

GIPPSLAND LAKES COMMUNITY HEALTH
(ABN 39 041 514 660)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT

Your directors present this report on the Company for the financial year ended 30 June 2018.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Director	Date Appointed/Elected	Date of Resignation/Retirement
Jeffrey Wilson		
Carol Ross		
Darryl Andy		
Patricia Bryce		
Nicholas Earley		
Glenn Hodges		
Judith Congalton		
Philip Bogle		
Robyn Cooney		

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

Company Secretary

The following person held the position of Company secretary at the end of the financial year:

Susan Medson, Chief Executive Officer.

Principal Activities

The principal activity of the Company during the financial year was as follows:

Gippsland Lakes Community Health is a health service provider in East Gippsland, noted for the provision of health and community services, its ability to relate to and provide services to the most disadvantaged communities, and its championing of the social model of health.

There were no significant changes in the nature of the Company's activity during the financial year.

Operating Results

The surplus of the Company amounted to \$1,565,221 (2017: Surplus of \$417,722).

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

After Reporting Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Information on Directors

Director's Name:	Jeffrey Wilson
Position held:	Elected director
Special responsibilities:	Member of Finance Committee Member of GLCH/BRHS Alliance Committee
Qualification:	Diploma of Education Graduate Diploma in Electronic Computing Diploma in Metallurgy
Experience:	Victorian Education Department for 38 years, including 9 years as a Primary School Principal Deputy Chairperson Mallacoota Water Board (4 Yrs) Chairperson East Gippsland Network of Schools (5 Yrs) Chairperson Gippsland Lakes Community Health Board (10+ Yrs)
Director's Name:	Carol Ross
Position held:	Elected director
Special responsibilities:	Chair Member of GLCH/BRH Alliance Committee
Qualification:	Bachelor of Commerce Diploma of Financial Services Diploma of Management (Human Resources) Diploma in Frontline Management.
Experience:	Senior Management skills
Director's Name:	Darryl Andy
Position held:	Appointed director
Special responsibilities:	Nil
Qualification:	Certificate III in Aboriginal Education Assistant Graduate of Stronger Smarter Leadership Institute Training in Family Partnerships, Conflict Management and Building Community Futures
Experience:	Currently Koori Engagement Support Officer at the Lakes Entrance Secondary College. Previously Koori Educator at the Bairnsdale Secondary College. Chair of the Lakes Entrance Aboriginal Health Association (LEAHA) Involved in many Aboriginal forums and networks
Director's Name:	Judith Congalton
Position held:	Appointed director
Special responsibilities:	Vice Chair Member of Audit and Risk Committee
Qualification:	Bachelor of Applied Science – Advanced Nursing and Administration Registered Nurse and Midwife Diploma of Hospital Nursing and Unit Management Graduate of the Australian Institute Company Directors Graduate of Australian School of Management Senior Manager Program Graduate of Mt Eliza Business School Advanced Management Program Diploma of Project Management
Experience:	Worked in the health industry for over 45 years, for over 30 of these in senior leadership and management positions in a range of health organisations. Held positions on a number of health industry Boards. Sound understanding of the health environment, including policy, governance and funding frameworks as well as the issues and challenges of service delivery in rural Victoria.

Information on Directors (continued)

Director's Name: **Nicholas Earley**
Position held: Elected director
Special responsibilities: Chair of Finance Committee
Qualification: Bachelor of Arts
Graduate Diploma in Accounting
Graduate Diploma of Accounting and Finance
Experience: Worked in the State Public Service for almost 30 years, including the Department of Treasury and Finance.
Financial management experience both as a line manager and as a developer/implementer of new financial management reforms, covering budgeting, reporting and accountability.

Director's Name: **Glenn Hodges**
Position held: Elected director
Special responsibilities: Member of Audit and Risk Committee
Qualification: Bachelor of Jurisprudence
Bachelor of Law
Diploma of Finance Law
Experience: Lawyer who specialises in commercial, business and financial matters, including corporate governance.
Experienced company secretary for unlisted public companies and has served as director or secretary on other company boards, both for business and for community organisations.

Director's Name: **Philip Bogle**
Position held: Elected director
Special responsibilities: Member of Audit and Risk Committee
Qualification: Senior sergeant and officer in charge of the Lakes Entrance Police Station
Experience: Member of the Victorian Police for 37 years. A police officer in Melbourne for 18 years before moving to East Gippsland. Well known in the community and has strong local connections.

Director's Name: **Robyn Cooney**
Position held: Elected director
Special responsibilities: Member of Finance Committee
Qualification: Bachelor of Arts
Diploma's in Education, Business and Marketing.
Experience: Varied career in teaching, media, politics, hospitality, management and municipal government. Sound private sector background, coupled with more recent public service roles in the area of strategic development, plans and policy with East Gippsland Shire Council.
Volunteer Independent Member of the GLCH Audit and Risk Committee prior to election to the Board.

Director's Name: **Patricia Bryce**
Position held: Elected director
Special responsibilities: Chair of Audit and Risk Committee
Member of GLCH/BRHS Alliance Committee
Qualification: Bachelor of Education
Registered Nurse and Midwife
Certificate in Counselling, Family Planning, Sexual and Reproductive Health
Experience: Worked at major public hospitals and has experience on hospital and health service Boards.
Previously on the ethics committee at Howard Florey Institute of Neuroscience and Mental Health and other specialist advisory committees.
Currently a member of the Bairnsdale Regional Health Service community advisory committee.

Meetings of Directors

During the financial year, 10 meetings of directors were held. Attendance by each director was as follows:

Director	Number eligible to attend	Number attended
Jeffrey Wilson	10	8
Carol Ross	10	9
Darryl Andy	10	7
Patricia Bryce	10	8
Nicholas Earley	10	8
Glenn Hodges	10	8
Judith Congalton	10	9
Philip Bogle	10	7
Robyn Cooney	10	10

Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Contributions on winding up

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of \$1 towards meeting any outstanding obligations of the Company. At 30 June 2018 the total amount that members of the Company are liable to contribute if the Company is wound up is \$220.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under subdivision 60.40 of the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 8 of these financial statements.

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



Carol Ross
Chair and Director

Dated this 11th day of October 2018.

Auditor's Independence Declaration to the Board of Gippsland Lakes Community Health

I declare that, in relation to our audit of the financial report of Gippsland Lakes Community Health for the financial year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in respect of the audit.



CROWE HORWATH VIC



GORDON ROBERTSON

Partner

Date: 11 October 2018

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
Continuing operations			
Revenue			
Government contributions			
- Commonwealth government grants	1 (p)	2,458,895	2,431,588
- State government grants	1 (p)	12,817,061	10,679,178
- Other grants	1 (p)	7,408,307	5,068,252
Fee for service – agencies		4,618,701	4,546,635
Fees – clients		1,010,251	950,825
Interest income		309,503	346,648
Other income		500,535	556,200
Salary reimbursements		24,140	-
Gain on disposal of property, plant and equipment	2	-	26,994
Total revenue		29,147,393	24,606,320
Expenses			
Client costs		3,209,936	2,094,614
Contract services		276,836	366,639
Depreciation and amortisation expense	2	593,930	580,375
Employee benefits expense		20,677,531	18,683,231
Health promotion expenses		308,646	290,597
Information technology expenses		642,173	551,647
Medical supplies		86,498	104,450
Motor vehicle expenses		321,728	254,355
Non-capital equipment purchases		13,894	81,327
Occupancy costs		239,090	176,454
Office expense		655,602	503,060
Professional fees		85,446	69,418
Repairs and maintenance expenses		168,190	199,408
Staff expenses		290,737	233,023
Loss on disposal of property, plant and equipment	2	11,935	-
Total expenses		27,582,172	24,188,598
Surplus before income tax		1,565,221	417,722
Income tax expense	1(a)	-	-
Surplus for the year		1,565,221	417,722

The accompanying notes form part of these financial statements.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
Surplus for the year		1,565,221	417,722
Other comprehensive income for the year, net of income tax			
- Revaluation of land and buildings		336,512	-
Total comprehensive income for the year		<u>1,901,733</u>	<u>417,722</u>
Surplus attributable to:			
Members of the Company		1,901,733	417,722
Surplus for the year		<u>1,901,733</u>	<u>417,722</u>
Total comprehensive income attributable to:			
Members of the Company		1,901,733	417,722
Total comprehensive income for the year		<u>1,901,733</u>	<u>417,722</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	4,050,361	5,006,914
Trade and other receivables	4	538,895	584,903
Other financial assets	5	9,628,333	6,097,362
TOTAL CURRENT ASSETS		14,217,589	11,689,179
NON-CURRENT ASSETS			
Property, plant and equipment	6	11,992,032	11,255,946
Intangible assets	7	582,987	561,147
TOTAL NON-CURRENT ASSETS		12,575,019	11,817,093
TOTAL ASSETS		26,792,608	23,506,272
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	1,290,669	1,566,588
Provisions	9	3,817,655	3,125,232
Unexpended grants	10	4,078,247	3,163,965
Grants received in advance	11	2,706,185	2,746,197
TOTAL CURRENT LIABILITIES		11,892,756	10,601,982
NON-CURRENT LIABILITIES			
Provisions	9	707,566	613,737
TOTAL NON-CURRENT LIABILITIES		707,566	613,737
TOTAL LIABILITIES		12,600,322	11,215,719
NET ASSETS		14,192,286	12,290,553
EQUITY			
Retained surplus		10,409,745	9,262,248
Development fund	12(b)	1,296,205	878,481
Revaluation reserve	12(a)	2,486,336	2,149,824
TOTAL EQUITY		14,192,286	12,290,553

The accompanying notes form part of these financial statements.

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

	Retained surplus \$	Development fund \$	Revaluation reserve \$	Total \$
Balance at 1 July 2016	8,844,526	878,481	2,149,824	11,872,831
Surplus for the year	417,722	-	-	417,722
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	417,722	-	-	417,722
Balance at 30 June 2017	9,262,248	878,481	2,149,824	12,290,553
Balance at 1 July 2017	9,262,248	878,481	2,149,824	12,290,553
Surplus for the year	1,565,221	-	-	1,565,221
Other comprehensive income for the year	-	-	336,512	336,512
Total comprehensive income for the year	1,565,221	-	336,512	1,901,733
Transfer from development fund	(417,724)	-	-	(417,724)
Transfer to development fund	-	417,724	-	417,724
Balance at 30 June 2018	10,409,745	1,296,205	2,486,336	14,192,286

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Grants received		23,558,533	21,096,665
Fees received		5,674,960	5,871,760
Other receipts from customers		536,610	468,457
Payments to suppliers and employees		(26,293,592)	(22,694,601)
Interest received		309,503	346,648
Net GST (paid) / received		<u>(184,317)</u>	<u>226,877</u>
Net cash provided by operating activities	13	<u>3,601,697</u>	<u>5,315,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of plant and equipment		88,070	207,226
Payments for property, plant and equipment		(1,029,095)	(548,029)
Payments for intangible assets		(86,254)	(131,971)
Net purchase of investments		<u>(3,530,971)</u>	<u>(597,320)</u>
Net cash used in investing activities		<u>(4,558,250)</u>	<u>(1,070,094)</u>
Net (decrease) / increase in cash and cash equivalents		(956,553)	4,245,712
Cash and cash equivalents at beginning of year		<u>5,006,914</u>	<u>761,202</u>
Cash and cash equivalents at end of year	3	<u>4,050,361</u>	<u>5,006,914</u>

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover the Company, Gippsland Lakes Community Health, incorporated and domiciled in Australia.

Financial reporting framework

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the requirements of *section 60.40 of the Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC Regulation)* and meet the needs of the members.

For the purposes of preparing the financial statements, the Company is a not-for-profit.

Statement of Compliance

The financial statements have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 1054 *Australian Additional Disclosures*.

Basis of Preparation

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

Accounting Policies

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

(a) Income Tax

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.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(c) Property, Plant and Equipment

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

Property

Freehold land and buildings are shown either at cost or at their fair value based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are charged against fair value reserves directly in equity all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Property, Plant and Equipment (Continued)

Freehold land and buildings 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.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Plant and Equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

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, is depreciated on a straight line basis over the asset's useful life to the entity 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.

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

	Depreciation rates	Depreciation method
Buildings	2.5%	Prime Cost
Furniture and Fittings	10%-33.33%	Prime Cost
Motor Vehicles	20%	Diminishing Value
Plant & Equipment	10%-33.33%	Prime Cost

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

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

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

(d) Impairment of Assets

At each reporting date, the entity reviews the carrying values of its 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. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the assets ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of Assets (continued)

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

(e) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or losses' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. the amount at which the financial asset or financial liability is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. Loans and receivables

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

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

Derecognition

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

(f) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Other employee benefits payable later than one year have been measured at nominal value.

An employee benefit liability is classified as a current liability if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

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

(g) Provisions

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

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

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and 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.

Where the Company has unspent grants at the end of the financial year and those grants relate to that financial year, the unspent funding is treated as deferred income when funding bodies subsequently confirmed that the unspent portion can be rolled forward to future financial years.

If the conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

It is the policy of the Company to treat grant income as unexpended grants in the statement of financial position where the Company is contractually obliged to provide the services in a subsequent financial period, or in the case of specific project grants, where the project has not been completed.

Gippsland Lakes Community Health receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue (continued)

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(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 Taxation 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 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) Leases

Leases of plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

(k) Comparative Figures

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

(l) Current and non-current classification

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

An asset is current when:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

The Company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for impairment of receivables

The Board of Directors believe that all trade receivables are recoverable with the exception of \$5,000 which has been regarded as doubtful.

Grants in advance and unexpended grants

The Company assesses the grants in advance and unexpended grants by reference to the conditions attached to the grants and the timing of the receipt of grant monies in accordance with accounting policy disclosed at Note 1(h).

Employee benefits provision

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

(n) Economic Dependence

Gippsland Lakes Community Health is dependent upon the Department of Health, Department of Health and Human Services, Department of Education, Early Childhood Development and the Commonwealth Department of Health and Ageing for the majority of its revenue to provide services. At the date of this report the Board of Directors has no reason to believe that those sources of revenue will not continue.

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2018. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(p) Government Contributions from Funding Bodies

During the financial year ended 30 June 2018 there was a reallocation at a government level of which Departments provide government contributions to Gippsland Lakes Community Health. Prior year comparatives have been amended as the change did not occur during the financial year ended 30 June 2017.

	2018 \$	2017 \$
NOTE 2: EXPENSES		
Included in expenses are the following:		
<i>Depreciation and amortisation expense:</i>		
- Buildings	183,135	177,322
- Plant and equipment	111,211	109,851
- Motor vehicles	235,170	237,620
- Software	64,414	55,582
	<u>593,930</u>	<u>580,375</u>
<i>Operating lease expenses:</i>		
- Residential accommodation	60,698	26,667
- Vehicle leases	70,677	33,910
	<u>131,375</u>	<u>60,577</u>
Loss / (gain) on disposal of property, plant and equipment	<u>11,935</u>	<u>(26,994)</u>
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash at bank	4,046,961	5,003,914
Cash on hand	3,400	3,000
	<u>4,050,361</u>	<u>5,006,914</u>
NOTE 4: TRADE AND OTHER RECEIVABLES		
Trade receivables	364,278	430,392
Less: Provision for impairment of receivables	(5,000)	(5,000)
	<u>359,278</u>	<u>425,392</u>
Other receivables	179,617	159,511
	<u>538,895</u>	<u>584,903</u>
NOTE 5: OTHER FINANCIAL ASSETS		
Term deposits	<u>9,628,333</u>	<u>6,097,362</u>
NOTE 6: PROPERTY, PLANT & EQUIPMENT		
<i>Land:</i>		
At fair value	3,287,500	2,341,000
At cost	-	794,972
	<u>3,287,500</u>	<u>3,135,972</u>

	2018 \$	2017 \$
NOTE 6: PROPERTY, PLANT & EQUIPMENT (Continued)		
<i>Buildings:</i>		
Buildings at fair value	7,099,500	6,219,000
Buildings at cost	159,697	857,571
Leasehold improvements – Bruthen	16,322	16,322
Accumulated depreciation	-	(354,183)
	<u>7,275,519</u>	<u>6,738,708</u>
<i>Total land and buildings</i>	<u>10,563,019</u>	<u>9,874,680</u>
<i>Plant and equipment:</i>		
At cost	1,330,103	1,281,450
Accumulated depreciation	(922,152)	(1,028,526)
	<u>407,951</u>	<u>252,924</u>
<i>Motor vehicles:</i>		
At cost	1,625,217	1,595,069
Accumulated depreciation	(604,155)	(466,727)
	<u>1,021,062</u>	<u>1,128,342</u>
Total property, plant and equipment	<u>11,992,032</u>	<u>11,255,946</u>

Movements in Carrying Amounts

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

	Land and buildings \$	Plant and equipment \$	Motor vehicles \$	Total \$
2018				
Balance at 1 July 2017	9,874,680	252,924	1,128,342	11,255,946
Additions	534,962	268,501	225,632	1,029,095
Revaluation	336,512	-	-	336,512
Disposals	-	(2,263)	(97,742)	(100,005)
Depreciation	(183,135)	(111,211)	(235,170)	(529,516)
Balance at 30 June 2018	<u>10,563,019</u>	<u>407,951</u>	<u>1,021,062</u>	<u>11,992,032</u>
2017				
Balance at 1 July 2016	10,052,002	221,334	1,139,604	11,412,940
Additions	-	141,441	406,588	548,029
Disposals	-	-	(180,230)	(180,230)
Depreciation	(177,322)	(109,851)	(237,620)	(524,793)
Balance at 30 June 2017	<u>9,874,680</u>	<u>252,924</u>	<u>1,128,342</u>	<u>11,255,946</u>

Fair value of land and buildings

Land and buildings were revalued by Lee Property Valuers and Advisors, C. Jordan FAPI. The valuation, which conforms to Australian valuation standards in compliance with AASB13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*, and was determined by reference to the 'highest and best use of the asset. The effective date of the valuation was at 30 June 2018. Land and buildings acquired during the year has been recorded at the purchase cost which is deemed to approximate fair value.

2018	2017
\$	\$

NOTE 7: INTANGIBLE ASSETS

Software:

At cost	777,319	687,800
Accumulated amortisation	<u>(194,332)</u>	<u>(126,653)</u>
	<u>582,987</u>	<u>561,147</u>

Movements in Carrying Amounts

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

	Software	Total
	\$	\$
2018		
Balance at 1 July 2017	561,147	561,147
Additions	86,254	86,254
Amortisation	<u>(64,414)</u>	<u>(64,414)</u>
Balance at 30 June 2018	<u>582,987</u>	<u>582,987</u>
2017		
Balance at 1 July 2016	484,758	484,758
Additions	131,971	131,971
Amortisation	<u>(55,582)</u>	<u>(55,582)</u>
Balance at 30 June 2017	<u>561,147</u>	<u>561,147</u>
	2018	2017
	\$	\$

NOTE 8: TRADE AND OTHER PAYABLES

Current

Unsecured liabilities

Trade payables	289,895	467,922
Net GST payable	376,729	561,046
Accrued expenses and other payables	611,439	523,535
Trust scholarship	<u>12,606</u>	<u>14,085</u>
	<u>1,290,669</u>	<u>1,566,588</u>

	2018 \$	2017 \$
NOTE 9: PROVISIONS		
Current		
Annual leave	1,402,958	1,274,359
Accrued salaries	808,457	491,002
Accrued days off and professional development leave	111,033	69,051
Salary clearing accounts	5,720	2,828
Long service leave	<u>1,489,487</u>	<u>1,287,992</u>
	<u>3,817,655</u>	<u>3,125,232</u>
Non-current		
Long service leave	<u>707,566</u>	<u>613,737</u>
	<u>707,566</u>	<u>613,737</u>
Total provisions	<u><u>4,525,221</u></u>	<u><u>3,738,969</u></u>
(1) Current		
Unconditional and expected to be settled within 12 months	2,442,023	1,951,095
Unconditional and expected to be settled after 12 months	<u>1,375,632</u>	<u>1,174,137</u>
	<u>3,817,655</u>	<u>3,125,232</u>
(2) Non-current		
Conditional long service leave entitlements	<u>707,566</u>	<u>613,737</u>
NOTE 10: UNEXPENDED GRANTS		
These program funds are all committed for expensing in future financial periods		
Unexpended grants	<u>4,078,247</u>	<u>3,163,965</u>
NOTE 11: GRANTS IN ADVANCE		
Grants in advance	<u>2,706,185</u>	<u>2,746,197</u>
NOTE 12: RESERVES		
(a) Revaluation Reserve		
The revaluation reserve relates to the revaluation of land and buildings carried at fair value and is represented by:		
Land	1,184,270	1,173,500
Buildings	<u>1,302,066</u>	<u>976,324</u>
	<u>2,486,336</u>	<u>2,149,824</u>
(b) Development Fund		
The development fund reserve relates to post 30 June 2012 surplus funds set aside for future capital developments/business initiatives.		

	2018 \$	2017 \$
NOTE 13: RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH SURPLUS FOR THE YEAR		
Surplus for the year	1,565,221	417,722
<i>Non-cash flows from operations:</i>		
Depreciation and amortisation expense	593,930	580,375
Loss / (gain) on disposal of property, plant and equipment	11,935	(26,994)
 Changes in assets and liabilities:		
Decrease in trade and other receivables	46,008	283,315
(Decrease) / increase in trade and other payables	(275,919)	455,698
Increase in provisions	786,252	675,560
Increase in unexpended grants	914,282	1,224,011
(Decrease) / increase in grants in advance	(40,012)	1,706,119
	<u>3,601,697</u>	<u>5,315,806</u>

NOTE 14: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at reporting date (30 June 2017: \$nil).

NOTE 15: COMMITMENTS

(a) Operating lease commitments

Operating leases relate to seven vehicle leases and one property lease (2017: three vehicle leases) commitments as follows:

Not longer than 1 year	105,280	42,203
One to five years	63,317	-
	<u>168,597</u>	<u>42,203</u>

NOTE 16: EVENTS AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 17: AUDITORS' REMUNERATION

Remuneration of the auditor of the Company for:

- Auditing and review of the financial statements	<u>21,115</u>	<u>20,500</u>
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NOTE 18: COMPANY DETAILS

The registered office and principal places of business of the Company are:

Registered office:

18-28 Jemmeson Street
LAKES ENTRANCE VIC 3909

Principal places of business:

18-28 Jemmeson Street
LAKES ENTRANCE VIC 3909

281-285 Main Street
BAIRNSDALE VIC 3875

DIRECTORS' DECLARATION

The board of directors has determined that Gippsland Lakes Community Health is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, this special purpose financial report has been prepared in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

In the opinion of the directors the financial statements set out on pages 8 to 23 present a true and fair view of the financial position of Gippsland Lakes Community Health as at 30 June 2018 and its performance for the year ended on that date. The directors declare that:

1. At the date of this statement, there are reasonable grounds to believe that the Gippsland Lakes Community Health will be able to pay its debts as and when they become due and payable; and
2. The financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*:



Carol Ross
Chair and Director

Dated this 11th day of October 2018.

Independent Auditor's Report to the Members of Gippsland Lakes Community Health

Opinion

We have audited the financial report of Gippsland Lakes Community Health (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance and cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members, the *Corporations Act 2001* and the *ACNC Act* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Concludes on the appropriateness of the responsible entities' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe Horwath Vic

CROWE HORWATH VIC

G. Robertson

GORDON ROBERTSON
Partner

Signed in Bairnsdale this 15th day of October 2018