

Merri Community Health Services Limited

ABN 24 550 946 840

Financial Report for the Year Ended
30 June 2018

Merri Community Health Services Limited

ABN 24 550 946 840

TABLE OF CONTENTS

	Page
Directors' Report	1 - 3
Auditors' Independence Declaration	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 - 19
Directors' Declaration	20
Independent Auditor's Report	21 - 22

Merri Community Health Services Limited
ABN 24 550 946 840

DIRECTORS' REPORT

The Board of Directors of Merri Community Health Services Limited present their report together with the financial report of the Company for the financial year ended 30 June 2018 and auditor's report thereon.

Directors

The names of Directors in office at any time during or since the end of the year are detailed below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

NAME	QUALIFICATIONS	AREAS OF SPECIFIC RESPONSIBILITY
Carlo Carli	B.A(Hons),Masters Urban Planning(MUP), Diploma Italian	Director (Chair) Finance, Audit & Risk Management Committee
Marleine Raffoul	Resident of Moreland	Director Community Engagement Committee (Chair)
Darryl Annett	B.Juris., LL.B	Director Finance, Audit & Risk Management Committee
The Hon. Michael Beahan AM	B.A, B.Ed, MAICD	Director Community Engagement Committee
Michael Malakonas	B.Bus(Accounting,Economics), FCPA, MBA, MAICD	Director Finance, Audit & Risk Management Committee (Chair)
Katerina Angelopoulos	B.SW, Assoc. Dip in Welfare Studies	Director Clinical Governance Committee
Benjamin Maxfield (from October 2017)	B.Com (Economics)	Director Finance, Audit & Risk Management Committee
Joe Caputo	Grad Dip IR&HRM, M.Bus (RMIT)	Director Community Engagement Committee
Julie McCormack	Masters Women's Health, B.A., GradDipEd, DipFLM, CertTAA, GCMedConRes, GAICD	Director Clinical Governance Committee (Chair)
Hasan Erdogan (to October 2017)	B.Com., CPA (Assoc.)	Director Finance, Audit & Risk Management Committee

The Directors attended the following Board meetings.

NAME	Board Meetings		Committee Meeting Attendances		
	Number eligible to attend	Number attended	Finance, Risk & Audit	Clinical Governance	Community Engagement
Carlo Carli	11	11	6	-	-
Marleine Raffoul	11	10	-	2	4
Darryl Annett	11	11	6	-	-
The Hon. Michael Beahan AM	11	10	-	-	6
Michael Malakonas	11	9	5	-	-
Katerina Angelopoulos	11	8	2	2	-
Benjamin Maxfield	8	7	2	-	-
Joe Caputo	11	10	-	-	5
Julie McCormack	11	9	-	3	-
Hasan Erdogan	3	2	-	2	-

Merri Community Health Services Limited

ABN 24 550 946 840

Principal activities

The principal activity of the entity during the financial year was to meet the health and welfare needs of individuals in the region.

The entities short and long term objectives are to meet the health and welfare needs of individuals by:

- using a social model of health which recognises the needs of individuals who cannot readily access the health and welfare system;
- focussing on individuals who have complex health care needs, in particular those who are frail, aged, youth, disabled or mentally ill;
- giving priority to individuals who, aside from illness, are suffering from distress, misfortune, helplessness or poverty; providing these services in a culturally appropriate, effective and empowering manner;
- directly providing and facilitating the provision of a range of health, welfare and support services to individuals;
- assessing the needs of individuals and developing and implementing care plans to meet individual and carer needs;
- co-ordinating, implementing and monitoring the quality and effectiveness of care provided to individuals and modifying as appropriate; and
- directly providing a range of community-based services to individuals.

To achieve these objectives, the entity has adopted strategies which include:

- The entity strives to attract and retain quality staff and volunteers who are committed to working with the community in need, and this is evidenced by low staff turnover. The entity believes that attracting and retaining quality staff and volunteers will assist with the success of the entity in both the short and long term.
- Staff and volunteers work in partnership with a range of community stakeholders, and this is evidenced by ongoing support of the entity's projects and initiatives. The entity ensures community stakeholders understand and are committed to the objectives of the entity through ongoing education in order for the projects to succeed.
- Staff and volunteers are committed to providing the best of all possible outcomes on behalf of the community with whom the organisation is involved. This is evidenced by the success of new and existing programs in support of the community in need. Committed staff and volunteers allow the entity the ability to engage in continuous improvement.
- The entity's staff and volunteers strive to meet consistent standards of best practice and provide clear expectations of professional accountabilities and responsibilities to all stakeholders. This is evidenced by the performance of staff and volunteers being assessed based on these accountabilities, and ensure that staff are operating in the best interests of the community.

To help evaluate whether the activities of the company during the year have achieved both short-term and long-term objectives, the entity uses the following key performance measures to monitor performance:

- The entity monitors service delivery as measured against service targets. These service targets are either set as directed by funding requirements, or developed in consultation with the relevant funding organisations.
- The entity maintains a reporting calendar detailing compliance issues and requirements.
- The entity produces a monthly set of management and financial reports. These reports are reviewed by the Board of Directors, and by the executive team, to evaluate performance against defined objectives at the commencement of the financial year.

Results

An operating surplus of \$269,022 was achieved for the financial year ended 30 June 2018, including the contribution of Capital Grants (2017: surplus \$221,456).

Merri Community Health Services Limited
ABN 24 550 946 840

Review of operations

The Company continued to provide quality services in accordance with the mission, vision and values of the organisation.

Future developments

The Company expects to maintain the present level of operations within a changing environment. The Company does not believe that there are any significant developments that will affect its ability to continue operations in future financial years.

Significant events after year end

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the results reported as at the reporting date or that affects the assessment of a going concern.

Report preparation

The Company's financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements.

Indemnification and insurance of directors, officers and auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the consolidated entity.

Members Guarantee

If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations of the Company.

At 30 June 2018 there were 475 members (2017: 493). The combined total amount that members of the Company are liable to contribute if the Company wound up is \$950 (2017: \$986).

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Auditor's independence declaration

The auditor's independence declaration under APES 110 Code of Ethics for Professional Accountants is included on page 4 of the financial statements.

The Directors' Report is signed in accordance with a resolution of Directors made pursuant to the *Australian Charities and Not for profits Commissions Act 2012*.

On behalf of the Directors.



.....
Chair of the Board

Dated at Coburg this 25th day of September 2018.

MERRI COMMUNITY HEATH SERVICES LIMITED
ABN 24 550 946 840

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MERRI COMMUNITY HEATH SERVICES LIMITED

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been no contraventions of *APES 110 Code of Ethics for Professional Accountants*.



M J HARRISON
Partner

Date: 1 October 2018



PITCHER PARTNERS
Melbourne

Merri Community Health Services Limited
ABN 24 550 946 840

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue from operations		34,342,586	31,888,726
Other revenues		2,430,637	636,838
Total Revenues	3	36,773,223	32,525,564
Employee benefits expense	4	24,219,763	21,267,363
Depreciation, amortisation and impairment expense	4	1,175,395	978,421
Finance costs	4	114,183	81,428
Supplies		233,664	273,762
Computer expenses		528,302	488,142
Consulting & legal costs		248,691	431,132
Client costs		4,198,781	4,028,924
Communication		326,513	263,735
Motor vehicle expenses		327,202	301,315
Occupancy costs		1,223,126	1,115,530
Payments to Other Agencies		1,794,184	1,576,585
Repairs and Maintenance		226,356	239,227
Employment expenses		502,674	410,809
Loss on disposal of property, plant & equipment		283,435	-
Other expenses		1,101,932	847,735
Total Expenses		36,504,201	32,304,108
Total Surplus for the year		269,022	221,456
Other Comprehensive Income:			
Items that will not be classified to profit and loss - Revaluation of property, plant and equipment, net of tax		24,272	760,000
Total Comprehensive Income for the year		293,294	981,456

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Merri Community Health Services Limited
ABN 24 550 946 840

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	5	13,452,644	11,831,381
Trade and other receivables	6	733,372	294,457
Other current assets	7	1,290,819	774,203
Asset classified as held for sale	8	1,043,887	-
Total current assets		16,520,722	12,900,041
Non-current assets			
Property, plant and equipment	9	13,332,078	14,256,237
Total non-current assets		13,332,078	14,256,237
Total assets		29,852,800	27,156,278
Current liabilities			
Trade and other payables	10	7,920,326	5,960,026
Provisions	11	3,030,145	2,619,159
Total current liabilities		10,950,471	8,579,185
Non-current liabilities			
Provisions	11	915,576	883,634
Borrowings	12	2,852,500	2,852,500
Total non-current liabilities		3,768,076	3,736,134
Total liabilities		14,718,547	12,315,319
NET ASSETS		15,134,253	14,840,959
Equity			
Reserves	13	2,658,309	2,922,989
Accumulated surplus		12,475,944	11,917,970
TOTAL EQUITY		15,134,253	14,840,959

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Merri Community Health Services Limited
ABN 24 550 946 840

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Government grants received		36,496,248	34,993,316
Receipts from clients		526,174	470,046
Interest payments		(109,273)	(73,458)
Payments to suppliers and employees		(38,149,769)	(33,755,955)
Interest received		217,745	279,527
Other income received		4,288,044	1,839,674
Cash provided by operating activities		3,269,169	3,753,150
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		508,000	110,921
Purchase of property, plant and equipment		(2,155,906)	(5,837,680)
Net cash used in investing activities		(1,647,906)	(5,726,759)
Cash flows from financing activities			
Proceeds from borrowings		-	2,852,500
Net cash provided by financing activities		-	2,852,500
Net increase in cash held		1,621,263	878,891
Cash at the beginning of the financial year		11,831,381	10,952,490
Cash at end of the financial year	5	13,452,644	11,831,381

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Merri Community Health Services Limited
ABN 24 550 946 840

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	TOTAL EQUITY	Accumulated surplus	Asset revaluation reserve
	\$	\$	\$
Balance 1 July 2016	13,859,503	11,696,514	2,162,989
Surplus for the year	221,456	221,456	-
Transfers to/(from) reserves	760,000	-	760,000
Balance 30 June 2017	14,840,959	11,917,970	2,922,989
Balance 1 July 2017	14,840,959	11,917,970	2,922,989
Surplus for the year	269,022	269,022	-
Transfers to/(from) reserves	24,272	288,952	(264,680)
Balance 30 June 2018	15,134,253	12,475,944	2,658,309

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 1: Statement of significant accounting policies

Merri Community Health Services Limited is a Public Company limited by guarantee, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements Australian Accounting, Interpretations, other applicable authoritative pronouncements of the Australian Accounting Standards Board and *the Australian Charities and Not for profits Commissions Act 2012*.

The financial statements have been prepared on an accruals basis and is based on historical costs, except for the revaluation of certain non-current assets and financial instruments.

The following are significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting policies

(a) Revenue recognition

Where applicable, revenues are recognised at the fair value of the consideration received net of the amount of goods and service tax (GST) payable to the Australian Taxation Office.

Rendering of services

Client fee income is recognised when the fee in respect of services provided is receivable. Accrued income represents an estimate of fees due from clients not billed at balance date. This estimate is calculated with reference to individual episode information and applicable rates.

Grants received

Reciprocal grants

Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled.

Non-reciprocal grants

Revenue is recognised when the grant is received or receivable.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Donation revenue

Donation revenue is recognised when received, at the fair value of the asset donated unless designated for a specific purpose, where they are carried forward as prepaid income in the Statement of Financial Position.

(b) Financial instruments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of consideration paid, including the transfer of non cash assets or liabilities assumed, is recognised in profit or loss.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Client fees receivable are generally settled from purchasers within 30 days and are carried at amounts due. Other debtors to be settled within 30 days are carried at amounts due.

Financial liabilities

Trade accounts payable are normally settled within 30 days.

(c) Taxation

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act (1997)*. Accordingly, there is no income tax expense or income tax payable.

(d) Goods and services tax

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

The GST components of cash flows arising from operating, investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

(e) Property, plant and equipment

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

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Property

Buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same class of asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same class of asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss.

Plant and equipment

Plant and equipment is measured on the cost basis.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) Depreciation and amortisation

Assets are depreciated or amortised using the straight-line method of depreciation to their estimated residual values, from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation and amortisation rates and methods and residual values are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	<u>2018</u>	<u>2017</u>
Buildings	2.5%	2.5%
Building leasehold improvements	20.0%	20.0%
Plant & equipment	10-33%	10-33%
Motor vehicles	15.0%	15.0%

(g) Impairment of assets

At each reporting date, the Company, a not-for-profit entity, reviews the carrying values of all 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 asset's fair value less costs to sell, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is expensed.

In the case of Plant and Equipment, 'fair value' is taken to be the replacement cost of the asset.

In the case of Property, 'fair value' is taken to be based upon third party independent valuations.

(h) Leased assets

Leases of plant and equipment under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits, where the Company does not have an unconditional right to defer settlement for at least 12 months, have been classified as a current liability. Employee benefits payable later than one year have been classified as a non-current liability. Both the long-term current liabilities and non-current liabilities have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(k) Superannuation plan

The Company contributes to various defined benefit, defined contribution and accumulation superannuation plans. Contributions are charged as an expense as incurred.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(I) Key estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained externally.

Key estimates - impairment

The Company, a not-for-profit entity, assess for asset impairment at each reporting date by evaluating conditions specific to the Company that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is defined as the assets depreciated replacement cost or at independent valuation as is appropriate for each asset class.

Note 2: Accounting Standards issued but not effective at 30 June 2018

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014 7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014 8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right of use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right of use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the company's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 1058: Income of Not-for-Profit Entities, AASB 2016-7: Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities and AASB 2016-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 1058 replaces the income recognition requirements in AASB 1004: Contributions applicable to not-for-profit entities with a model based on the principles of AASB 15: Revenue from Contracts with Customers. Consequently, AASB 1058 requires not-for-profit entities to recognise all revenue from contracts with customers when the related performance obligations are satisfied, irrespective of whether the ultimate beneficiary of the goods or services provided by the not-for-profit entity is the grantor of the funds or another entity. An agreement involving a not-for-profit entity would be classified as a contract with a customer if the agreement:

- creates enforceable rights and obligations between the parties; and
- includes a promise by the not-for-profit entity to transfer a good or service that is sufficiently specific for the entity to determine when the obligation is satisfied.

For contracts with customers that comprise a donation component, AASB 1058 requires such components to be treated as part of the performance obligation(s) unless the entity can demonstrate that component is not related to the promised goods or services.

When an arrangement does not meet the criteria for a contract with a customer, the inflows are accounted for in accordance with AASB 1058, which requires:

- the asset received by the not-for-profit entity to be accounted for in accordance with the applicable Australian Accounting Standard; and
- any difference between the consideration given for the asset and its fair value to be recognised in accordance with its substance (such as a contract liability, a financial instrument and/or a contribution by owners), and any residual amount recognised as income.

AASB 1058 also permits a not-for-profit entity to recognise volunteer services as an asset or expense (as applicable) and any related contributions by owners or revenue as an accounting policy choice, provided that the fair value of the services can be measured reliably.

Although the directors anticipate that the adoption of AASB 1058 and related Standards may have an impact on the company's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2018	2017
	\$	\$
3 Revenue		
Operating activities		
State recurrent grants received/receivable	20,999,344	18,976,397
Commonwealth recurrent grants received/receivable	10,435,302	10,702,299
Other Funding	2,094,694	1,398,892
Client and other fees	550,660	497,982
Capital Grants received for the acquisition of Fixed Assets	262,586	313,156
	34,342,586	31,888,726
Non-operating activities		
Interest revenue	236,670	244,163
Other revenue	2,186,538	344,090
Donation revenue	7,429	27,122
Profit/(Loss) on disposal of property, plant & equipment	-	21,463
	2,430,637	636,838
Total revenue	36,773,223	32,525,564
4 Expenses		
Depreciation of:		
buildings	126,600	23,238
plant and equipment	408,629	441,104
motor vehicles	167,709	196,206
	702,938	660,548
Amortisation of:		
leasehold improvements	472,457	317,873
	472,457	317,873
Total depreciation, amortisation and impairment costs	1,175,395	978,421
Finance costs:		
Interest and bank fees	114,183	81,428
	114,183	81,428
Employee benefits:		
Salaries & wages	21,614,487	19,001,823
Superannuation	1,905,253	1,710,059
Workcover	161,050	144,614
Long-term & post-employment benefits	538,973	410,867
	24,219,763	21,267,363
Other costs:		
Occupancy costs including leases	1,223,126	1,115,530
Brokerage costs	3,165,676	2,885,277
Loss on disposal of property, plant & equipment	283,435	-
	4,672,237	4,000,807
5 Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand	8,580	5,430
Cash at bank	1,424,620	2,966,288
Short-term term deposits	12,019,444	8,859,663
	13,452,644	11,831,381

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2018	2017
	\$	\$
6 Trade and other receivables		
Current		
Trade receivables		
Receivables for funding and client fees	661,451	193,969
Less: Provision for impairment of receivables	-	-
	<u>661,451</u>	<u>193,969</u>
Other receivables		
Other receivables	71,921	100,488
	<u>71,921</u>	<u>100,488</u>
	<u>733,372</u>	<u>294,457</u>
Ageing analysis of client receivables		
Under 30 days	633,177	175,110
31 - 60 days	2,965	4,417
61 - 90 days	4,091	4,602
Over 90 days	21,218	9,840
	<u>661,451</u>	<u>193,969</u>
7 Other assets		
Current		
Prepayments	344,504	375,455
Capital Work in Progress	284,687	-
Accrued Income	661,628	398,748
	<u>1,290,819</u>	<u>774,203</u>
8 Asset classified as held for sale		
Buildings - at fair value	1,200,000	-
Less: Accumulated depreciation	(156,113)	-
	<u>1,043,887</u>	<u>-</u>
9 Property, plant and equipment		
Buildings - at fair value	7,489,360	9,121,405
Less: Accumulated depreciation	(52,322)	(166,644)
	<u>7,437,038</u>	<u>8,954,761</u>
Building improvements on leasehold land - at cost	7,059,748	6,560,438
Less: Accumulated amortisation	(3,837,109)	(3,620,256)
	<u>3,222,639</u>	<u>2,940,182</u>
Plant and equipment - at cost	2,842,309	4,212,289
Less: Accumulated depreciation	(1,123,927)	(2,972,723)
	<u>1,718,382</u>	<u>1,239,566</u>
Motor vehicles - at cost	1,752,725	1,752,725
Less: Accumulated depreciation	(798,706)	(630,997)
	<u>954,019</u>	<u>1,121,728</u>
	<u>13,332,078</u>	<u>14,256,237</u>

Property pledged as security

As at 30 June 2018, one of the properties had been pledged as security for the borrowings as identified in Note 12.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2018 \$	2017 \$
Reconciliation of property, plant and equipment		
<i>Buildings</i>		
Carrying amount at beginning of year	8,954,761	3,985,204
Transfers in / (out)	(19,473)	-
Acquisitions / additions	178,428	4,232,795
Disposals	(241,511)	-
Revaluations	(264,680)	760,000
Depreciation	(126,600)	(23,238)
Reclassified as asset held for sale	(1,043,887)	-
Carrying amount at end of year	7,437,038	8,954,761
<i>Building improvements on leasehold land</i>		
Carrying amount at beginning of year	2,940,182	2,726,677
Transfers in / (out)	19,473	-
Acquisitions / additions	794,315	531,378
Disposals	(58,874)	-
Amortisation	(472,457)	(317,873)
Carrying amount at end of year	3,222,639	2,940,182
<i>Plant and equipment</i>		
Carrying amount at beginning of year	1,239,566	910,192
Acquisitions / additions	1,183,163	770,478
Disposals	(90,453)	-
Transfers in / (out)	(205,265)	-
Depreciation	(408,629)	(441,104)
Carrying amount at end of year	1,718,382	1,239,566
<i>Motor Vehicles</i>		
Carrying amount at beginning of year	1,121,728	1,022,662
Acquisitions / additions	-	303,029
Disposals	-	(7,757)
Depreciation	(167,709)	(196,206)
Carrying amount at end of year	954,019	1,121,728
<i>Total property, plant & equipment</i>		
Carrying amount at beginning of year	14,256,237	8,644,735
Acquisitions / additions	2,155,906	5,837,680
Transfers in / (out)	(205,265)	-
Disposals	(390,838)	(7,757)
Revaluations	(264,680)	760,000
Depreciation /Amortisation	(1,175,395)	(978,421)
Reclassified as asset held for sale	(1,043,887)	-
Carrying amount at end of year	13,332,078	14,256,237

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2018	2017
	<u>\$</u>	<u>\$</u>
Valuations		
The fair values of freehold land, and buildings on freehold land have been determined by reference to director valuations, based upon independent valuation assessments obtained in 2017. Such valuations are performed on a fair value basis, being the amounts for which the assets could be exchanged between market participants in an arm's length transaction at the valuation date. Refer to Note 1(e): Property, plant and equipment for additional information on the fair value of property, plant and equipment.		
10 Trade and other payables		
Current		
Trade payables	699,538	579,915
Grants / income received in advance	4,579,547	3,989,588
Other payables and accruals	2,641,241	1,390,523
	<u>7,920,326</u>	<u>5,960,026</u>
Trade payable terms vary from 7 to 30 days generally. No interest is charged on trade payables.		
Grants and other income received in advance relate to capital programs that are in progress, grants not fully expended or funding for programs that are to be delivered subsequent to the 2018 financial year.		
Other payables and accruals comprise invoices for goods and services received subsequent to the close off of trade creditors.		
11 Provisions		
Current		
Employee benefits:		
Annual leave	1,421,003	1,198,418
Long service leave	1,609,142	1,420,741
	<u>3,030,145</u>	<u>2,619,159</u>
	<u>3,030,145</u>	<u>2,619,159</u>
Non Current		
Employee benefits:		
Long service leave	915,576	883,634
	<u>915,576</u>	<u>883,634</u>
Aggregate employee benefits	<u>3,945,721</u>	<u>3,502,793</u>
Movements in provisions		
Carrying amount at the beginning of the year	3,502,793	3,407,241
Additional provisions recognised	2,062,388	1,506,908
Amounts used	(1,619,460)	(1,411,356)
Carrying amount at the end of the year	<u>3,945,721</u>	<u>3,502,793</u>
12 Borrowings		
Property Loan - Commonwealth Bank of Australia	<u>2,852,500</u>	<u>2,852,500</u>

Property, plant and equipment pledged as security

Assets pledged as security relating to the above financial instruments:

- First registered mortgage over the property purchased with the property loan, located at the corner of Bell Street and Sydney Road in Coburg.
- General security comprising first ranking charge over all present and after acquired property.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2018	2017
	\$	\$
13 Reserves		
Asset revaluation reserve	2,658,309	2,922,989
	<u>2,658,309</u>	<u>2,922,989</u>
Reconciliation of asset revaluation reserve		
Carrying amount at beginning of year	2,922,989	2,162,989
Revaluations	24,272	760,000
Disposal of asset	(288,952)	-
Carrying amount at end of year	<u>2,658,309</u>	<u>2,922,989</u>

Asset revaluation reserve

The asset revaluation reserve records the revaluations of non-current assets.

14 Commitments

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	729,629	455,645
Later than one year but not later than five years	1,632,926	367,066
Later than five years	583	863
	<u>2,363,138</u>	<u>823,574</u>

The Company leases assets under operating leases. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated. Lease rental expenses are disclosed at Note 4.

Merri Community Health Services Limited
ABN 24 550 946 840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 Key Management Personnel Compensation

	Short Term benefits \$	Post employment benefits \$	Other long-term benefits \$	Total \$
2018				
Total compensation	951,843	88,909	-	1,040,752
2017				
Total compensation	933,156	87,260	-	1,020,416

16 Economic dependency

Merri Community Health Services Limited is dependent on the Victorian and Commonwealth Governments for the majority of its revenue. At the date of this report the Board of Directors have no reason to believe the Departments will not continue this support.

17 Operating Segment

The company operates in one business and geographical segment, being the Health Industry in the state of Victoria.

18 Events Subsequent to Reporting Date

There has been no matter or circumstance, which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2018, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2018, of the company.

19 Related parties

There were no related party transactions. All Directors are paid a small sitting fee for Board meetings as provided for in the Constitution.

20 Contingent liabilities and assets

There are no other events identified and not brought to account which could be expected to have a material effect on the financial statements in the future.

21 Registered office and members guarantee

The Company's registered office and principal place of business is 11 Glenlyon Road Brunswick Vic 3056.

If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations of the Company. At 30 June 2018 there were 475 members.

Merri Community Health Services Limited
ABN 24 550 946 840

DIRECTORS' DECLARATION

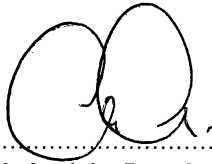
The directors declare that the financial statements and notes set out on pages 5 to 19 are in accordance with the *Australian Charities and Not for profits Commissions Act 2012*: and

- (a) Comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not for profits Commission Regulation 2013*; and
- (b) Give a true and fair view of the financial position of the entity as at 30 June 2018 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Merri Community Health Services Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors.



.....
Chair of the Board

Dated at Coburg this 25th day of September 2018.

MERRI COMMUNITY HEALTH SERVICES LIMITED
ABN 24 550 946 840

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MERRI COMMUNITY HEALTH SERVICES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Merri Community Health Services Ltd, "the Company", which comprises the statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Merri Community Health Services Ltd, is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 Company in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, 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.

MERRI COMMUNITY HEALTH SERVICES LIMITED
ABN 24 550 946 840

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MERRI COMMUNITY HEALTH SERVICES LIMITED

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 Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

MERRI COMMUNITY HEALTH SERVICES LIMITED
ABN 24 550 946 840

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MERRI COMMUNITY HEALTH SERVICES LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 we identify during our audit.



M J HARRISON
Partner

1 October 2018



PITCHER PARTNERS
Melbourne