

Merri Community Health Services Limited

ABN 24 550 946 840

Financial Statements

For the Year Ended 30 June 2024

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Directors' Report 30 June 2024

The directors present their report on Merri Community Health Services Limited for the financial year ended 30 June 2024.

Directors

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

NAME	ROLES DURING 2023-2024	BOARD MEETINGS	
		Eligible	Attended
Anne Jungwirth	Director (Chair) Quality, Safety and Clinical Governance Committee Commissioning Committee	13	13
Benjamin Maxfield	Director (Deputy Chair) Commissioning Committee Quality, Safety and Clinical Governance Committee	13	11
Ann Taylor	Director Community Engagement Committee Commissioning Committee	13	12
Kenneth Cheng	Director Finance, Audit & Risk Management Committee	13	13
Joe Caputo	Director Community Engagement Committee	13	12
Seide Raffoul	Director Community Engagement Committee	13	11
Sam Garrasi	Director Finance, Audit & Risk Management Committee Commissioning Committee Quality, Safety and Clinical Governance Committee	13	11
Michael de Bruyn	Director Finance, Audit & Risk Management Committee	13	11
Danielle Panaccio (from 14 September 2023)	Director Quality, Safety and Clinical Governance Committee Commissioning Committee	11	11
Chiara Lawry (from 24 October 2023)	Director Finance, Audit & Risk Management Committee	10	8
Julie McCormack (to 30 August 2023)	Director (Chair) Quality, Safety and Clinical Governance Committee Commissioning Committee	2	2

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The Directors attended the following Board sub-committee meetings.

NAME	Quality, Safety & Clinical Gov.		Finance, Audit & Risk Mgt		Community Engagement		Commissioning	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Anne Jungwirth	4	4	guest	3			3	3
Benjamin Maxfield	2	1	3	3			3	3
Ann Taylor					5	5	3	3
Kenneth Cheng	guest	1	6	6				
Joe Caputo					5	4		
Seide Raffoul					5	0		
Sam Garrasi	guest	2	6	6			3	2
Michael de Bruyn	2	1	3	2				
Danielle Panaccio	3	3	guest	3			1	1
Chiara Lawry								
Julie McCormack	1	1	1	1			1	1

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.

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

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.

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- 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.

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 2024 the collective liability of members was \$ 284 (2023: \$ 650).

Review of operations

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

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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.

During the 2024 financial year, Merri Community Health Services Limited and Banyule Community Health announced that they had approved the exploration of a merger between the two organisations.

Following the undertaking of a successful due diligence process, Merri Community Health Services Limited held a Special General Meeting on October 22, 2024 for the members to vote on resolutions approving the merger proposal and to adopt a new Constitution to that effect. The resolutions were carried with unanimous support.

Under the terms of the Transfer Deed, a new Board composition came into effect on October 24, 2024 and the transition to merge both organisations within Merri Community Health Services Limited will occur during the 2024-2025 financial year.

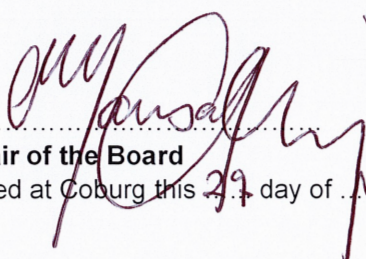
Significant changes in state of affairs

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.

Auditor's independence declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year ended 30 June 2024 is provided with this report.

Signed in accordance with a resolution of the Board of Directors.


.....
Chair of the Board

Dated at Coburg this 29 day of Nov. 2024.

Auditor-General's Independence Declaration

To the 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 2024, 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
2 December 2024



Sanchu Chummar

as delegate for the Auditor-General of Victoria

Statement of Comprehensive Income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue		70,871,416	56,601,323
Income		17,323,904	18,615,161
Gain on disposal of property, plant & equipment		-	1,064,436
Total revenue and income	2	88,195,320	76,280,920
Employee benefits expense	3	(38,153,853)	(36,013,933)
Depreciation and amortisation expense	3	(2,392,672)	(2,646,402)
Client costs		(14,340,033)	(10,153,016)
Payments to Other Agencies	3	(21,405,332)	(16,266,232)
Occupancy costs		(1,003,881)	(1,090,909)
Repairs and Maintenance		(327,880)	(286,436)
Communication		(170,207)	(403,865)
Supplies		(287,681)	(275,741)
Computer expenses	3	(2,981,204)	(1,889,687)
Employment expenses		(587,986)	(696,309)
Motor vehicle expenses		(100,753)	(264,169)
Consulting & legal costs		(710,403)	(1,244,004)
Other expenses	3	(3,777,696)	(2,371,398)
Finance costs	3	(87,000)	(232,926)
Total expenses		(86,326,581)	(73,835,027)
Surplus for the year		1,868,739	2,445,893
Other comprehensive income:			
Items that will not be subsequently classified to profit and loss			
- Revaluation of property, plant and equipment		-	1,634,760
- Net fair value movements for financial assets		105,160	34,349
Other comprehensive income for the year		105,160	1,669,109
Total comprehensive income for the year		1,973,899	4,115,002

Statement of Financial Position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	4	28,052,726	30,375,858
Trade and other receivables	5	1,126,946	355,277
Financial assets	6	737,827	1,153,224
Other current assets	7	5,292,236	4,330,524
Total current assets		35,209,735	36,214,883
Non-current assets			
Right of use assets	8	1,928,976	2,322,385
Financial assets	6	7,570,963	6,510,897
Property, plant and equipment	9	8,102,861	7,912,713
Total non-current assets		17,602,800	16,745,995
Total assets		52,812,535	52,960,878
Liabilities			
Current liabilities			
Trade and other payables	10	6,649,602	5,484,449
Employee benefits	11	5,608,419	4,808,866
Other liabilities	12	14,939,550	18,669,990
Lease liabilities	8	1,058,498	1,203,200
Total current liabilities		28,256,069	30,166,505
Non-current liabilities			
Employee benefits	11	1,073,878	1,016,846
Lease liabilities	8	1,049,356	1,318,194
Total non-current liabilities		2,123,234	2,335,040
Total liabilities		30,379,303	32,501,545
NET ASSETS		22,433,232	20,459,333
Equity			
Reserves		3,200,212	3,095,052
Accumulated surplus		19,233,020	17,364,281
TOTAL EQUITY		22,433,232	20,459,333

Statement of Changes in Equity
For the year ended 30 June 2024

	Total	Accumulated surplus	Reserves
	\$	\$	\$
2024			
Balance at 1 July 2023	20,459,333	17,364,281	3,095,052
Surplus for the year	1,868,739	1,868,739	-
Revaluation of financial assets	105,160	-	105,160
Balance at 30 June 2024	22,433,232	19,233,020	3,200,212
2023			
Balance at 1 July 2022	16,344,331	14,918,388	1,425,943
Surplus for the year	2,445,893	2,445,893	-
Revaluation of property, plant and equipment	1,634,760	-	1,634,760
Revaluation of financial assets	34,349	-	34,349
Balance at 30 June 2023	20,459,333	17,364,281	3,095,052

Statement of Cash Flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Government grants received		87,127,020	86,069,956
Receipts from clients		1,138,101	1,345,865
Interest payments		(87,000)	(232,926)
Payments to suppliers and employees		(90,154,167)	(77,060,691)
Interest received		1,013,827	644,489
Other income received		1,702,650	3,068,082
Cash provided by/(used in) operating activities		<u>740,431</u>	<u>13,834,775</u>
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	5,023,046
Purchase of property, plant and equipment		(1,843,659)	(1,254,525)
Net cash provided by/(used in) investing activities		<u>(1,843,659)</u>	<u>3,768,521</u>
Cash flows from financing activities			
Repayment of borrowings		-	(2,852,500)
Payment for lease liabilities		(1,219,904)	(1,179,794)
Net cash used in financing activities		<u>(1,219,904)</u>	<u>(4,032,294)</u>
Net increase/(decrease) in cash held		(2,323,132)	13,571,002
Cash at the beginning of the financial year		30,375,858	16,804,856
Cash at end of the financial year	4	<u>28,052,726</u>	<u>30,375,858</u>

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 - Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

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) 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.

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.

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).

Where estimates are required in the recognition of revenue and income, the organisation uses assumptions based on performance data available, historical experience and other factors that are considered to be relevant.

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(b) 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.

Property

Leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated 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.

Where estimates are required in the calculation of an asset's useful life, the organisation uses assumptions based on historical experience of existing asset classes where applicable.

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.

(c) 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).

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.

Fixed interest investment portfolio

The fixed interest investment portfolio is managed by JBWere and is measured at fair value according to the active market price at at balance date. Net changes in fair value are recognised in other comprehensive income for the financial year.

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.

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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.

(d) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate. All expenses are stated net of the amount of goods and services tax (GST).

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.

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.

(e) 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.

(f) 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.

(g) 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 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.

(h) 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.

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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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

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(m) 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.

(n) 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.

(o) Accounting standards issued but not yet effective

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

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
2 Revenue		
(a) Revenue from contracts with customers		
Government grants (State) - Operating	18,193,065	18,112,200
Government grants (Commonwealth) - Operating	49,943,523	35,617,987
Other revenue	1,456,448	1,613,649
Fees for service	1,278,380	1,239,487
Capital Grants received for the acquisition of Fixed Assets	-	18,000
	70,871,416	56,601,323
(b) Other sources of income		
Government grants (State) - Operating	2,593,531	4,258,659
Government grants (Commonwealth) - Operating	11,585,581	12,115,324
Interest income	1,704,405	1,022,043
Donation income	-	4,000
Other income from operating activities	851,588	1,215,135
Capital Grants received for the acquisition of Fixed Assets	588,799	-
	17,323,904	18,615,161
(c) Gain on disposal of property, plant & equipment		
Gain on disposal of property, plant & equipment	-	1,064,436
	-	1,064,436
Total revenue and income	88,195,320	76,280,920
Commonwealth Government Grants includes increased operating activity in Carer Services provided.		
3 Result for the Year		
Finance costs:		
Interest and bank fees	6,938	144,232
Interest expense on lease liabilities	80,061	88,694
	87,000	232,926
Amortisation of:		
Right of use assets	1,199,773	1,259,088
	1,199,773	1,259,088
Depreciation of:		
Buildings	107,625	89,130
Leasehold improvements	515,724	569,498
Plant & Equipment	569,550	728,686
	1,192,899	1,387,314
Total depreciation and amortisation costs	2,392,672	2,646,402
Employee benefits:		
Salaries & wages	32,889,865	32,344,836
Superannuation	3,456,530	3,139,695
Workers compensation	275,526	141,343
Long-term & post-employment benefits	1,531,933	388,059
	38,153,853	36,013,933

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
Other costs:		
Payments to Other Agencies	21,405,332	16,266,232
Payments to Other Agencies represents contracted payments to external agencies for delivery of funded services.		
Computer expenses	2,981,204	1,889,687
Computer expenses include the payments for the implementation and enhancement of core business systems and service delivery systems.		
Other expenses	3,777,696	2,371,398
Other expenses includes payments for improved service delivery and communication initiatives in the increased operating activity for Carer Services.		
4 Cash and cash equivalents		
Cash on hand	7,300	7,300
Cash at bank	7,528,479	8,691,401
Short-term term deposits	20,263,262	21,331,461
Cash trust account	253,685	345,696
	28,052,726	30,375,858
5 Trade and other receivables		
Current		
Receivables for funding and client fees	1,254,747	481,597
Less: Provision for impairment of receivables	(203,000)	(143,000)
	1,051,747	338,597
Other receivables	75,200	16,680
	75,200	16,680
Total current trade and other receivables	1,126,946	355,277
(a) Provision for impairment of receivables		
Movement in provision for impairment of receivables is as follows:		
Balance at beginning of the year	143,000	70,900
Increase in allowance	60,000	84,651
Amounts written off during the year	-	(12,551)
Balance at the end of the year	203,000	143,000
6 Other financial assets		
Current		
Current Fixed interest investment portfolio	737,827	1,153,224
Non-Current		
Non-Current Fixed interest investment portfolio	7,570,963	6,510,897

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
7 Other assets		
Current		
Prepayments	2,721,039	861,255
Accrued revenue from contracts with customers	2,218,528	2,779,533
Accrued Income	352,669	689,736
	5,292,236	4,330,524
8 Leases		
(a) Right-of-use assets		
Under lease at beginning of the year	6,719,930	5,539,521
Additions	(999,420)	1,180,409
Accumulated amortisation	(3,791,534)	(4,397,545)
Total carrying amount of lease assets	1,928,976	2,322,385
<p>The company's lease portfolio includes rental properties, motor vehicles and office equipment. The lease terms for each type of lease arrangements are:</p>		
Class of Lease	Lease Term	
Rental Properties	1 - 6 years	
Motor Vehicles	2 - 5 years	
Office Equipment	3 years	
(b) Lease liabilities		
Current lease liabilities	1,058,498	1,203,200
Non-current lease liabilities	1,049,356	1,318,194
Total Carrying Amount of Lease Liabilities	2,107,854	2,521,394
Maturity Analysis of future lease payments		
Not later than 1 year	1,108,412	1,238,313
Later than 1 year and not later than 5 years	1,457,293	1,343,520
Later than 5 years	-	-
	2,565,705	2,581,833
(c) Lease expenses and cashflow		
Interest expense on lease liabilities	80,061	88,694
Amortisation	1,199,773	1,259,088
9 Property, plant and equipment		
Land and buildings - at fair value	4,305,000	4,305,000
Accum. Depr - Buildings	(107,625)	-
	4,197,375	4,305,000
Building improvements on leasehold land - at cost	9,789,259	8,933,351
Accum. Depr - Leasehold Improvements	(6,589,101)	(6,348,978)
	3,200,158	2,584,373
Plant and equipment - at cost	4,419,523	5,683,700
Accum. Depr - Equipment	(3,714,195)	(4,660,360)
	705,328	1,023,340
	8,102,861	7,912,713

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
Movements in Carrying Amounts		
Land and buildings		
Balance at the beginning of year	4,305,000	2,688,627
Additions/Adjustment	-	70,743
Revaluations / (Devaluations)	-	1,634,760
Depreciation expense	<u>(107,625)</u>	<u>(89,130)</u>
Balance at 30 June 2024	4,197,375	4,305,000
Building improvements on leasehold land		
Balance at the beginning of year	2,584,373	2,359,511
Additions	1,131,508	461,040
Disposals	-	(10,906)
Transfers in/(out)	-	344,226
Depreciation expense	<u>(515,724)</u>	<u>(569,498)</u>
Balance at 30 June 2024	3,200,157	2,584,373
Plant and equipment		
Balance at the beginning of year	1,023,340	1,807,342
Additions	710,145	449,260
Disposals/Adjustment	(458,609)	(160,350)
Transfers in/(out)	-	(344,226)
Depreciation expense	<u>(569,550)</u>	<u>(728,686)</u>
Balance at 30 June 2024	705,327	1,023,340
Total property, plant & equipment		
Balance at the beginning of year	7,912,713	6,855,480
Additions	1,841,653	981,043
Disposals	(458,609)	(171,256)
Revaluations / (Devaluations)	-	1,634,760
Depreciation /Amortisation	<u>(1,192,899)</u>	<u>(1,387,314)</u>
Balance at 30 June 2024	8,102,861	7,912,713

Valuations

The fair value 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 2023. 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 considering the specific nature of the asset.

The assessment by directors, based on the approximate valuations, was that there was no adjustment required to the carrying value of the freehold land and building at 11 Glenlyon Road, Brunswick, in this financial year.

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
10 Trade and other payables		
Current		
Unsecured liabilities		
Trade payables	2,813,124	1,015,300
Salary and wage accruals	1,316,185	1,425,584
Accrued expenses	992,312	691,043
Client funds held	113,047	381,074
Other current liabilities	1,414,935	1,971,448
	<u>6,649,602</u>	<u>5,484,449</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.

Other current liabilities includes regular statutory amounts due for payment following the close of the financial year.

11 Employee Benefits

Current

Annual leave

Unconditional & expected to be settled wholly within 12 months (i)	2,513,629	2,109,260
Unconditional & expected to be settled wholly after 12 months (ii)	-	-
	<u>2,513,629</u>	<u>2,109,260</u>

Long service leave

Unconditional & expected to be settled wholly within 12 months (i)	845,598	742,720
Unconditional & expected to be settled wholly after 12 months (ii)	1,893,918	1,654,815
	<u>2,739,516</u>	<u>2,397,535</u>

Provisions related to employee benefit on-costs

Unconditional & expected to be settled wholly within 12 months (i)	106,672	89,118
Unconditional & expected to be settled wholly after 12 months (ii)	248,602	212,953
	<u>355,274</u>	<u>302,071</u>
	<u>5,608,419</u>	<u>4,808,866</u>

Non Current

Long service leave

Conditional long service leave	949,326	899,460
Provisions related to employee benefit on-costs	124,552	117,386
	<u>1,073,878</u>	<u>1,016,846</u>

i The amounts disclosed are nominal amounts.

ii The amounts disclosed are discounted to present values.

Notes to the Financial Statements
For the year ended 30 June 2024

	2024	2023
	\$	\$
12 Other Liabilities		
Current		
Unsecured liabilities		
Contract liabilities	13,557,710	17,619,347
Prepaid grant income	1,381,840	1,050,643
	<u>14,939,550</u>	<u>18,669,990</u>

Contract liabilities represent revenue received for unperformed performance obligations.

13 Reserves

Asset revaluation reserve	3,374,129	3,374,129
Financial assets at fair value through comprehensive income reserve	(173,917)	(279,077)
	<u>3,200,212</u>	<u>3,095,052</u>

Reconciliation of asset revaluation reserve

Carrying amount at beginning of year	3,374,129	1,739,369
Revaluations / (Devaluations)	-	1,634,760
Carrying amount at end of year	<u>3,374,129</u>	<u>3,374,129</u>

Reconciliation of financial assets at fair value through comprehensive income reserve

Carrying amount at beginning of year	(279,077)	(313,426)
Net change in fair value of financial assets classified at fair value	105,160	34,349
Transfers to retained earnings upon disposal of financial assets designated at fair value	-	-
Carrying amount at end of year	<u>(173,917)</u>	<u>(279,077)</u>

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

14 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:

Short-term employee benefits	1,398,671	1,435,934
Post-employment benefits	155,466	155,310
Termination benefits	38,597	137,596
	<u>1,592,734</u>	<u>1,728,840</u>

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

Ms Anne Jungwirth	Board Member
Mr Sam Garrasi	Board Member
Mr Joe Caputo	Board Member
Ms Ann Taylor	Board Member
Mr Benjamin Maxfield	Board Member
Ms Chiara Lawry	Board Member
Ms Danielle Panaccio	Board Member
Mr Kenneth Cheng	Board Member
Mr Michael de Bruyn	Board Member

Notes to the Financial Statements
For the year ended 30 June 2024

Ms Julie McCormack	Board Member
Ms Seide Raffoul	Board Member
Ms Tassia Michaleas	Chief Executive Officer
Ms Nessa Wright	Member of Executive
Mr Gavin Thompson	Member of Executive
Ms Maryanne Tadic	Member of Executive
Mr Shadi Hanna	Member of Executive
Ms Jillian Dent	Member of Executive
Ms Kath Buxton	Member of Executive
Ms Amy Jackman	Member of Executive
Ms Heleni Bagiartakis	Member of Executive

The remuneration paid to the executive members includes payments made to personnel in temporary acting arrangements.

15 Remuneration of auditors

	2024	2023
	\$	\$
Remuneration of auditors for auditing the financial report		
Victorian Auditor-General's Office	54,700	47,500
Remuneration of auditors for auditing financial funding acquittals		
RSD Audit	-	12,500
Victorian Auditor-General's Office	24,000	-
	78,700	60,000

16 Contingent liabilities and contingent assets

The company holds a \$62,700 bank guarantee with the Commonwealth Bank of Australia in relation to the operating lease for the premises at 110 Chifley Drive, Preston that commenced in September 2021.

There are no other known contingent assets or contingent liabilities.

17 Events Subsequent to Reporting Date

During the 2024 financial year, Merri Community Health Services Limited and Banyule Community Health announced that they had approved the exploration of a merger between the two organisations.

Following the undertaking of a successful due diligence process, Merri Community Health Services Limited held a Special General Meeting on October 22, 2024 for the members to vote on resolutions approving the merger proposal and to adopt a new Constitution to that effect. The resolutions were carried with unanimous support.

Under the terms of the Transfer Deed, a new Board composition came into effect on October 24, 2024 and the transition to merge both organisations within Merri Community Health Services Limited will occur during the 2024-2025 financial year.

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.

Notes to the Financial Statements
For the year ended 30 June 2024

18 Related parties

Other than compensation paid to Key Management Personnel (refer note 14), 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 2024.

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	2024 \$	2023 \$
Financial assets at fair value			
Cash and cash equivalents	4	28,052,726	30,375,858
Trade and other receivables	5	1,126,946	355,277
Fixed Interest Investment portfolio	6	8,308,790	7,664,121
Total financial assets		37,488,462	38,395,256
Financial liabilities at fair value			
Trade and other payables	10	6,649,602	5,484,449
		6,649,602	5,484,449
Financial liabilities at amortised cost			
Lease liabilities	8	2,107,854	2,521,394
		2,107,854	2,521,394
Total financial liabilities		8,757,456	8,005,843

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 Road
 Brunswick Vic 3056

Notes to the Financial Statements
For the year ended 30 June 2024

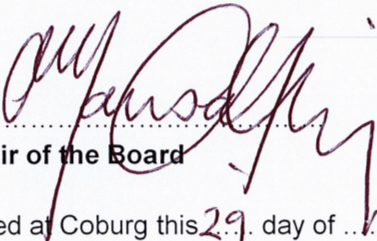
Responsible Entities' Declaration

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 24, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - (a) comply with Australian Accounting Standards - Simplified Disclosures and the *Australian Charities and Not-for-profits Commission Regulation 2012*; and
 - (b) give a true and fair view of the financial position as at 30 June 2024 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.


.....
Chair of the Board

Dated at Coburg this 29. day of ..N.O.V.. 2024.

Independent Auditor's Report

To the Directors of Merri Community Health Services Limited

Opinion	<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"> statement of financial position as at 30 June 2024 statement of comprehensive income for the year then ended statement of changes in equity for the year then ended statement of cash flows for the year then ended notes to the financial statements, including material accounting policy information responsible entities' declaration. <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"> giving a true and fair view of the financial position of the company as at 30 June 2024 and of its financial performance and its cash flows for the year then ended complying with Australian Accounting Standards—<i>Simplified Disclosures</i> and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2022</i>.
Basis for Opinion	<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 APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. 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>
Directors' responsibilities for the financial report	<p>The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards—<i>Simplified Disclosures</i> 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 of a financial report that gives a true and fair view and 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>

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.



Sanchu Chummar

as delegate for the Auditor-General of Victoria

MELBOURNE
2 December 2024