Mercy Connect Limited

Annual Financial Statements 30 June 2017

ABN 45 075 648 378

CONTENTS

DIRECTORS' REPORT

The Directors of Mercy Connect Limited (the 'Company') have pleasure in presenting their report on the financial statements of the Company for the financial year ended 30 June 2017 and the auditors' report thereon.

Directors

The names and details of the Directors of the Company in office at any time during or since the end of the financial year are:

Ian Thompson – Chairperson (from March 2015)
Appointed: August 2010
Occupation: Retired

Maureen Gleeson
Appointed: April 2012
Occupation: Congregational Representative

Michael O'Callaghan
Appointed: June 1998
Occupation: Chartered Accountant

Helen Monkivitch
Appointed: April 2015
Occupation: Executive Director Leadership and Mission

Marguerite Ryan
Appointed: May 2017
Occupation: People & Organisation Manager

Adrian McKelvie (resigned 28/02/2017)
Appointed: November 2006
Occupation: Accountant

Judith Doughty
Appointed: January 2017
Occupation: Business Owner

Lois Smith (resigned October 2016)
Appointed: February 2013
Occupation: Retired

Company secretary

Damian Lacey (CEO) was appointed to the position of Company Secretary in March 2016 and continues to act in this position as at and since the end of the financial year.

Principal activities, objectives and strategies

The principal activities of the Company in the course of the financial year were to provide services for people with disabilities, particularly those in unjust social situations and those with complex needs.

The Company's short-term objectives are to:

- Assist our participants to prepare for the National Disability Insurance Scheme
- Provide our staff with the delegations and resources to ensure person centred and sustainable service delivery
- Provide services to people with disabilities in Albury Wodonga, Orange and Narrabri regions of New South Wales and Victoria
- Be a sound and sustainable organisation delivering services to participants of the National Disability Insurance Scheme

The Company's long-term objectives are to:

- Support people with disabilities to live meaningful and connected lives
- Advocate to government and service providers for people with disabilities, particularly those treated unjustly and/or with the highest needs
- Be creative, innovative and embrace new service opportunities

To achieve these objectives the Company has adopted the following strategies:

- Investment in frontline leaders and teams who deliver person centred support services
- Invest in a highly skilled executive and management team

- Provide best practice information technology and data systems to underpin organisational efficiency
- Invest in an engaged and supported staff culture
- Develop a Quality Management System based on the international standard 9001:2015 to ensure continuous improvement

To better support these objectives the Board has amended the Strategic Plan, with a revised purpose, redefined values, strategic priorities and key performance indicators. The Plan has been supported with the commissioning of a Needs Analysis and Communications Strategy and a comprehensive training plan.

Operating and financial review

The Company's surplus for the year ended 30 June 2017 was $871,134 (2016: $486,046).

The Company is exempt from income tax.

Effective 1 July 2016, with the consent of ASIC, the company has changed its name from Mercy Centre Lavington Limited to Mercy Connect Limited.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and certain Executive Officers in respect of liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as Directors or Executive Officers of the Company. The Company has not indemnified its auditors.

Directors' meetings

The number of meetings of Directors held during the year and the numbers of meetings attended by each Director were as follows:

	Eligible to attend*	Number attended
I Thompson	11	11
M. O'Callaghan	11	10
A. McKelvie	6	5
M. Gleeson	11	8
L. Smith	4	1
H. Monkivitch	11	8
J. Doughty	6	5
M. Ryan	2	2

* Reflects the number of meetings held during the time the Director held office during the year

Dividends

The Company is a company limited by guarantee and therefore has not declared or paid any dividend during the financial year, nor is it recommended that any dividend should be declared or paid from the operating result disclosed in the financial statements.

State of affairs

There were no significant changes in the state of affairs that occurred during the financial year under review, not otherwise disclosed in this report or the financial statements.

DIRECTORS' REPORT (continued)

Events subsequent to balance date

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, to affect significantly the operations, or the state of affairs of the Company in subsequent financial years, except for the following: transition of funding from ADHC and DHHS to NDIA.

Likely developments

There are no significant likely developments not otherwise disclosed in this report.

Lead auditor's independence declaration

The lead auditor's independence declaration is set on page 4 and forms part of the Directors' report for the financial year ended 30 June 2017.

Directors' benefits

During or since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Company with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest;

Members guarantee

The Company is limited by guarantee. If the Company is wound up, the Memorandum of Association states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the Company. As at 30 June 2017 the number of members was 6 (2016: 6 members).

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Dated at Albury this 26th September 2017.

Signed in accordance with a resolution of the Directors.

Ian Thompson

Michael O'Callaghan

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services
491 Smollett Street
Albury NSW 2640 Australia
PO Box 500
Albury NSW 2640 Australia
Tel 02 6021 1111
Fax 02 6041 1892
www.crowehorwath.com.au

LEAD AUDITOR'S INDEPENDENCE DECLARATION

To: the Directors of Mercy Connect Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

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

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated at Albury this 26th of September 2017.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Income			
Revenue	4(a)	17,528,968	18,840,837
Other income	4(b)	248,580	296,941
Total income		**17,777,548**	**19,137,778**
Expenses			
Employee expenses		12,957,516	14,820,454
Depreciation and amortisation expense		333,704	312,263
Insurance		636,191	857,775
Occupancy expenses		320,907	332,384
Repairs and maintenance		263,805	295,481
Client house expenses		817,990	914,950
Administration and other expenses		1,886,818	1,435,750
Impairment Expense		-	82,520
Total expenses		**17,216,931**	**19,051,577**
Results from operating activities		**560,617**	**86,201**
Financial income		310,517	399,845
Financial expenses		-	-
Net financing income		**310,517**	**399,845**
Net profit for the period		**871,134**	**486,046**
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**871,134**	**486,046**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes set out on pages 9 to 26.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings $	Total $
Opening balance at 1 July 2015	**16,254,020**	**16,254,020**
Net profit for the period	486,046	486,046
Other comprehensive income	-	-
Closing balance at 30 June 2016	**16,740,066**	**16,740,066**
Net profit for the period	871,134	871,134
Other comprehensive income	-	-
Closing balance at 30 June 2017	**17,611,201**	**17,611,201**

The statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 9 to 26.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	6	11,355,891	12,886,238
Trade and other receivables	7	327,782	340,111
Other assets	8	58,063	4,912
Total current assets		**11,741,736**	**13,231,261**
Non-current assets			
Property, plant and equipment	9	11,154,804	11,142,850
Total non-current assets		**11,154,804**	**11,142,850**
Total assets		**22,896,540**	**24,374,111**
Liabilities			
Current liabilities			
Trade and other payables	10	2,147,294	4,561,837
Employee benefits	11	1,459,188	1,508,611
Client monies held in trust	12	1,234,554	1,256,049
Total current liabilities		**4,841,036**	**7,326,497**
Non-current liabilities			
Employee benefits	11	444,303	307,548
Total non-current liabilities		444,303	**307,548**
Total liabilities		**5,285,339**	**7,634,045**
Net assets		**17,611,201**	**16,740,066**
Equity			
Retained earnings		17,611,201	16,740,066
Total equity		**17,611,201**	**16,740,066**

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 9 to 26.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from service and other income		16,575,694	17,871,299
Interest received		339,415	425,458
Payments to suppliers & employees		(18,063,771)	(20,586,411)
Net cash provided by operating activities	13	**(1,148,662)**	**(2,289,654)**
Cash flows from investing activities			
Payments for property, plant and equipment		(432,393)	(752,633)
Proceeds from sale of property, plant and equipment		72,203	15,318
Net cash flows used in investing activities		**(360,190)**	**(737,315)**
Cash flows from financing activities			
Net increase/(decrease) provided by monies held in trust		(21,495)	62,564
Net cash flows provided from financing activities		**(21,495)**	**62,564**
Net increase in cash held		**(1,530,347)**	**(2,964,405)**
Cash at the beginning of the financial year		12,886,238	15,850,643
Cash at the end of the financial year	6	**11,355,891**	**12,886,238**

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 9 to 26.

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

1. ACCOUNTING POLICIES

Mercy Connect Limited is a company limited by guarantee domiciled in Australia and has its principal place of business located at Bottlebrush Street, Thurgoona, NSW, Australia.

The Company was formally known as Mercy Centre Lavington Limited and received ASIC approval to change its name effective 1 July 2016.

The financial statements were authorised for issue by the Directors on the 26th September 2017.

(a) Statement of compliance

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

Not-for-profit status
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Company has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Company has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention and, except where stated, do not take into account changing money values or fair value of assets.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 10 - Income in advance and acquittal funds (included with Trade and other payables);
- Note 11 - Employee benefits; and
- Note 19 – Contingencies.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

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

1. ACCOUNTING POLICIES (continued)

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the Australian Taxation Office. Revenue is measured on major income categories as follows:

Government grants
Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income is recognised when the Company obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Company and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 10.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

Interest revenue
Interest revenue is recognised as it accrues.

Sale of property, plant and equipment
The profit or loss on sale of an asset is recognised as other income and is determined when control of the asset has irrevocably passed to the buyer.

This is primarily when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

The above treatment is also applied when assets are gifted to other not for profit organisations. In these circumstances the written down value of the asset at the time of transfer is treated as a loss on disposal.

Income in advance
Fee for service revenue is recognised by reference to the period in which the services are rendered. Where service revenue of a reciprocal nature has been clearly received in respect of programs and services to be delivered in the following years, such amounts are deferred and are disclosed as income in advance.

Donations and bequests
Income arising from the contribution of an asset (including cash) to the Company shall be recognised when the following conditions have been satisfied:

(a) the Company obtains control of the contribution or the right to receive the contribution;

(b) it is probable that the economic benefits comprising the contribution will flow to the Company; and

(c) the amount of the contribution can be measured reliably at the fair value of the consideration received.

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

1. ACCOUNTING POLICIES (continued)

(c) Revenue recognition (continued)

'In kind' services
Significant services are periodically provided either free of charge or as a gift to the Company to assist in the operation of the Company or an event. Where possible appropriate material contributions of this nature are recognised at market value in the financial statements for the respective period in which they are received.

(d) Expenses

Operating lease payments
Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense and spread over the lease term. Note 18 discloses operating leases which judgement has been applied to categorise a substantial lease as non-onerous. Whilst the service delivery contract ceased in August 2016, it is currently under agreement with an agent to reassign the liability and also the possibility of recoupment of costs from ADHC acquittal funds.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and dividend income. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

The interest expense component of finance lease payments is recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

(e) Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease payments are accounted for as described in Note 1(d).

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

1. ACCOUNTING POLICIES (continued)

(f) Impairment of assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use in respect of not-for-profit entities is represented by the depreciated replacement cost when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows (i.e. property, plant and equipment).

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Receivables

Receivables are stated at their cost less impairment losses (refer Note 1(f)). Receivables are due for settlement no more than 30 days from the date of recognition unless specific payment arrangements have been approved.

(i) Property, plant and equipment

All Property, plant and equipment is stated at cost (or deemed cost) less depreciation and impairment losses.

Items of Property, plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on Motor Vehicles is calculated using the diminishing value method to allocate their cost at 20 % (2016: 20%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	2017	***2016***
Buildings	40 years	40 years
Computer equipment	2.5 years	2.5 years
Office equipment	2.5 years	2.5 years
Medical equipment	2.5 years	2.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Low value items
Fixed assets with a cost in excess of $5,000 are capitalised at historical cost and are depreciated over their estimated useful lives. Assets of less than $5,000 are expensed as equipment purchases. Fixed assets are first depreciated in the year of acquisition using the prime cost method of depreciation.

Construction work in progress
Construction work in progress represents accumulated costs associated with the construction of fixed assets. Cost includes all expenditure related directly to the specific project that can be capitalised in accordance with AASB 116 *Property, Plant and Equipment*.

At times construction projects are gifted to other organisations, once the project has reached its final stage. These coordinated and funded by the Company items are recognised as expenditure for the current period at the time of transfer of title.

Construction work in progress is presented as part of property, plant and equipment in the statement of financial position.

(j) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the reporting date which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the capitalised borrowings using the effective interest method.

(l) Monies held in trust

Monies held in trust relate to client monies that the Company controls on behalf of clients. Monies held in trust are classified as current liabilities because the Company does not have an unconditional right to defer settlement for more than 12 months.
The Company holds these monies in cash and cash equivalents, as disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES (continued)

(m) Employee benefits

A provision is recognised for employee benefits in respect of service up to the reporting date.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Other employee entitlements
A provision is recognised when there is a legal obligation as a result of a past event and it is possible that a future sacrifice of economic benefits will be required to settle the obligation, the timing of which is uncertain. These events relate primarily to the increases in award rates, notified after the original period of payment.

Sick leave does not vest and therefore is not provided for. It is recognised as an expense at the time the payment occurs.

Defined contribution superannuation funds
The Company contributes to employee’s superannuation plans in accordance with the Superannuation Guarantee Contribution legislation.

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

1. ACCOUNTING POLICIES (continued)

(n) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Company's operational cycle.

In the case of liabilities where the Company does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Income tax

The Company is exempt from the payment of income tax as it has Public Benevolent Institution Status.

(q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in the Company's financial statements.

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

3. PROPERTY LEASES

Mercy Connect Limited utilises a range of properties in providing support for people with disabilities.

For some properties, the Company incurs maintenance costs but does not hold title to either the land or buildings. Details of the properties used by the Company during the 2017 financial year are set out below.

Property Area	*Estimated annual rental value*	*Income recognised by Company (rent income)*	*Expense recognised by Company (included within occupancy expense)*
Albury	$561,652	$447,842	$168,445
Orange	$78,260	-	$7,897
Coffs Harbour	$105,670	$18,128	$32,702
Narrabri	$32,160	-	-
Tamworth	$16,843	-	$16,842
Total	**$794,585**	**$465,970**	**$225,887**

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

4. (a) REVENUE

	2017 $	2016 $
Government grants	15,310,561	16,275,262
Client fees	635,288	892,781
House board and lodging income	1,117,149	1,248,115
Rent income	465,970	424,679
Total revenue	17,528,968	18,840,837

(b) OTHER INCOME

	2017 $	2016 $
Donations received	10,500	10,500
Other income	252,996	291,504
Gain/(loss) on sale of plant & equipment	(14,916)	(5,063)
Total other income	248,580	296,941

5. OTHER EXPENSES

Profit has been arrived at after charging the following:

	2017 $	2016 $
Employee entitlements	70,504	79,338
Bad debts expense	16,305	14,646
Auditors' remuneration – Crowe Horwath audit services	24,826	31,402

No non audit services were provided by the auditor. The amounts disclosed above exclude out of pocket expenses recovered.

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

6. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and on hand	810,546	603,999
Term deposits – original maturity less than 3 months	6,276,546	9,939,130
Term deposits – original maturity greater than 3 months, less than 6 months	3,034,245	1,087,060
Client monies held in trust	1,234,554	1,256,049
Total cash and cash equivalents	11,355,891	12,886,238

The following restrictions on cash and cash equivalents exist as at balance date:

	2017 $	2016 $
External restrictions:		
• Client monies held in trust	1,234,554	1,256,049
• Donation restrictions	-	222,390
• Income in advance	50,000	36,792
• Acquittal funds	1,497,105	4,161,515
Internal restrictions:		
• Property development restrictions	-	-
• House accounts	1,138,766	1,249,636
• Employee entitlements	1,903,491	1,816,160
• Trade payables & ATO obligations	600,189	363,528
	6,424,105	9,106,070
Total unrestricted cash and cash equivalent balance	4,931,786	3,780,167

External restrictions represent undertakings to parties outside the Company.

Internal restrictions are effectively funds that the Board of Directors has set aside for planned specific projects or purposes, however there is no current obligations to external parties.

These may not be recorded as formal liabilities within the Statement of Financial Position as at year end.

Details of the individual restrictions are as follows:

- **Client monies held in trust** – relates to monies that the Company holds on behalf of clients. Refer to Note 1(l) and Note 12.
- **Donation restrictions –** comprises all material donations received by the Company from a variety of sources whereby the Company provides an undertaking to utilise the funds for specific purposes. Donations are initially recognised as revenue on receipt, but are tracked through the donation restrictions. As the funds are spent in accordance with specific criteria, the restriction reduces.
- **Income in advance & Acquittal funds** – relate to liabilities the Company has recognised in accordance with its revenue recognition accounting policy. Refer to Note 1(c) and Note 10.
- **Property development restrictions –** represents funds approved by the Board in relation to current and future capital work projects.
- **House accounts** – represents the Company's practice of ensuring client board and lodging income is used for appropriate client house expenses. This is internal policy only, with no external obligation.
- **Employee leave entitlements & trade payables** – represents liabilities the Company has recognised at balance date, as detailed at Note 10 and Note 11.

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

	2017 $	2016 $
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	252,400	228,162
Other receivables	43,613	51,282
Interest receivable	31,769	60,667
Total trade and other receivables	327,782	340,111

Trade receivables are shown net of an impairment provision of $0 (2016: $16,305).

	2017 $	2016 $
8. OTHER ASSETS		
Prepayments	58,063	4,912
9. PROPERTY, PLANT AND EQUIPMENT		
Land		
At cost	2,381,000	2,381,000
	2,381,000	2,381,000
Buildings		
At cost	9,196,507	9,248,093
Less accumulated depreciation	(1,157,228)	(926,267)
	8,039,279	8,321,827
Motor vehicles		
At cost	1,014,134	1,088,649
Less accumulated depreciation	(505,663)	(673,303)
	508,470	415,346
Computer equipment		
At cost	37,998	37,998
Less accumulated depreciation	(25,808)	(17,211)
	12,189	20,787
Office equipment		
At cost	94,045	94,045
Less accumulated depreciation	(94,045)	(94,045)
	-	-
Medical equipment		
At cost	11,066	11,066
Less accumulated depreciation	(11,066)	(11,066)
	-	-
Plant & equipment		
At cost	164,001	6,636
Less accumulated depreciation	(5,341)	(2,746)
	158,660	3,890
Capital WIP		
At cost	55,206	-
	55,206	-
Total property plant and equipment	11,154,804	11,142,850

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

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	2017 $	2016 $
Fixed asset reconciliation		
Land		
Carrying amount at beginning of year	2,381,000	2,381,000
Additions	-	-
Disposals	-	-
Carrying amount at end of year	2,381,000	2,381,000
Buildings		
Carrying amount at beginning of year	8,321,827	7,146,447
Additions	68,412	-
Prior year GST adjustment	(120,000)	-
Internal transfer	-	1,384,713
Disposals	-	-
Depreciation	(230,961)	(209,333)
Carrying amount at end of year	8,039,279	8,321,827
Motor vehicles		
Carrying amount at beginning of year	415,346	467,996
Additions	271,387	68,982
Disposals	(86,737)	(20,380)
Depreciation	(91,523)	(101,252)
Carrying amount at end of year	508,470	415,346
Office equipment		
Carrying amount at beginning of year	-	-
Additions	-	-
Disposals	-	-
Depreciation	-	-
Carrying amount at end of year	-	-
Computer equipment		
Carrying amount at beginning of year	20,787	21,494
Additions	-	-
Disposals	-	-
Depreciation	(8,598)	(707)
Carrying amount at end of year	12,189	20,787
Plant & equipment		
Carrying amount at beginning of year	3,890	4,862
Additions	157,365	-
Disposal	-	-
Depreciation	(2,595)	(972)
Carrying amount at end of year	158,660	3,890
Capital work in progress		
Carrying amount at beginning of year	-	805,078
Additions	55,206	662,155
Internal transfer	-	(1,384,713)
Impairment	-	(82,520)
Carrying amount at end of year	55,206	-
Total property plant and equipment	11,154,804	11,142,850

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

9. PROPERTY, PLANT AND EQUIPMENT (continued)

The Directors have assessed the recoverable amount of all land and buildings held at 30 June 2017 and believe there is no material impairment at balance date.

Property transfers to the Company:

In 2011 a number of properties were transferred to the Company. These transfers were a result of the Company updating its Articles of Association during the 2011 financial year. Historically, the Articles of Association had no specific provisions for the Company to hold property in its own name, and it was believed, as a matter of Canon Law, that Company property was required to be held by its auspicing body, Sisters of Mercy – Goulburn & Amalgamated Houses ('Sisters of Mercy').

As a result of an opinion the Company sought on Canon Law during the 2011 financial year, it was acknowledged by the Sisters of Mercy that the Company can hold such real property itself.

Consequently, on 30 June 2011, the Sisters of Mercy transferred a number of properties to the Company. All but one of the properties were transferred at nil cost.

In accordance with AASB 116 *Property, plant and equipment*, the Company has recognised these properties at deemed cost. Deemed cost was determined by reference to an estimated market value as at 30 June 2011 from a local real estate agent. A formal valuation is to be obtained following a full review of property holdings during the 2018 year.

10. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables and accruals	456,515	236,550
Income in advance	50,000	36,793
Acquittal funds relating to 2001-2006	123,513	247,025
Acquittal funds relating to 2007-2010	363,821	1,673,141
Acquittal funds relating to 2011-2012	-	29,292
Acquittal funds relating to 2013	-	609,035
Acquittal funds relating to 2014	-	652,374
Acquittal funds relating to 2015	329,995	623,517
Acquittal funds relating to 2016	-	327,131
Acquittal funds relating to 2017	466,828	-
Acquittal funds relating to ADHC Emergency fund	212,949	-
GST and PAYG tax payable	143,674	126,979
Total trade and other payables	2,147,294	4,561,837

Income in advance
As stated in Note 1, the Company is a not for profit entity for the purposes of AIFRS. The Company received government funding in relation to several programs, each of which has had an assessment conducted of the terms and conditions of the funding agreement.

Those funding agreements deemed to be non-reciprocal transfers are accounted for under AASB 1004 *Contributions*. Those deemed to be reciprocal transfers are accounted for under AASB 118 *Revenue*.

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

		2017 $	2016 $
11.	**EMPLOYEE BENEFITS**		
	Current		
	Accrued wages, superannuation and bonuses	250,427	233,609
	Annual leave	947,024	885,054
	Long service leave	261,737	389,948
		1,459,188	1,508,611
	Non-current		
	Long service leave	444,303	307,548
12.	**CLIENT MONIES HELD IN TRUST**		
	Client monies held in trust	1,234,554	1,256,049
	Total client monies held in trust	1,234,554	1,256,049
13.	**RECONCILIATION OF OPERATING SURPLUS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**		
	Net surplus	871,134	486,046
	Add/(less) non-cash items		
	Depreciation/amortisation	333,704	312,265
	Loss on disposal of plant & equipment	14,534	5,063
	Bad debts expense	-	14,646
	Impairment Expense	-	82,520
	Net cash provided by operating activities before Changes in assets and liabilities	1,219,371	900,540
	Change in assets and liabilities during the financial period		
	(Increase)/decrease in receivables	12,329	10,343
	(Increase)/decrease in other assets	(53,151)	13,149
	Increase/(decrease) in employee benefits	87,332	(294,054)
	Increase/(decrease) in payables	(2,414,543)	(2,919,632)
	Net cash provided by operating activities	(1,148,662)	(2,289,654)

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

14. RELATED PARTY TRANSACTIONS

Key management personnel

Non-executive directors

Ian Thompson	Chairperson
Adrian McKelvie	Resigned February 2017
Michael O'Callaghan	
Maureen Gleeson	
Lois Smith	Resigned October 2016
Helen Monkivitch	
Marguerite Ryan	Appointed May 2017
Judith Doughty	Appointed January 2017

Executives

Damian Lacey	Chief Executive Officer & Company Secretary (since March 2016)*
Dianne Suidgeest	Executive Leader Business & Finance (since March 2016)
Jessie Arney	Executive Leader People and Culture (since June 2016)
Caroline Cummins	Executive Leader Clinical Services (since July 2016)

* Damian Lacey was appointed to the position of Company Secretary in March 2016, and continues to act in this position.

Key management personnel compensation
The key management personnel compensation included in 'employee expenses' (see the statement of comprehensive income) is as follows:

	2017 $	2016 $
Short-term employee benefits	555,094	450,318
Long term benefits	9,140	6,262
Post employment benefits	50,515	37,827
	614,750	494,407

Key management personnel and director transactions
A number of key management personnel, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

Transactions with these related parties are disclosed below.

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

14. RELATED PARTY TRANSACTIONS (continued)

Other key management personnel transactions with the Company
The aggregate amounts recognised during the year relating to key management personnel and other related parties were as follows:

Key Management Personnel	Transaction	Note	2017 $	2016 $
			-	-

Other related parties

Institute of Sisters of Mercy of Australia and Papua New Guinea (former Company members were Sisters of Mercy – Goulburn & Amalgamated Houses)

	2017 $	2016 $
Stipend amounts were paid by the Company to the Sisters of Mercy during the year.	-	2,500
Donations received by the Company from the Sisters of Mercy for specific purposes.	-	-

15. ECONOMIC DEPENDENCY

The Company has economic dependency on both the Department of Ageing, Disability & Home Care (‘ADHC’), New South Wales and Department Health and Human Services (‘DHHS’), Victoria, as approximately 88% (2016: 86%) of the Company’s total revenue is sourced from these organisations. The current period funding agreements with ADHC and DHS expired on 30 June 2015. The DHHS agreement has been renewed for a further 3 years and will expire on 30 June 2018. The ADHC agreement has been renewed for a further period of 12 months to 30 June 2018 subject to participants transitioning to the National Disability Insurance Scheme (NDIS). The Company will be transitioning into the NDIS and therefore the economic dependency will reduce from ADHC and DHHS and dependency will be substantially with National Disability Insurance Agency (NDIA).

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

16. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	11,355,891	12,886,238
Loans and receivables:		
- Trade and other receivables	327,782	340,111
Total financial assets	**11,683,673**	**13,226,349**
Financial liabilities		
Financial liabilities at amortised cost:		
- Trade and other payables	2,147,294	4,561,837
- Monies held in trust	1,234,554	1,256,049
Total financial liabilities	**3,381,848**	**5,817,886**

The Company does not have any derivative instruments at 30 June 2017 (2016: $Nil).

Fair values versus carrying amount

The fair values of financial assets and liabilities were equal to the carrying amounts shown in the balance sheet as at reporting date.

17. CAPITAL COMMITMENTS

Capital expenditure commitments		
Property, Plant and equipment		
Contracted but not provided for and payable:		
Within one year	192,145	-
	192,145	

18. OPERATING LEASE COMMITMENTS

Lease commitments		
Operating leases - properties	107,417	121,005
Total lease commitments	**107,417**	**121,005**
Lease commitments are due as follows:		
Not later than one year	52,895	37,309
Later than one year but no later than five years	54,522	83,696
	107,417	**121,005**

An estimate of the market value of property operating leases is disclosed in Note 3.

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

19. CONTINGENCIES

Contingent liabilities considered remote

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote

Funding provided by ADHC and DHHS
ADHC and DHHS are the major source of funding for the Company. The nature of the funding relies on an annual acquittal process. There is an ongoing discussion with ADHC and DHHS regarding certain funding received and the way it has been applied. Where amounts are known as funds to be returned, unless specifically approved for specific use then these have been recognised as liabilities (refer Note 10).

Funding provided by (National Disability Insurance Scheme) NDIS
NDIA (National Disability Insurance Agency) was a minor source of funding for the Company in this current year, however participants will be fully transitioned into NDIS in the forthcoming year and will become a major source of funding whilst ADHC and DHHS will be phased out. Funding will be claimed in arrears and therefore it is expected there will be no acquittals for NDIA.

Legal matters
Within the industry the Company operates there is a history of complaints and litigation from clients or former employees. There is a possibility that future litigation may occur for past actions. Where required, the Company engages legal counsel to defend itself against such events.

20. EVENTS SUBSEQUENT TO BALANCE DATE

The Company continued transition into the National Disability Insurance Scheme (NDIS) effective from 1st July 2017, funding will continue to reduce from ADHC and DHHS as participants transition. The Company is planning for greater funding opportunities and ability generally to facilitate greater delivery of service capability as a result.

There has not arisen any other items 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, to affect significantly the operations, or the state of affairs of the Company in subsequent financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:-

1. the financial statements and notes, set out on pages 6 to 27, are in accordance with the *Australian Charities and Not-for--profits Commission Act 2012*, including:

   (a) giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the year ended on that date; and

   (b) complying with the Accounting Standards - Reduced Disclosure Requirements; and

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration was made in accordance with a resolution of the Board of Directors:

Dated at Albury this 26th September 2017.

Ian Thompson

Michael O'Callaghan

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services
491 Smollett Street
Albury NSW 2640 Australia
PO Box 500
Albury NSW 2640 Australia
Tel 02 6021 1111
Fax 02 6041 1892
www.crowehorwath.com.au

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERCY CONNECT LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mercy Connect Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Crowe Horwath.
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AUDITOR'S OPINION

In our opinion the financial statements of Mercy Connect Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements.

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Albury

Dated at Albury this 26th day of September 2017.