

# **Merri Community Health Services Limited**

**ABN: 24 550 946 840**

## **Financial Statements**

**For the Year Ended 30 June 2021**

# Merri Community Health Services Limited

ABN: 24 550 946 840

## Contents

For the year ended 30 June 2021

|  | <b>Page</b> |
|--|-------------|
| Directors' Report  | 1           |
| Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 |             |
| <b>Financial Statements</b>  |             |
| Statement of Comprehensive Income  | 7           |
| Statement of Financial Position  | 8           |
| Statement of Changes in Equity   | 9           |
| Statement of Cash Flows  | 10          |
| Notes to the Financial Statements  | 11          |
| Responsible Entities' Declaration  | 29          |
| Independent Audit Report   | 30          |

# Merri Community Health Services Limited

ABN: 24 550 946 840

## Directors' Report

30 June 2021

The directors present their report on Merri Community Health Services Limited for the financial year ended 30 June 2021.

### Directors

The names of the directors in office at any time during, or since the end of, the year are:

| <b>Names</b>                          | <b>Qualifications</b>  | <b>Roles During 2020-2021</b>   |
|---------------------------------------|--|---|
| Carlo Carli                           | B.A(Hons),Masters Urban Planning(MUP), Diploma Italian                       | Director (Chair)<br>Commissioning Committee, Finance, Audit & Risk Management Committee |
| Darryl Annett                         | B.Juris., LL.B   | Director<br>Finance, Audit & Risk Management Committee                                  |
| Ann Taylor                            | D.T.(Primary), G.D.Lib, G.D.EdAdmin  | Director<br>Community Engagement Committee, Commissioning Committee                     |
| Benjamin Maxfield                     | B.Com (Economics)  | Director<br>Commissioning Committee, Quality, Safety and Clinical Governance Committee  |
| Joe Caputo                            | Grad Dip IR&HRM, M.Bus (RMIT)  | Director<br>Community Engagement Committee  |
| Julie McCormack                       | Masters Women's Health, B.A., GradDipEd, DipFLM, CertTAA, GCMedConRes, GAICD | Director<br>Quality, Safety and Clinical Governance Committee, Commissioning Committee  |
| Seide Raffoul                         | Resident of Moreland   | Director<br>Quality, Safety and Clinical Governance Committee                           |
| Sam Garrasi                           | B.Bus(Business Administration), CPA, GAICD                                   | Director<br>Finance, Audit & Risk Management Committee, Commissioning Committee         |
| Roxanne Adams<br>(from February 2021) | B.AppSci(Physio); MPH, MHM   | Director<br>Quality, Safety and Clinical Governance Committee                           |
| Sheena Watt<br>(to October 2020)      | Resident of Moreland   | Director<br>Community Engagement Committee<br>Commissioning Committee                   |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal activities

The principal activity of Merri Community Health Services Limited during the financial year was to meet the health and welfare needs of individuals in the region.

No significant changes in the nature of the Company's activity occurred during the financial year.

## **Merri Community Health Services Limited**

ABN: 24 550 946 840

# **Directors' Report**

**30 June 2021**

### **Short and long term objectives**

The Company's 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.

### **Strategy for achieving the objectives**

To achieve these objectives, the entity has adopted the following 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.

# Merri Community Health Services Limited

ABN: 24 550 946 840

## Directors' Report

30 June 2021

### How principal activities assisted in achieving the objectives

To help evaluate whether the activities of the entity 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 the defined objectives for the financial year.

### Members' guarantee

Merri Community Health Services Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 2 for members, subject to the provisions of the company's constitution.

At 30 June 2021 the collective liability of members was \$ 642 (2020: \$ 1,156).

### Meetings of directors

During the financial year, meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

|                                    | Board Meetings            |                 | Finance, Audit & Risk Mgt | Quality, Safety & Clinical Governance | Community Engagement | Commissioning   |
|------------------------------------|---------------------------|-----------------|---------------------------|---------------------------------------|----------------------|-----------------|
|                                    | Number eligible to attend | Number attended | Number attended           | Number attended                       | Number attended      | Number attended |
| Carlo Carli                        | 11                        | 10              | 4                         | -                                     | -                    | 2               |
| Darryl Annett                      | 11                        | 11              | 5                         | -                                     | -                    | 1               |
| Ann Taylor                         | 11                        | 11              | -                         | 4                                     | 6                    | 4               |
| Benjamin Maxfield                  | 11                        | 11              | -                         | 3                                     | 3                    | 3               |
| Joe Caputo                         | 11                        | 11              | -                         | -                                     | 5                    | -               |
| Julie McCormack                    | 11                        | 11              | -                         | 5                                     | -                    | 3               |
| Seide Raffoul                      | 11                        | 11              | -                         | -                                     | -                    | -               |
| Sam Garrasi                        | 11                        | 11              | 5                         | 1                                     | -                    | 3               |
| Roxanne Adams (from February 2021) | 5                         | 5               | -                         | -                                     | -                    | -               |
| Sheena Watt (to October 2020)      | 3                         | 3               | -                         | -                                     | -                    | 1               |

### Review of operations

The Company continued to provide quality services in accordance with the mission, vision and values of the organisation. This financial year marks the first full year of operations following the introduction of the statewide Carer Gateway model. The restrictions imposed due to the COVID-19 pandemic resulted in changes to the Company's operations during the financial year.

# Merri Community Health Services Limited

ABN: 24 550 946 840

## Directors' Report

30 June 2021

### Carer Gateway

During the previous financial year, Merri Community Health Services Limited was contracted by the Commonwealth Government to establish and commence operations for the Carer Gateway service model across the state of Victoria.

Following the establishment period, the Carer Gateway commenced operations on April 5, 2021. The 2020-2021 financial year contains the first full year financial reporting of Carer Gateway services.

### Impact of COVID-19 pandemic

In the previous financial year, a global pandemic caused by the COVID-19 Coronavirus (COVID-19) was declared. To contain the spread of COVID-19 and prioritise the health and safety of our community, Merri Community Health Services Limited was required to comply with various restrictions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Merri Community Health Services Limited introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- performing COVID-19 testing
- implementing work from home arrangements where appropriate.

As restrictions eased during the financial year the Company was been able to revise some measures where appropriate including increasing client contact hours and transitioning staff back to on-site working arrangements.

### 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.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

**Merri Community Health Services Limited**

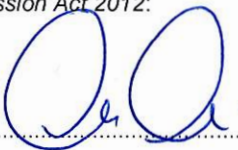
ABN: 24 550 946 840

**Directors' Report**  
**30 June 2021**

**Auditor's independence declaration**

The auditor's independence declaration under division 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* for the year ended 30 June 2021 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors made pursuant to the *Australian Charities and Not-for-profits Commission Act 2012*:

Director: .....  .....

Dated this ..... 15<sup>th</sup> ..... day of ..... 11 ..... 2021

## Auditor-General's Independence Declaration

### To the Board of Directors, Merri Community Health Services Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

### *Independence Declaration*

As auditor for Merri Community Health Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.



MELBOURNE  
19 November 2021

Travis Derricott  
*as delegate for the Auditor-General of Victoria*



**Merri Community Health Services Limited**

ABN: 24 550 946 840

**Statement of Comprehensive Income****For the year ended 30 June 2021**

|   |      | 2021                | 2020                |
|---|------|---------------------|---------------------|
|   | Note | \$                  | \$                  |
| Revenue   | 2    | 38,120,335          | 26,061,943          |
| Other income  | 2    | 29,428,025          | 21,478,420          |
| <b>Total revenue and income</b>   | 2    | <b>67,548,360</b>   | 47,540,363          |
| Employee benefits expense   | 3    | (34,003,072)        | (29,148,665)        |
| Depreciation and amortisation expense                                     | 3    | (2,710,477)         | (2,457,643)         |
| Client costs  |      | (6,816,345)         | (4,976,233)         |
| Payments to Other Agencies  | 3    | (16,839,181)        | (5,312,963)         |
| Occupancy costs   |      | (1,321,037)         | (1,028,024)         |
| Repairs and Maintenance   |      | (262,965)           | (217,230)           |
| Communication   |      | (571,681)           | (399,250)           |
| Supplies  |      | (186,807)           | (194,182)           |
| Computer expenses   |      | (1,421,789)         | (834,179)           |
| Employment expenses   |      | (501,421)           | (479,897)           |
| Motor vehicle expenses  |      | (257,837)           | (287,670)           |
| Consulting & legal costs  |      | (958,785)           | (830,001)           |
| Other expenses  | 3    | (1,063,985)         | (1,018,005)         |
| Finance costs   | 3    | (190,517)           | (210,163)           |
| Loss on disposal of property, plant & equipment                           |      | -                   | (458,730)           |
| <b>Total expenses</b>   |      | <b>(67,105,899)</b> | <b>(47,852,835)</b> |
| <b>Surplus / (deficit) for the year</b>                                   |      | <b>442,461</b>      | <b>(312,472)</b>    |
| <b>Other comprehensive income:</b>  |      |                     |                     |
| <b>Items that will not be subsequently reclassified to profit or loss</b> |      |                     |                     |
| - Net fair value movements for financial assets                           |      | 226,442             | (246,159)           |
| <b>Other comprehensive income for the year</b>                            |      | <b>226,442</b>      | <b>(246,159)</b>    |
| <b>Total comprehensive income for the year</b>                            |      | <b>668,903</b>      | <b>(558,631)</b>    |

The accompanying notes form part of these financial statements.

**Merri Community Health Services Limited**

ABN: 24 550 946 840

**Statement of Financial Position**

As at 30 June 2021

|                               | Note | 2021<br>\$        | 2020<br>\$ |
|-------------------------------|------|-------------------|------------|
| <b>ASSETS</b>                 |      |                   |            |
| CURRENT ASSETS                |      |                   |            |
| Cash and cash equivalents     | 4    | <b>21,369,446</b> | 14,325,135 |
| Trade and other receivables   | 5    | <b>520,866</b>    | 591,292    |
| Financial assets              | 6    | <b>724,685</b>    | 24,567     |
| Other assets                  | 7    | <b>2,445,775</b>  | 1,717,632  |
| TOTAL CURRENT ASSETS          |      | <b>25,060,772</b> | 16,658,626 |
| NON-CURRENT ASSETS            |      |                   |            |
| Right of use assets           | 8    | <b>2,723,676</b>  | 3,329,627  |
| Financial assets              | 6    | <b>6,912,780</b>  | 7,192,724  |
| Property, plant and equipment | 9    | <b>11,404,632</b> | 12,356,417 |
| TOTAL NON-CURRENT ASSETS      |      | <b>21,041,088</b> | 22,878,768 |
| TOTAL ASSETS                  |      | <b>46,101,860</b> | 39,537,394 |
| <b>LIABILITIES</b>            |      |                   |            |
| CURRENT LIABILITIES           |      |                   |            |
| Trade and other payables      | 10   | <b>9,202,366</b>  | 6,414,126  |
| Employee benefits             | 12   | <b>4,690,954</b>  | 4,020,260  |
| Other liabilities             | 13   | <b>9,596,403</b>  | 6,840,046  |
| Lease liabilities             | 8    | <b>1,175,688</b>  | 1,218,426  |
| TOTAL CURRENT LIABILITIES     |      | <b>24,665,411</b> | 18,492,858 |
| NON-CURRENT LIABILITIES       |      |                   |            |
| Borrowings                    | 11   | <b>2,852,500</b>  | 2,852,500  |
| Employee benefits             | 12   | <b>1,592,676</b>  | 1,412,656  |
| Lease liabilities             | 8    | <b>1,703,492</b>  | 2,160,502  |
| TOTAL NON-CURRENT LIABILITIES |      | <b>6,148,668</b>  | 6,425,658  |
| TOTAL LIABILITIES             |      | <b>30,814,079</b> | 24,918,516 |
| NET ASSETS                    |      | <b>15,287,781</b> | 14,618,878 |
| <b>EQUITY</b>                 |      |                   |            |
| Reserves                      |      | <b>1,723,353</b>  | 1,496,911  |
| Accumulated surplus           |      | <b>13,564,428</b> | 13,121,967 |
| TOTAL EQUITY                  |      | <b>15,287,781</b> | 14,618,878 |

The accompanying notes form part of these financial statements.

## Merri Community Health Services Limited

ABN: 24 550 946 840

### Statement of Changes in Equity

For the year ended 30 June 2021

#### 2021

|                                 | Retained<br>Earnings | Reserves         | Total             |
|---------------------------------|----------------------|------------------|-------------------|
|                                 | \$                   | \$               | \$                |
| <b>Balance at 1 July 2020</b>   | <b>13,121,967</b>    | <b>1,496,911</b> | <b>14,618,878</b> |
| Surplus for the year            | 442,461              | -                | 442,461           |
| Revaluation of financial assets | -                    | 226,442          | 226,442           |
| <b>Balance at 30 June 2021</b>  | <b>13,564,428</b>    | <b>1,723,353</b> | <b>15,287,781</b> |

#### 2020

|                                 | Retained<br>Earnings | Reserves         | Total             |
|---------------------------------|----------------------|------------------|-------------------|
|                                 | \$                   | \$               | \$                |
| <b>Balance at 1 July 2019</b>   | 12,941,388           | 2,236,121        | 15,177,509        |
| Deficit for the year            | (312,472)            | -                | (312,472)         |
| Revaluation of financial assets | -                    | (246,159)        | (246,159)         |
| Transfers from reserves         | 493,051              | (493,051)        | -                 |
| <b>Balance at 30 June 2020</b>  | <b>13,121,967</b>    | <b>1,496,911</b> | <b>14,618,878</b> |

The accompanying notes form part of these financial statements.

**Merri Community Health Services Limited**

ABN: 24 550 946 840

**Statement of Cash Flows****For the year ended 30 June 2021**

|  | 2021                | 2020               |
|--|---------------------|--------------------|
| Note   | \$                  | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>       |                     |                    |
| Government grants received                         | 69,282,544          | 48,437,345         |
| Receipts from clients                              | 471,159             | 597,798            |
| Interest payments                                  | (190,517)           | (210,163)          |
| Payments to suppliers and employees                | (67,055,453)        | (47,503,001)       |
| Interest received                                  | 236,355             | 289,491            |
| Other income received                              | 6,146,444           | 7,427,916          |
| Net cash provided by operating activities          | <u>8,890,532</u>    | <u>9,039,386</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>       |                     |                    |
| Proceeds from sale of property, plant & equipment  | 1,124               | 1,894,771          |
| Net payment for financial assets                   | (193,732)           | (7,463,450)        |
| Purchase of property, plant and equipment          | (430,805)           | (2,142,907)        |
| Net cash used by investing activities              | <u>(623,413)</u>    | <u>(7,711,586)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>       |                     |                    |
| Payment for lease liabilities                      | (1,222,808)         | (1,129,596)        |
| Net cash used by financing activities              | <u>(1,222,808)</u>  | <u>(1,129,596)</u> |
| Net increase in cash and cash equivalents held     | 7,044,311           | 198,204            |
| Cash and cash equivalents at beginning of year     | 14,325,135          | 14,126,931         |
| Cash and cash equivalents at end of financial year | 4 <u>21,369,446</u> | <u>14,325,135</u>  |

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

#### **Basis of preparation**

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

Merri Community Health Services Limited ('the Company') is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" entity under the Australian Accounting Standards.

The financial statements are prepared on a going concern basis. All amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### **(a) Impact of COVID-19 pandemic**

In the previous financial year, a global pandemic caused by the COVID-19 Coronavirus (COVID-19) was declared. To contain the spread of COVID-19 and prioritise the health and safety of our community, Merri Community Health Services Limited was required to comply with various restrictions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Company operates.

Merri Community Health Services Limited introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- performing COVID-19 testing
- implementing work from home arrangements where appropriate.

As restrictions eased during the financial year the Company has been able to revise some measures where appropriate, including increasing client contact hours and transitioning staff back to on-site working arrangements.

The changes in operations caused by COVID-19 has caused an increase in unperformed performance obligations disclosed at Note 13: Other Liabilities.

#### **(b) Revenue and other income**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as discussed below.

The Company has applied AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

#### **(b) Revenue and other income** (continued)

for-Profit Entities using the cumulative method of initially applying AASB 15 and AASB 1058 with no effect on the opening balance of equity at 1 July 2019. The comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 1004: Contributions. There was no significant impact upon adoption of the two new revenue standards applicable to the Company.

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

Income from grants that are enforceable and with sufficiently specific performance obligations are recognised in the Statement of Comprehensive Income when the Company has satisfied the performance obligations under the terms of the grant. The Company exercises judgement over whether the performance obligations have been met, on a grant by grant basis. The performance obligations for activity-based funding are the number of services provided or program objectives achieved in accordance with terms and conditions agreed to with the grant providers. Revenue is recognised when a service provision is completed or a program objective is achieved. The performance obligations have been selected as they align with funding conditions set out in the agreements issued by the grant providers.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Company has an unconditional right to receive the cash which usually coincides with receipt of cash.

Grant revenue was previously recognised in the statement of comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

The Department of Health confirmed that funding provided in 2020-21 for delivery of services, that was impacted by COVID-19, could be retained.

Fee for service and contract revenue are earned from provision of services when performance obligations are either satisfied over time or at a point in time. Generally, the supply of health services under a contract with a customer will represent the satisfaction of a performance obligation at a point in time, which is when health advice and treatment are provided to the customer.

Donations and bequests are recognised as income when received.

Interest income is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other income is recognised on an accruals basis when performance obligations are satisfied.

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

#### **(c) Property, plant and equipment**

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

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

#### **(c) Property, plant and equipment** (continued)

##### **Property**

Leasehold buildings are measured at cost less accumulated depreciation and impairment losses.

##### **Plant and equipment**

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

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

##### **Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is 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. Land is not depreciated.

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

|                                 |          |
|---------------------------------|----------|
| Buildings                       | 2.5%     |
| Building leasehold improvements | 10-20%   |
| Plant and Equipment             | 8.33-33% |

The depreciation rates are consistent with the prior year.

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

#### **(d) Financial instruments**

Financial instruments are recognised initially on the date that the entity becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### **Financial assets**

All recognised financial assets are subsequently in their entirety measured at either amortised cost or fair value, depending on the classification of financial assets.

The entity uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the entity in full, without recourse to actions such as realising security (if any is held).

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

#### **(d) Financial instruments** (continued)

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

##### *Trade receivables*

Trade receivable impairments are recorded in a separate provision account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated provision.

Where the entity renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Statement of Comprehensive Income.

##### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The entity's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in the Statement of Comprehensive Income.

#### **Financial liabilities**

The entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the entity comprise trade payables, bank and other loans and finance lease liabilities.

#### **(e) Expenses from transactions**

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee benefits expense includes salaries and wages (including associated on-costs), leave expenses, termination payments, superannuation expenses (i.e. employer contributions), fringe benefits tax, work cover premium and other employee related expenses.



## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

**(e) Expenses from transactions** (continued)

Client costs and Payments to Other Agencies are recognised as expenses in the reporting period in which they relate.

Other expenses are recognised as expense in the reporting period in which they are incurred.

All expenses are stated net of the amount of goods and services tax (GST).

**(f) Impairment of non-financial assets**

At the end of each reporting year, the entity reviews the carrying values of its tangible 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 value in use, is compared to the asset's carrying value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income. Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

**(h) Leases**

At inception of a contract, the entity assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The entity has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The entity has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the entity recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the entity believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

**(h) Leases** (continued)

lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the entity's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the entity's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Exceptions to lease accounting*

The entity has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The entity recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**(i) Employee benefits**

*Employee Benefit Recognition*

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

*Provisions*

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

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.

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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

#### **(i) Employee benefits (continued)**

##### *Annual Leave*

Liabilities for annual leave are recognised in the provision for employee benefits as 'current liabilities' because the Company does not have an unconditional right to defer settlements of these liabilities. Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

Nominal value – if the Company expects to wholly settle within 12 months; or

Present value – if the Company does not expect to wholly settle within 12 months.

##### *Long Service Leave*

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the Company does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period. The components of this current LSL liability are measured at:

Nominal value – if the Company expects to wholly settle within 12 months; or

Present value – if the Company does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

##### *Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

##### *On-Costs Related to Employee Benefits*

Provision for on-costs such as workers compensation and superannuation are recognised separately from provisions for employee benefits. They are a consequence of employing employees but are not employee benefits. As such provisions for on-costs are to be disclosed separately from provision for employee benefits.

#### **(j) 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 Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

## **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

**(k) Income tax**

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

**(l) Comparative figures**

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

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

**(m) Trade and other payables**

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

**(n) Economic dependence**

Merri Community Health Services Limited is dependent on the State and Federal Government bodies for the majority of its revenue used to operate the business. At the date of this report the directors have no reason to believe the State and Federal Government bodies will not continue to support Merri Community Health Services Limited.

**(o) Adoption of new and revised accounting standards**

During the current year, the Company 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 had a significant impact on the recognition, measurement and disclosure of transactions.

**(p) Accounting standards issued but not yet effective**

An assessment of Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to Merri Community Health Services Limited and their potential impact when adopted in future periods are discussed below:

- *AASB 2020-8: Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2* (applicable for reporting periods commencing on or after 1 January 2021). Adoption of this standard is not expected to have a material impact.

- *AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.

- *AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments* (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.

## **Merri Community Health Services Limited**

ABN: 24 550 946 840

# **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **1 Summary of Significant Accounting Policies**

- *AASB 17: Insurance Contracts* (applicable for reporting periods commencing on or after 1 January 2023). Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatory to the company in future periods.

## Merri Community Health Services Limited

ABN: 24 550 946 840

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2 Revenue and Income

|   | 2021                     | 2020                     |
|---|--------------------------|--------------------------|
|   | \$                       | \$                       |
| Revenue from contracts with customers                 |                          |                          |
| - Government grants (State) - Operating               | 8,695,034                | 7,277,241                |
| - Government grants (Commonwealth) - Operating        | 25,103,242               | 14,415,471               |
| - Other Revenue                                       | 1,108,077                | 1,287,066                |
| - Fees for service                                    | 3,213,982                | 3,082,165                |
|   | <u>38,120,335</u>        | <u>26,061,943</u>        |
| Other sources of income                               |                          |                          |
| - Government grants (State) - Operating               | 16,967,128               | 12,961,006               |
| - Government grants (Commonwealth) - Operating        | 10,168,929               | 5,795,754                |
| - Profit on disposal of property, plant and equipment | -                        | 31,514                   |
| - Interest income                                     | 236,355                  | 301,699                  |
| - Donation income                                     | 7,800                    | 4,351                    |
| - Other income from operating activities              | 2,047,813                | 2,384,096                |
|   | <u>29,428,025</u>        | <u>21,478,420</u>        |
| <b>Total revenue and income</b>                       | <u><b>67,548,360</b></u> | <u><b>47,540,363</b></u> |

## 3 Result for the Year

### Finance costs

|   |                |                |
|---|----------------|----------------|
| - Interest and bank fees                | 86,540         | 110,231        |
| - Interest expense on lease liabilities | 103,977        | 99,932         |
|   | <u>190,517</u> | <u>210,163</u> |

### Amortisation of:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| - leasehold improvements | 545,343          | 493,966          |
| - right of use assets    | 1,329,011        | 1,178,897        |
|                          | <u>1,874,354</u> | <u>1,672,863</u> |

### Depreciation of:

|  |                         |                         |
|--|-------------------------|-------------------------|
| - buildings  | 109,768                 | 120,799                 |
| - plant and equipment                              | 726,355                 | 632,437                 |
| - motor vehicles                                   | -                       | 31,544                  |
|  | <u>836,123</u>          | <u>784,780</u>          |
| <b>Total depreciation and amortisation expense</b> | <u><b>2,710,477</b></u> | <u><b>2,457,643</b></u> |

## Notes to the Financial Statements

For the year ended 30 June 2021

### 3 Result for the Year (continued)

|  | 2021              | 2020              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Employee benefits:</b>              |                   |                   |
| - Salaries & wages                     | 29,682,625        | 25,674,111        |
| - Superannuation contributions         | 2,690,649         | 2,370,215         |
| - Workers compensation                 | 197,562           | 163,681           |
| - Long-term & post-employment benefits | 1,432,236         | 940,658           |
|  | <u>34,003,072</u> | <u>29,148,665</u> |
| <b>Other costs:</b>                    |                   |                   |
| - Payments to Other Agencies           | 16,839,181        | 5,312,963         |

Payments to Other Agencies represents contracted payments to external agencies for delivery of funded services.

### 4 Cash and Cash Equivalents

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Cash on hand             | 7,550             | 7,550             |
| Cash at bank             | 8,528,342         | 8,489,319         |
| Short-term bank deposits | 12,654,404        | 5,621,190         |
| Cash trust account       | 179,150           | 207,076           |
|                          | <u>21,369,446</u> | <u>14,325,135</u> |

### 5 Trade and Other Receivables

|                          |                |                |
|--------------------------|----------------|----------------|
| CURRENT                  |                |                |
| Trade receivables        | 546,242        | 586,302        |
| Provision for impairment | (a) (107,300)  | (80,000)       |
|                          | <u>438,942</u> | <u>506,302</u> |
| Other receivables        | 81,924         | 84,990         |
|                          | <u>520,866</u> | <u>591,292</u> |

#### (a) Provision for impairment of receivables

Movement in provision for impairment of receivables is as follows:

|                                     |                |               |
|-------------------------------------|----------------|---------------|
| Balance at beginning of the year    | 80,000         | 21,655        |
| Increase in allowance               | 78,573         | 122,400       |
| Amounts written off during the year | (51,273)       | (64,055)      |
|                                     | <u>107,300</u> | <u>80,000</u> |

### 6 Other Financial Assets

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| CURRENT                             |           |           |
| Fixed interest investment portfolio | 724,685   | 24,567    |
| NON-CURRENT                         |           |           |
| Fixed interest investment portfolio | 6,912,780 | 7,192,724 |

## Merri Community Health Services Limited

ABN: 24 550 946 840

# Notes to the Financial Statements

For the year ended 30 June 2021

### 7 Other Assets

|   | 2021             | 2020             |
|---|------------------|------------------|
|   | \$               | \$               |
| CURRENT                                       |                  |                  |
| Prepayments                                   | 584,715          | 490,729          |
| Accrued revenue from contracts with customers | 1,062,336        | 322,389          |
| Accrued income                                | 798,724          | 904,514          |
|   | <u>2,445,775</u> | <u>1,717,632</u> |

### 8 Leases

#### (a) Right-of-use assets

|  |                         |                         |
|--|-------------------------|-------------------------|
| Under lease at beginning of the year         | 4,508,524               | 2,126,034               |
| Additions                                    | 723,060                 | 2,382,490               |
| Accumulated amortisation                     | <u>(2,507,908)</u>      | <u>(1,178,897)</u>      |
| <b>Total carrying amount of lease assets</b> | <u><b>2,723,676</b></u> | <u><b>3,329,627</b></u> |

The company's lease portfolio includes rental properties, motor vehicles and office equipment. The lease terms for each type of lease arrangements are:

| Class of Lease    | Lease Term  |
|-------------------|-------------|
| Rental Properties | 3 - 6 years |
| Motor Vehicles    | 2 - 5 years |
| Office Equipment  | 3 years     |

#### (b) Lease liabilities

|   | 2021                    | 2020                    |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| Current lease liabilities                         | 1,175,688               | 1,218,426               |
| Non-current lease liabilities                     | <u>1,703,492</u>        | <u>2,160,502</u>        |
| <b>Total carrying amount of lease liabilities</b> | <u><b>2,879,180</b></u> | <u><b>3,378,928</b></u> |

#### (c) Lease Expenses and Cashflow

The amounts recognised in the Statement of Comprehensive Income relating to leases where the entity is a lessee are shown below:

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Interest expense on lease liabilities | 103,977   | 99,932    |
| Amortisation                          | 1,329,011 | 1,178,897 |



## Notes to the Financial Statements

For the year ended 30 June 2021

### 9 Property, Plant and Equipment

|  | 2021                     | 2020                     |
|--|--------------------------|--------------------------|
|  | \$                       | \$                       |
| Buildings                                  |                          |                          |
| At fair value                              | 7,190,360                | 7,190,360                |
| Accumulated depreciation                   | <u>(387,125)</u>         | <u>(277,357)</u>         |
| Total buildings                            | <u>6,803,235</u>         | <u>6,913,003</u>         |
| Plant and equipment                        |                          |                          |
| At cost                                    | 4,953,084                | 4,619,972                |
| Accumulated depreciation                   | <u>(3,204,507)</u>       | <u>(2,479,099)</u>       |
| Total plant and equipment                  | <u>1,748,577</u>         | <u>2,140,873</u>         |
| Building Improvements on leasehold land    |                          |                          |
| At cost                                    | 8,107,287                | 8,011,665                |
| Accumulated depreciation                   | <u>(5,254,467)</u>       | <u>(4,709,124)</u>       |
| Total improvements                         | <u>2,852,820</u>         | <u>3,302,541</u>         |
| <b>Total property, plant and equipment</b> | <b><u>11,404,632</u></b> | <b><u>12,356,417</u></b> |

As at 30 June 2021, one of the properties has been pledged as security for the borrowings as identified in Note 11.

#### Movements in Carrying Amounts

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

|                                  | Buildings               | Plant and Equipment     | Building improvements on leasehold land | Total                    |
|----------------------------------|-------------------------|-------------------------|---|--------------------------|
|                                  | \$                      | \$                      | \$                                      | \$                       |
| Balance at the beginning of year | 6,913,003               | 2,140,873               | 3,302,541                               | 12,356,417               |
| Additions                        | -                       | 335,183                 | 95,622                                  | 430,805                  |
| Disposals - written down value   | -                       | (1,124)                 | -                                       | (1,124)                  |
| Depreciation expense             | <u>(109,768)</u>        | <u>(726,355)</u>        | <u>(545,343)</u>                        | <u>(1,381,466)</u>       |
| <b>Balance at 30 June 2021</b>   | <b><u>6,803,235</u></b> | <b><u>1,748,577</u></b> | <b><u>2,852,820</u></b>                 | <b><u>11,404,632</u></b> |

#### Valuations

The fair values of freehold land, and buildings on freehold land have been determined for the purposes of assessing impairment by reference to independent valuation assessments obtained in 2019 and 2020. The assessment by directors, based on the independent valuations, did not identify any impairment that was required in 2021. The independent 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(c): Property, plant and equipment for additional information on the fair value of property, plant and equipment.

## Merri Community Health Services Limited

ABN: 24 550 946 840

## Notes to the Financial Statements

For the year ended 30 June 2021

### 10 Trade and Other Payables

|                           | 2021             | 2020             |
|---------------------------|------------------|------------------|
|                           | \$               | \$               |
| CURRENT                   |                  |                  |
| Unsecured liabilities     |                  |                  |
| Trade payables            | 759,918          | 1,094,503        |
| Salary and wage accruals  | 1,214,660        | 961,838          |
| Accrued expenses          | 1,521,145        | 563,355          |
| Client funds held         | 4,681,076        | 2,660,875        |
| Other current liabilities | 1,025,567        | 1,133,555        |
|                           | <u>9,202,366</u> | <u>6,414,126</u> |

Trade payable terms vary from 7 to 30 days generally. No interest is charged on trade payables. Other payables and accruals comprise invoices for goods and services received subsequent to the close off of trade creditors.

Client funds held represent balances of Commonwealth Home Care Packages held by the Company on behalf of Home Care Package recipients.

### 11 Borrowings

|  |                  |                  |
|--|------------------|------------------|
| NON-CURRENT                                    |                  |                  |
| Secured liabilities:                           |                  |                  |
| Property loan - Commonwealth Bank of Australia | 2,852,500        | 2,852,500        |
| <b>Total non-current borrowings</b>            | <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.

## Notes to the Financial Statements

For the year ended 30 June 2021

### 12 Employee Benefits

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | \$               | \$               |
| CURRENT  |                  |                  |
| Annual leave   |                  |                  |
| - Unconditional & expected to be settled wholly within 12 months (i) | 2,162,232        | 1,883,444        |
| - Unconditional & expected to be settled wholly after 12 months (ii) | -                | -                |
|  | <u>2,162,232</u> | <u>1,883,444</u> |
| Long service leave   |                  |                  |
| - Unconditional & expected to be settled wholly within 12 months (i) | 1,092,320        | 912,816          |
| - Unconditional & expected to be settled wholly after 12 months (ii) | 1,181,710        | 1,017,461        |
|  | <u>2,274,030</u> | <u>1,930,277</u> |
| Provisions related to employee benefit on-costs                      |                  |                  |
| - Unconditional & expected to be settled wholly within 12 months (i) | 122,340          | 97,671           |
| - Unconditional & expected to be settled wholly after 12 months (ii) | 132,352          | 108,868          |
|  | <u>254,692</u>   | <u>206,539</u>   |
|  | <u>4,690,954</u> | <u>4,020,260</u> |
| NON-CURRENT  |                  |                  |
| Conditional long service leave                                       | 1,432,263        | 1,276,112        |
| Provisions related to employee benefit on-costs                      | 160,413          | 136,544          |
|  | <u>1,592,676</u> | <u>1,412,656</u> |

*i The amounts disclosed are nominal amounts.*

*ii The amounts disclosed are discounted to present values.*

### 13 Other Liabilities

|                         |                  |                  |
|-------------------------|------------------|------------------|
| CURRENT                 |                  |                  |
| Contract liabilities    | 9,011,429        | 5,908,931        |
| Prepaid grant income    | 284,974          | 631,115          |
| Deferred capital income | 300,000          | 300,000          |
| <b>Total</b>            | <u>9,596,403</u> | <u>6,840,046</u> |

Contract liabilities represent revenue received for unperformed performance obligations. The COVID-19 pandemic and related lockdown restrictions have contributed to the increase in unperformed performance obligations.

### 14 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the company did not have any contingencies at 30 June 2021 (2020: NIL).

## Merri Community Health Services Limited

ABN: 24 550 946 840

# Notes to the Financial Statements

For the year ended 30 June 2021

### 15 Key Management Personnel Compensation

The totals of remuneration paid to the key management personnel of Merri Community Health Services Limited during the year are as follows:

|                              | 2021             | 2020             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,388,190        | 1,149,005        |
| Post-employment benefits     | 128,072          | 107,693          |
| Termination benefits         | 53,841           | -                |
|                              | <u>1,570,103</u> | <u>1,256,698</u> |

The Board of Directors, Chief Executive Officer and the Executive Management of Merri Community Health Services Limited are deemed to be Key Management Personnel.

#### KMPs

Mr Carlo Carli  
Ms Julie McCormack  
Ms Seidi Raffoul  
Ms Sheena Watt  
Mr Sam Garrasi  
Mr Joe Caputo  
Ms Ann Taylor  
Mr Benjamin Maxfield  
Mr Darryl Annett  
Ms Roxanne Adams  
Ms Tassia Michaleas  
Dr Antoinette Mertins  
Dr Carolyn Wallace  
Ms Nessa Pastoors  
Mr Phillip Harris  
Mr Gavin Thompson  
Ms Maryanne Tadic  
Ms Amie Reed

#### Position Title

Chair of the Board  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Chief Executive Officer  
Member of Executive  
Member of Executive  
Member of Executive  
Member of Executive  
Member of Executive  
Member of Executive  
Member of Executive

### 16 Operating Segment

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

## Merri Community Health Services Limited

ABN: 24 550 946 840

# Notes to the Financial Statements

For the year ended 30 June 2021

### 17 Events after the end of the Reporting Period

The COVID-19 pandemic has created unprecedented economic uncertainty. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Merri Community Health Services Limited, its operations, its future results and financial position.

The Victorian Government issued lockdown restrictions for Metropolitan Melbourne commencing 5 August 2021 and regional Victoria commencing 21 August 2021, with lockdown restrictions lifting in some local government areas from 10 September 2021, and many of the lockdown restrictions for Metropolitan Melbourne lifting during October 2021.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the organisation, the results of the operations or the state of affairs of Merri Community Health Services Limited in the future financial years.

### 18 Related Party Transactions

Other than compensation paid to Key Management Personnel (refer note 15), there were no related party transactions that involved key management personnel, their close family members and their personal business interests. There were no related party transactions required to be disclosed for the Company's Board of Directors, Chief Executive Officer and Executive Leadership Team in 2021.

### 19 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, borrowings from banks, accounts receivable and payable and lease liabilities.

The carrying amount for each category of financial instruments, measured in accordance with AASB9: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

|  | Note | 2021<br>\$        | 2020<br>\$        |
|--|------|-------------------|-------------------|
| <b>Financial assets at fair value</b>          |      |                   |                   |
| Cash and cash equivalents                      | 4    | 21,369,446        | 14,325,135        |
| Trade and other receivables                    | 5    | 520,866           | 591,292           |
| Fixed Interest Investment portfolio            | 6    | 7,637,465         | 7,217,291         |
| <b>Total financial assets</b>                  |      | <b>29,527,777</b> | <b>22,133,718</b> |
| <b>Financial liabilities at fair value</b>     |      |                   |                   |
| Trade and other payables                       | 10   | 9,202,366         | 6,414,126         |
| Borrowings                                     | 11   | 2,852,500         | 2,852,500         |
|  |      | <b>12,054,866</b> | <b>9,266,626</b>  |
| <b>Financial liabilities at amortised cost</b> |      |                   |                   |
| Lease liabilities                              | 8    | 2,879,190         | 3,378,928         |
| <b>Total financial liabilities</b>             |      | <b>14,934,056</b> | <b>12,645,554</b> |

## **Merri Community Health Services Limited**

ABN: 24 550 946 840

# **Notes to the Financial Statements**

**For the year ended 30 June 2021**

### **20 Company Details**

The financial statements are for Merri Community Health Services Limited as an individual entity, incorporated and domiciled in Australia. Merri Community Health Services Limited is a not-for-profit company limited by guarantee.

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

Merri Community Health Services Limited  
11 Glenlyon Rd  
Brunswick Vic 3056

**Merri Community Health Services Limited**

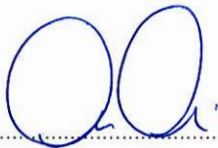
ABN: 24 550 946 840

**Responsible Entities' Declaration**

The Directors of the entity are the responsible persons and the responsible persons declare that:

1. The financial statements and notes, as set out on pages 7 to 28, are in accordance with the *Australian Charities and Not-for-profits Commission 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 as at 30 June 2021 and of the performance for the year ended on that date of the entity.
2. In the responsible persons' opinion, there are reasonable grounds to believe that the entity 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 Board of Directors.



Director .....

Dated 15<sup>th</sup> Nov 2021

# Independent Auditor's Report

## To the Directors of Merri Community Health Services Limited

|   |  |
|---|--|
| <b>Opinion</b>  | <p>I have audited the financial report of Merri Community Health Services Limited (the company) which comprises the:</p> <ul style="list-style-type: none"> <li>• statement of financial position as at 30 June 2021</li> <li>• statement of comprehensive income for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• responsible entities' declaration.</li> </ul> <p>In my opinion the financial report is in accordance with Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none"> <li>• giving a true and fair view of the financial position of the company as at 30 June 2021 and of its financial performance and its cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>.</li> </ul> |
| <b>Basis for Opinion</b>                                    | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>  |
| <b>Directors' responsibilities for the financial report</b> | <p>The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Directors determine 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.</p> <p>In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>   |



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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit 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 my 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, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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
- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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MELBOURNE  
19 November 2021

Travis Derricott  
*as delegate for the Auditor-General of Victoria*