, or what the value of those changes were. 2. The cash deposits made during this period were not matched to specific days, making the tracking of cash deposits vs. daily sales figures more difficult. 3. The cost of the forensic accountants, provided to us under our insurance policy, appears to be reflected in an increase in our insurance premium. In addition, we did not find the forensic accountants particularly helpful in our investigation.

Why is it unlikely that we would collect on a claim? The co-op's accountants formally warned the MC (and the Manager) about the accumulating unidentified loss. This was done in the 2014 and 2015 audit reports. We failed to take steps to resolve this issue. As a result, according to our policy, we may have lost the right to make a claim for the losses.

What have we done? 1. We have a much better understanding of the design and function of our POS reporting system; and, we have worked to correct many errors in the system. 2. Our new Manager has implemented better cash handling procedures at the till and at close-out (eg. using two folks to count out the till at the end of the day). As a result, we have seen significant reductions in till error and POS/cash discrepancies; for 2017, we had only -\$542 discrepancy.

It should also be noted that we should probably move our insurance away from our current provider as they are charging us a higher premium as a result of this incident; however, we cannot move insurers until the claim is closed.

So, for these reasons, it was decided to close the investigation.



Financial Sustainability. Our equity has increased by about \$23K this year. This has given us more breathing room, financially-speaking, in the immediate future. In the longer term, however, we continue to face strong competition from the organic sections in the big shops, the local organic stores in the neighborhood and on-line retailers; and this may be reflected in our declining revenue numbers. We must address this trend in order to secure a more sustainable future for our co-op.

  
Jonathan Green  
Treasurer