

MANNACARE INC.

Australian Business Number 15 698 364 348

REG No. A 3444S

National Approved Provider System ID 101

Financial Statements

For the Year Ended 30 June 2023



MannaCare
WIDER CHOICES FOR OLDER PEOPLE

MANNACARE INC.
ABN: 15 698 364 348

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For the Year Ended 30 June 2023

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MannaCare Inc. Directors' Report

The Directors present their report, together with the financial statements prepared as a General Purpose financial report - Simplified Disclosure Regime for the year ended 30 June 2023.

Directors

The following persons were Directors of MannaCare Inc. during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Bennie PSM – Chairman
Nusia Krollkowski – Deputy Chair
John Shaw – Treasurer
Ray Barrington
Peter Fuller
John Pappas
Selina Leung
Thilaka Satha

Mission

To assist older people in the Manningham Community to sustain and reinforce their independence, social relationships, personal wellbeing and community interaction.

Values

Professionalism throughout the organisation
Respect and Compassion for the Individual
Willingness to operate in an open and consultative way
Integrity and adherence to high ethical standards
Commitment to excellence and continuous improvement
Openness to innovation
Social Justice within the local community
Sustainability into the future

Principal activities

During the financial year the principal continuing activities of MannaCare Inc. consisted of the provision of high quality aged care and accommodation options to aged persons in the community. MannaCare Inc. is a not-for-profit organisation.
No significant changes in the nature of the entity's activity occurred during the financial year.

Operating and Financial review

Financial review

MannaCare Inc. reported a deficit of \$4,803,939 (2022: deficit \$671,186) for the year ended 30 June 2023 and continued to be materially impacted by COVID-19. The pandemic increased costs, reduced occupancy and revenue, the effects of which were only partially offset by additional Government funding.

Total revenue and other income of \$26,794,972 is an increase by 4% compared to the prior year ended 30 June 2022 of \$25,726,990. Average residential aged care occupancy for the financial year was 92.6% compared with 85.9% in the previous financial year. The aged care sector will continue to face occupancy challenges for the foreseeable future due to COVID-19.

MannaCare has continued to experience significantly increased staff expenses including additional overtime and use of agency contractors due to chronic workforce shortages caused by pre-existing sector challenges compounded by the continued impact of COVID-19. Staff expenses for the year ended 30 June 2023 were also impacted by a higher provision for employee entitlements required to reflect the Fair Work Commission's decision to increase modern award wage rates by 15% from 30 June 2023.

In a challenging industry environment including record low unemployment, visa delays and border closures, together with global shortages of registered nurses that have impacted workforce availability, management has remained focused on improved operational, clinical and financial performance.

MannaCare Inc. Directors' Report (continued)

Mandated Care Minutes

The Australian Government has committed to introducing the following requirements in relation to care minutes:

- Registered nurse on site 24 hours a day from 1 July 2023;
- Sector-wide average of 200 care minutes (including average 40 minutes of registered nurse) from 1 October 2023; and
- Sector-wide average of 215 care minutes (including average 44 minutes of registered nurse), from 1 October 2024.

MannaCare continues to undertake an organisational redesign to refocus resources towards more direct care. Staffing care minutes are being reported to the Department of Health & Aged Care on a quarterly basis.

Changes to Australian National Aged Care Classification (AN-ACC) Care Funding Model

In February 2023, the Fair Work Commission, as part of the Work Value Case for the aged care sector made a decision to increase modern award wage rates by 15% from 30 June 2023 for a number of direct care roles. In addition, the Fair Work Commission increased the minimum wage by 5.75% from 1 July 2023, following the Annual Wage Review decision.

As part of the 9 May 2023 Federal Budget, the Australian Government announced total funding of \$1.3 billion over four years to fund the modern award wage rates increase of 15% for over 250,000 direct care workers in the aged care sector. As a result, the industry average AN-ACC starting price from 1 July 2023 increased by \$26.30 per resident per day to \$243.10 per resident per day. Separately, a \$10.80 per resident per day Hotel Supplement was introduced from 1 July 2023 to cover the increased cost of every day living expenses. This additional funding has been passed onto direct care staff in the form of wage increases from 1 July 2023.

Cash flows and capital expenditure

MannaCare's principal sources of funds have been cash flows from operations however net cash used in operating activities for the year ended 30 June 2023 were \$2,165,813 (2022: Net cash provided by operating activities of \$1,197,874). RAD and accommodation bonds net inflows were \$2,728,752 (2022: net inflows of \$3,034,841). During the year, MannaCare invested \$937,505 (2022: \$1,455,480) in capital expenditure at the residential facilities.

Key business risks

The following risks identified by the MannaCare represent threats to its growth strategy. The organisation has a risk management framework in place to manage the risks identified.

Change in regulatory framework

The Australian Aged Care industry is partly funded by the Federal Government, and highly regulated. Regulatory and funding changes may have an adverse impact on the way MannaCare promotes, manages and operates its facilities, and on its financial performance.

The introduction of new legislation or changes in Government policies in relation to any or all of the existing legislation, including fees and charges, may adversely impact the entity's financial performance and future prospects. This includes the introduction of a new consumer-focused Aged Care Act and fee structure as announced by the Government in response to the recommendations of the Royal Commission into Aged Care Quality and Safety.

MannaCare has limited control over this area of risk however has robust systems and processes in place to manage business operational risks, this includes those that relate to aged care legislative compliance.

Loss of approvals or accreditation

Aged care facilities are required to hold approvals and be accredited in various ways, including clinical care requirements. These approvals are generally subject to periodic review and may be revoked in certain circumstances. Aged care facilities need approvals and accreditations to attract funding. If MannaCare does not comply with regulations and is unable to secure accreditation for the operation of its aged care facilities and resident places in the future, or if any of its existing approvals are adversely amended or revoked, this may adversely impact the MannaCare's financial performance. Additionally, if the entity is required to undertake facility refurbishments or make significant structural changes to facility buildings in order to retain its approvals or accreditations, the cost of these works may impact its financial performance.

MannaCare has policies and procedures in place that align with accreditation standards. Home staff are educated and regularly trained to ensure these standards are upheld and are supported by experienced quality managers and professionals.

MannaCare Inc. Directors' Report (continued)

Fall in occupancy levels

In the ordinary course of its business, MannaCare faces the risk that occupancy levels at any of its individual facilities may fall below expectations due to a number of factors, including severe influenza or viral gastro or COVID-19 outbreaks experienced in our community, reputational damage and loss of accreditation. Reduced occupancy levels may adversely affect MannaCare's general financial performance by reducing the amount of care and accommodation funding to which the entity is entitled, resident contributions, accommodation payments and RADs.

Occupancy is closely monitored daily at a home and management level with overall responsibility of occupancy resting with the CEO or similar. The Board is provided with occupancy data, trend analysis and action plans to address declines in occupancy and meet the consumers' changing expectations. MannaCare is supported by high quality facilities and a history of providing excellent care. All of the above measures are continually reviewed and amended to suit the dynamic environment the entity operates in.

Reputational damages

MannaCare operates in a commercially sensitive industry in which its reputation could be adversely impacted should it or the aged care industry generally, suffer from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care homes or incidents at aged care homes, health and safety issues affecting residents, staff or visitors, failure to ensure homes are well maintained or poor service delivery at homes. If there were to be any such adverse publicity, this may lead to a reduction in the number of existing residents at MannaCare's facilities or the its ability to attract new residents to its facilities, which occurrence may adversely impact MannaCare's financial performance and position and future prospects. Adverse media coverage may also lead to increased regulatory scrutiny in some areas and could have a material adverse effect on the MannaCare's financial performance.

MannaCare seeks to avoid reputational damage through a strong controls environment and enforcement of robust policies and procedures, to meet community and stakeholder expectations.

Loss of key personnel

MannaCare relies on a high-quality management team with significant business, financial and aged care knowledge and experience. The loss of key members of MannaCare's management team may undermine the MannaCare's ability to operate its business to the current standard and compromise its ability to comply with regulations and may reduce demand for existing services. Either of these occurrences may adversely impact on MannaCare's financial performance and position.

MannaCare has processes in place to manage the potential loss of key personnel. There are several core programs that are designed to identify and develop employees with specialist skill sets required for key management and leadership positions.

Decline in RADs

Residents with financial means may choose to pay a Refundable Accommodation Deposit (RAD) when coming into a home. The value of RADs are determined by the local aged care conditions and residential property market values. A number of factors can lead to a decline in RADs creating a risk for MannaCare. These include declining occupancy where a larger than expected number of RAD paying residents depart leading to a substantial and immediate outflow of funds, a reduction in value of RADs paid by new residents compared with departing residents, a shift away from new residents choosing to pay RADs and declining occupancy where RADs are repaid and not replaced.

To mitigate the risks associated with fluctuation in RADs, MannaCare maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD's and Accommodation bond balances that are expected to fall due within at least the next 12 months.

The information technology and cyber risks

Cyber threats are constantly evolving, including from foreign Groups targeting individuals and companies based in Australia and sophisticated phishing scams and cyber-attacks targeting the critical infrastructure that we manage. The privacy and security of resident and corporate information may be compromised in many ways, including a breach of IT systems and vendors' systems, unauthorised or inadvertent release of information or human error. Should MannaCare's systems be compromised, it could impact residents' trust, damage the MannaCare's brand and reputation, and potentially significantly disrupt operations.

A number of strategies to manage these cyber threats are in place which are being continually assessed and improved as appropriate.

MannaCare Inc. Directors' Report (continued)

Information on Directors

<p>John Bennie PSM Chairman</p>	<p>John has been a Director since 2016 and was elected as Chairman in 2021. John has held numerous executive roles during his 45 year career in local government, and most recently was the CEO of Greater Dandenong City Council. He has previously been the State and National President of Local Southern Melbourne Economy Working Group and a non executive Director of MAV Insurance and the Chisholm Institute. He is an active Rotarian and a Paul Harris Fellow, and holds tertiary and post graduate qualifications in Civil Engineering, Municipal Engineering and Business Administration.</p>
<p>Nusia Krolkowsk Deputy Chair</p>	<p>Nusia has been a director since 2014 and was elected Deputy Chair in 2021. She is Chair of the Operational Risk Committee and a member of the People and Governance and Promotion Advisory Committees. She is a registered Nurse and an experienced executive with 20 years in senior management positions in the aged care industry. She holds a Diploma of Business (Health and Community Services). She is also a past Director of the Manningham Youth and Family Services.</p>
<p>John Shaw Treasurer</p>	<p>John has been a Director since 2014. He is Chair of the Finance and Audit Committee, and a member of the People and Governance and Business Strategy Committees. John has had extensive executive experience in both the public and private sectors including the South Australian Government's Economic Development Authority and CSIRO Minerals. He has also been a non executive Director of a number of companies including Kambrook, McEwans and the Warrandyte Branch of the Bendigo Bank. He holds a Masters of Applied Science degree and is a member of CPA Australia and a Fellow of the Australian Institute of Company Directors. He is currently Treasurer of the Doncaster Tennis Club and a member and former director of the Rotary Club of Melbourne. He was awarded CSIRO Medals for Business Excellence in 2006 and 2008.</p>
<p>Ray Barrington</p>	<p>Ray has been a Director since 2012. He is Chair of the Promotion Advisory Committee, and a member of the People and Governance and Business Strategy Committees. Ray has a background in retail and ran their local family business for over 20 years. He was President of the Jackson Court Traders Association for 10 years and has been involved with a number of various clubs and organisations in the district. He was instrumental in bringing the community banks to Manningham and has been a Director of the Doncaster East and Templestowe Village branches of the Bendigo Community Bank for the past 17 years.</p>
<p>Peter Fuller</p>	<p>Peter has been a Director since 2017 and is a member of the Finance and Audit and Operational Risk Committees. Peter is an experienced business executive with over 35 years with Tier 1 vendors in the ICT industry. He holds a number of Directorships and is currently Managing Director of Micro Focus Australia, the Australian arm of Micro Focus International, a major listed global Infrastructure Software provider.</p>
<p>Selina Leung</p>	<p>Selina has been a Director since 2019 and is a member of the Finance and Audit, Promotion Advisory and Operational Risk Committees. Selina has worked in the banking industry for over 30 years and has had significant experience in project management and solution delivery in large corporate environments. She holds a BCom from Melbourne University, has Graduate Diplomas in Computer and in Finance and Investment from Latrobe University and the Securities Institute of Australia respectively, and has an Advanced Diploma in Project Management from the University of New England. She is currently a member of the Management Committee of the Chinese Senior Citizens Club of Manningham Inc. and of the Manningham Positive Ageing Alliance Group. Selina received the Menzies Community Australia Day Award in 2019 for valued contribution to local community.</p>
<p>John Pappas</p>	<p>John Pappas joined the Board of MannaCare in 2021, and is a member of the Finance and Audit, and People and Governance Committees. He is an experienced executive, Director and business owner with over 25 years of corporate experience. With sound business acumen and a strategic mindset he is committed to maintaining high professional standards and work ethic. His foundational career was within the Banking and Investment Banking arena and M&A experience in various sectors across the globe. John has gained a reputation for excellence as a trusted advisor to all his key stakeholders. A graduate member of the Australian Institute of Company Directors, he holds a Masters Degree of Applied Finance.</p>

MannaCare Inc. Directors' Report (continued)

Thilaka Satha	Thilaka has been a Director since 2019. She is Chair of the Business Strategy Committee and a member of the Operational Risk Committee. She is senior manager at the Department of Jobs, Precincts and Regions and has had over 15 years of experience in the Strategy, Policy and Corporate Governance Area. She has been involved in a number of legislative, policy and regulatory changes in the health sector and is currently a Board member of the Victorian Nursing and Midwifery Board of Australia. She has a legal background and has also worked overseas in the industrial tribunal in areas of employment relations. Thilaka holds a Master of International Business degree from Monash University.
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Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Attended	Full Board Held	Percentage
John Bennie PSM – Chairman	8	8	100
Nusia Krolkowski– Deputy Chair	8	8	100
John Shaw – Treasurer	6	8	75
Ray Barrington	8	8	100
Peter Fuller	6	8	75
John Pappas	6	8	75
Selina Leung	8	8	100
Thilaka Satha	7	8	88

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Percentage: represents the percentage of meetings the Director attended.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-profit Commission Act 2012 is set out immediately after this Directors' report.

Environmental regulation

MannaCare Inc. is not subject to any significant environmental regulation under any Commonwealth or State legislation. However, the Directors believe that the Entity has adequate systems in place for the management of the environmental regulations and are not aware of any breach of those requirements as they apply to the Entity.

Officers who were previously partners of the audit firm

There were no persons or officers of the entity during the financial year that were previously partners of the current audit firm, Banks Group.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year 30 June 2023 and up to the date of this report.


Events after the reporting period

No matters or circumstances have 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 of the Association, the results of those operations, or state of affairs of the Association, in future financial years.

Directors' interests

The Directors do not receive any remuneration for the performance of their duties as Directors.

On behalf of the Directors


John Bennie PSM – Chairman


John Shaw – Treasurer

Dated: 30 October 2023

Statement of Income and Expenditure and Other Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue	4	26,874,302	25,726,990
Employee benefits expense	5	(22,169,027)	(18,696,977)
Catering expense		(835,536)	(662,722)
Cleaning and laundry expenses		(976,210)	(756,507)
Depreciation and amortisation expense		(2,356,248)	(2,123,266)
Finance costs		(2,201,823)	(1,360,954)
Administration expenses		(1,050,847)	(870,054)
Repairs and maintenance expense		(319,460)	(399,867)
Client supplies and service expense		(795,964)	(823,102)
Energy and utilities expense		(377,877)	(279,412)
Other expenses		(369,282)	(36,975)
Deficit from operating activities		(4,577,972)	(282,846)
Other comprehensive income for the year			
Fair value movements on investments		(225,967)	(388,340)
Total comprehensive deficit for the year		(4,803,939)	(671,186)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	4,014,012	3,744,994
Trade and other receivables	7	2,057,439	2,095,476
Other financial assets	8	18,449,866	20,355,459
Inventories		171,443	117,945
Other assets	9	152,236	289,329
TOTAL CURRENT ASSETS		24,844,996	26,603,203
NON-CURRENT ASSETS			
Property, plant and equipment	10	9,438,943	10,060,826
Intangible assets	11	103,908	87,221
Right-of-use assets	12	7,599,784	8,468,330
TOTAL NON-CURRENT ASSETS		17,142,635	18,616,377
TOTAL ASSETS		41,987,631	45,219,580
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	5,302,144	5,548,148
Lease liabilities	12	735,931	683,759
Employee benefits	14	3,459,795	3,322,918
Other liabilities	15	24,964,436	22,587,971
TOTAL CURRENT LIABILITIES		34,462,306	32,142,796
NON-CURRENT LIABILITIES			
Employee benefits	14	63,404	74,997
Lease liabilities	12	7,971,645	8,707,575
TOTAL NON-CURRENT LIABILITIES		8,035,049	8,782,572
TOTAL LIABILITIES		42,497,355	40,925,368
NET ASSETS		(509,724)	4,294,212
EQUITY			
Reserve - Fair value movements on investments		(557,453)	(331,485)
Retained earnings		47,729	4,625,697
TOTAL EQUITY		(509,724)	4,294,212

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2023

	Reserve - Fair value movements on investments	Retained Earnings	Total
		\$	\$
2023			
Balance at 1 July 2022	(331,485)	4,625,696	4,294,212
Surplus/(deficit) for the year	-	(4,577,971)	(4,577,971)
Fair value movements on investments	(225,967)	-	(225,967)
Balance at 30 June 2023	(557,453)	47,726	(509,726)
2022			
Balance at 1 July 2021	56,855	4,908,542	4,965,397
Surplus/(deficit) for the year	-	(282,846)	(282,846)
Fair value movements on investments	(388,340)	-	(388,340)
Balance at 30 June 2022	(331,485)	4,625,696	4,294,212

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from government grants		17,046,693	15,414,349
Receipts from residents & clients		7,679,452	6,547,488
Donations		5	41,530
Other income		43,038	-
Payments to suppliers and employees		(27,627,284)	(21,952,632)
Interest received		2,894,106	2,508,093
Interest paid		(2,201,823)	(1,360,954)
Net cash provided by/(used in) operating activities	17	(2,165,813)	1,197,874
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property, plant and equipment		(937,504)	(1,455,480)
Redemption/(Placement) of term deposits		2,500,000	1,800,000
Purchase of financial assets		(820,374)	(3,136,133)
Net cash used by investing activities		742,121	(2,791,613)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Resident bonds refunded		(211,000)	(366,570)
RAD/RAC receipts from new residents		9,730,235	13,800,000
RAD/RAC refunds for residents		(7,142,770)	(10,398,589)
Payment of lease liabilities		(683,758)	(619,762)
Net cash used by financing activities		1,692,707	2,415,079
Net increase/(decrease) in cash and cash equivalents held		269,015	821,340
Cash and cash equivalents at beginning of year		3,744,994	2,923,651
Cash and cash equivalents at end of financial year	6	4,014,012	3,744,994

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

The financial report covers MannaCare Inc as an individual entity. MannaCare Inc is a not-for-profit Association registered and domiciled in Australia. The Association is registered with the Australian Charities and Not-for-profit Commission.

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

3. Basis of preparation

These general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures, and interpretations issued by the Australian Accounting Standards Board (AASB), and the *Australian Charities and Not-for profits Commission Act 2012*. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, vents and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial segments, except for cash flow information have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have rounded to the nearest dollar.

2. Summary of Significant Accounting Policies

(a) Comparative figures

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

(b) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods and services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

(b) Revenue and other income (continued)

Revenue from contracts with customers

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

None of the revenue streams of the association have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transactions will flow to the Association and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measure at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Government grants that relate to residential care subsidies from the Department of Health. Grant revenue is recognised in the statement of profit or loss and other comprehensive income when funds are received as they directly relate to the care provided to residents on a monthly basis.

Government grants that relate to home care subsidies from the Department of Health's Commonwealth Home Services Program are received in advance of the services being provided. The grant payments are brought to account as revenue only after services have been provided to home and community clients, with any remaining amount of grants paid but not earned being recognised as a liability owed to the Government.

Daily Accommodation payments (DAPs) are recognised as income when a resident has not paid the full balance of a refundable accommodation deposit from the date of entry into permanent care. DAPs may be drawn down from the refundable deposit or paid cash.

Revenue from home care packages consists of package management fees, care management fees and revenue from services directly provided to clients. The Association hold HCP funds in trust and acts as an agent to their clients, where services are purchased from an external third party. This is not recorded as revenue as the Association does not have control over the funds or goods or services purchased.

If the donations are for a special purpose, they may be appropriated to a reserve.
Donations and bequests are recognised as revenue when received.

Interest is recognised using the effective interest method.

Other revenue is recognised when the right to receive that revenue has been established.

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

(c) Income Tax

The Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

The organisations a public Benevolent Institution and charity registered with the Australian Charities and Not-for -profits Commission.

(d) Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, demand deposits and short term investments which are already convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash and are presented within current liabilities on the statement of financial position.

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

(e) Leases

For any new contracts entered into on or after 1 July 2019, the Association considers whether a contract is, or contains a lease. At inception of a contract, the association assesses whether a lease exists- i.e. Does the contract convey the right to control the use of an identified assets for a period of time in exchange for consideration.

This involves an assessment of whether:

The control involves the use of an identifies asset - this maybe explicitly or implicitly identified within the agreement. If the supplier has a substantive right the there is no identified asset.

The Association has the right to obtain substantially all the economic benefits front the use of the asset throughout the period of use.

The Association has the right to direct the use of the asset i.e. decision-making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense incurred.

Right-of-use asset

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

The right-of-use asset is measured using the cost model where cost ion initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any leas incentives received.

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

Lease liability

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

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

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

Exceptions to lease accounting

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

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

(e) Leases (continue)

Association as a lessor

Contracts with customers contain provisions for accommodation, use of common areas/facilities for provision of care and other services. The organisation has concluded that its contractual arrangements relating to the provision of residential aged care and retirement living accommodation are an operating lease pursuant to AASB 16, being the exclusive right to the use of a room/unit by a resident.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD, the organisation receives a financing benefit, being non-cash consideration, in the form of an interest free loan. On adoption of AASB 16, the fair value of this non-cash consideration is required to be recognised as income (to reflect the interest free loan financing benefit received on RADs) and, correspondingly, interest expense (to record the financial liability associated with RADs at fair value) with no net impact on profit or loss.

The application of AASB 16 for the year ended 30 June 2023 has been calculated based on:

- average RAD balance over the year; and
- interest rate equal to the Maximum Permissible Interest Rate (MPIR) of 7.46% applicable at 30 June 2023, which is a Government set interest rate used to calculate the Daily Accommodation Payment to applicable residents.

The organisation's Statement of Income and Expenditure and Other Comprehensive Income presents income of \$1,760,564 and an additional finance cost (i.e. interest expense) of \$1,760,564, with \$nil impact to net result for the year. The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adopting AASB 16.

(f) Goods and services tax (GST)

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 Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(g) Accounts receivable and other debtors

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(j) for further discussion on the determination of impairment losses.

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

(h) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured using the cost model and are therefore carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Association, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	6.7% - 25%
Furniture and Fittings	6.7% - 25%
Motor Vehicles	8.3% - 33%
Office Equipment	10% - 25%
IT Hardware	6.7% - 25%
Leasehold Improvements	7.1% - 33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(i) Intangible assets

IT Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4-5 years (20% - 25%).

(j) 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 organisation 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 transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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 amount with a consequential recognition of an income or expense item in profit or loss.

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss; and
- financial assets at amortised cost.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(i) Financial instruments

Amortised cost investments

Amortised cost investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the organisation's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the organisation recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual right to receipt of cash flows expires 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 when the related obligations are discharged, cancelled or have expired.

The difference between the carrying amount 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.

Notes to the Financial Statements

Note 2. Statement of significant accounting policies (continued)

(k) Inventories

Inventories represent consumables on hand, comprising of personal protective equipment, medical supplies, chemicals, food and beverage and continence supplies. Inventories are recorded at the lower of cost and net realisable value.

(l) Accounts payable and other payables

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

(m) Employee benefits

Short-term employee benefits

Provision is made for the organisation's obligation for short-term employee benefits arising from services rendered by employees to balance date. Short-term employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the obligation is settled, plus related on-costs.

Long-term employee benefits

Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service in accordance with AASB 119.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements of obligations for other long-term employee benefits for changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

Portable long service leave

From 1 July 2020, eligible employees of the Association have been covered by the Victoria Portable Long Service Benefits Scheme. The Association remits long service leave levies for eligible employees to the Portable Long Service Authority on a quarterly basis.

(n) Going Concern

The accompanying financial statements have been prepared assuming that MannaCare will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

As of and for the year ended 30 June 2023 MannaCare had a deficit from operating activities of \$4,577,972 and net liabilities of \$507,724. The cash used in operating activities was \$2,165,813.

The historical financial performance was assessed by the MannaCare Board as unsustainable, and in May 2023 the Board implemented a financial recovery plan, involving comprehensive operational and financial performance reviews of each of the services provided by MannaCare. This identified specific opportunities to improve revenue and reduce costs, and management is currently in the process of implementing a range of significant changes.

Since the completion of the financial year ended 30 June 2023, MannaCare has generated positive cash flows and a net surplus.

MannaCare is in a net current asset deficiency position. This deficiency principally arises due to refundable accommodation deposits ("RADs") and accommodation bonds being recorded as current liabilities as required under Australian Accounting Standards. However, in practice, RADs / accommodation bonds do not all fall due within twelve months, and those that are repaid are generally replaced by RADs from incoming residents in a short timeframe.

Notes to the Financial Statements

3. Critical accounting estimates and judgements

Those charged with governance make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

(a) Key estimates - Impairment

The Association

(b) Key estimates - fair value of assets and liabilities

The association has certain financial assets and liabilities which are measured at fair value. Where fair value is not able to be determined based on quoted price, a valuation model has been used. The inputs of these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected changes in these assumptions and inputs.

(c) Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectable. The impaired provision is based on the best information at the reporting date.

(d) Key judgements - employee benefits

For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short term employee benefits as obligations expected to be settled wholly before 12 months after the end the annual reporting period in which the employees render the related service. As the organisation expects that all of its employees would use all of their annual leave entitlement earned during a reporting period before 12 months after the end of the reporting period, the organisation believes that obligations for annual entitlements satisfy the definition of short term employee benefits and therefore, can be measured at the (undiscounted) amounts expected to be paid employees when the obligations are settled.



Notes to the Financial Statements

4. Revenue and Other Income

	2023	2022
	\$	\$
Operating Revenue		
Residents' and Clients' Fees	6,683,073	6,079,625
Investment income	784,521	292,060
Federal Government grants	15,415,861	15,507,054
NDIS	449,974	403,278
Accommodation charges	1,155,422	959,529
Donations and Subscriptions	5	41,467
Other revenue	624,882	1,575,977
State Government grants	-	17,598
Imputed Lease Revenue on RADs	1,760,564	850,402
Total Revenue	26,874,302	25,726,990

5. Specific Expenses

The following expense items are relevant in explaining the financial performance.

	2023	2022
	\$	\$
Employee benefits expenses		
Wages and salaries	19,431,983	16,410,078
Superannuation contributions	1,935,276	1,444,284
Workcover paid	379,163	263,968
Other employee expenses	422,605	578,647
Total Employee benefits expenses	22,169,027	18,696,977
Finance costs		
Interest on refundable RADS and Bonds	55,344	97,060
Imputed interest charge on RADs	1,760,564	850,402
Interest expense on property lease payable	385,915	413,492
	2,201,823	1,360,954



Notes to the Financial Statements

6. Cash and cash equivalents

	2023	2022
	\$	\$
Cash on hand	995	2,505
Cash at bank	4,013,017	3,742,489
	<u>4,014,012</u>	<u>3,744,994</u>

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	4,014,012	3,744,994
Balance as per statement of cash flows	<u>4,014,012</u>	<u>3,744,994</u>

7. Trade and Other Receivables

	2023	2022
	\$	\$
Current		
Trade receivables	1,339,935	1,327,620
Provision for impairment	(6,259)	(6,259)
	<u>1,333,676</u>	<u>1,321,361</u>
Other receivables	581,000	690,488
Interest receivables	142,763	83,627
	<u>2,057,439</u>	<u>2,095,476</u>

(a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

Balance at beginning of the year	6,259	137,758
Additional provision recognised	-	36,642
Provision used	-	(168,141)
Balance at end of the year	<u>6,259</u>	<u>6,259</u>

8. Financial Assets

	2023	2022
	\$	\$
Current		
Term deposits - at amortised cost	6,500,000	9,000,000
Fixed Interest Securities - FVTPL	11,949,866	11,355,459
	<u>18,449,866</u>	<u>20,355,459</u>

Amortised cost financial assets comprise short-term term deposits with maturity dates of 6 - 12 months and interest rates between 0.0% - 4.45%.

9. Other Assets

	2023	2022
	\$	\$
Current		
Prepayments	152,236	289,329
	<u>152,236</u>	<u>289,329</u>

Notes to the Financial Statements

10. Property, plant and equipment

	2023	2022
	\$	\$
Leasehold improvement		
Building capital improvement		
At cost	10,557,686	12,613,175
Accumulated depreciation	(3,023,405)	(4,464,091)
Total building capital improvement	<u>7,534,281</u>	<u>8,149,084</u>
Respite cottage and Gazebo		
At cost	426,894	426,894
Accumulated depreciation	(426,894)	(426,894)
Total respite cottage and Gazebo	<u>-</u>	<u>-</u>
Office Building		
At cost	511,934	511,934
Accumulated depreciation	(507,505)	(507,008)
Total office building	<u>4,429</u>	<u>4,926</u>
Total leasehold improvements	<u>7,538,710</u>	<u>8,154,010</u>
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	178,444	437,492
Total capital works in progress	<u>178,444</u>	<u>437,492</u>
Plant and equipment		
At cost	680,633	1,584,595
Accumulated depreciation	(281,889)	(1,290,326)
Total plant and equipment	<u>398,744</u>	<u>294,269</u>
Furniture, fixtures and fittings		
At cost	1,293,665	1,875,576
Accumulated depreciation	(408,191)	(1,138,951)
Total furniture, fixtures and fittings	<u>885,474</u>	<u>736,625</u>
Motor vehicles		
At cost	201,593	304,729
Accumulated depreciation	(84,652)	(168,145)
Total motor vehicles	<u>116,941</u>	<u>136,584</u>
Office equipment		
At cost	88,227	131,128
Accumulated depreciation	(66,721)	(91,848)
Total office equipment	<u>21,506</u>	<u>39,280</u>
Computer hardware		
At cost	409,390	412,513
Accumulated depreciation	(110,266)	(149,947)
Total computer hardware	<u>299,124</u>	<u>262,566</u>
Total plant and equipment	<u>1,900,233</u>	<u>1,906,816</u>
Total property, plant and equipment	<u>9,438,943</u>	<u>10,060,826</u>

Notes to the Financial Statements

10 Property, plant and equipment

(a) 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:

	Office Building	Building Capital Improvement	Capital Works In Progress	Plant and Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Computer Hardware	Total
Year ended 30 June 2022									
Balance at the beginning of the year	5,638	8,760,748	8,235	309,366	482,369	143,796	57,004	80,261	9,847,417
Additions	-	274,820	429,257	71,557	366,734	22,169	-	222,341	1,386,878
Disposals - written down value	-	-	-	-	-	-	-	-	-
Depreciation expense	(712)	(886,484)	0	(86,654)	(112,478)	(29,381)	(17,724)	(40,037)	(1,173,469)
Balance at the end of the year	4,926	8,149,084	437,492	294,269	736,625	136,584	39,280	262,565	10,060,826
	Office Building	Building Capital Improvement	Capital Works In Progress	Plant and Equipment	Furniture & Fittings	Motor Vehicles	Office Equipment	Computer Hardware	Total
Year ended 30 June 2023									
Balance at the beginning of the year	4,926	8,149,084	437,492	294,269	736,625	136,584	39,280	262,565	10,060,826
Additions	-	350,693	178,444	237,556	89,582	8,849	-	33,899	899,023
Transfers	-	-	(437,492)	10,302	300,478	-	-	82,589	(44,123)
Disposals - written down value	-	(1,015)	-	(26,902)	(25,958)	-	(515)	(414)	(54,805)
Depreciation expense	(497)	(964,481)	-	(116,480)	(215,253)	(28,492)	(17,259)	(79,516)	(1,421,978)
Balance at the end of the year	4,429	7,534,281	178,444	398,745	885,474	116,941	21,506	299,123	9,438,943

11 Intangible assets

	2023	2022
	\$	\$
Computer software		
At cost	192,207	513,739
Accumulated depreciation	(88,299)	(426,518)
Total computer software	103,908	87,221
Movements in Carrying Amounts		
Balance at the beginning of the year	87,220	99,869
Additions	38,482	68,598
Transfers	44,123	-
Disposals - written down value	(194)	-
Depreciation expense	(65,723)	(81,247)
Balance at the end of the year	103,908	87,220

12 Leases

The Association has three leases for the properties at 371 Manningham Road Doncaster and 383 Doncaster Road Doncaster. Each of these leases is reflected on the Statement of Financial Position as a right-to-use asset and a lease liability. Variable increments to lease payments based on CPI are excluded from the initial measurement of the lease liability and asset.

All of these leases have a lease term expiring on 30 March 2032 (including the uptake of reasonably certain options). Lease payments are generally fixed except for the head-lease for the land at 371 Manningham Road which is subject to annual CPI increases as well as rate increases/decreases based on periodic revaluations. Under AASB 16 lease payments are now shown as a split between an interest expense and a reduction in the liability. Any variable lease increments (e.g. CPI increments) will be expensed as a rental expense.

	2023	2022
	\$	\$
Right of use Asset		
Right of use asset	(11,073,970)	(11,073,970)
Accumulated	3,474,186	2,605,640
	(7,599,784)	(8,468,330)
Reconciliation of Right-of-use assets		
Year ended 30 June 2021	Land	Land
	\$	\$
Balance at beginning of year	8,468,329	9,336,876
Amortisation charge	(868,545)	(868,547)
	7,599,784	8,468,329

Notes to the Financial Statements

Lease liability	2023	2022
	\$	\$
Current	735,931	683,759
Non-current	7,971,645	8,707,575
	8,707,576	9,391,334

Statement of Income and Expenditure and Other Comprehensive Income

The amounts recognised in the statement of income and expenditure and other comprehensive income relating to leases where the Association is a lessee are shown below:

Amortisation expense	868,545	868,547
Interest expense	385,915	413,492
	1,254,460	1,282,039

13 Trade and Other Payables

	2023	2022
	\$	\$
CURRENT		
Trade payables and accrued expenses	2,244,926	2,726,151
Other payables	3,057,218	2,819,997
	5,302,144	5,546,148

14 Employee Benefits

	2023	2022
	\$	\$
CURRENT		
Employee benefits - Annual leave	2,186,777	1,916,875
Employee benefits - Long service leave	1,273,018	1,406,043
	3,459,795	3,322,918
NON-CURRENT		
Employee benefits - Long service leave	63,404	74,997
	63,404	74,997

15 Other Liabilities

	2023	2022
	\$	\$
CURRENT		
Bond liabilities	280,620	491,620
RAD & RAC liabilities	24,683,816	22,096,351
	24,964,436	22,587,971

Residents' accommodation bonds and refundable accommodation deposits are considered current liabilities as they are required to be repaid to residents within 14 days of leaving the facility. However, there is minimal likelihood that all residents will exit the facility at once. Notwithstanding sufficient liquidity is maintained to cover the expected repayment of liabilities.

Notes to the Financial Statements

16 Financial Risk Management

	2023	2022
	\$	\$
Financial Assets		
Cash and cash equivalents	4,014,012	3,744,994
Trade and other receivables	2,057,439	2,095,476
At Amortised Cost:		
Term deposits	6,500,000	9,000,000
Financial assets at fair value through profit or loss:		
Securities held with fund manager - FVTPL	11,949,866	11,355,459
	<u>24,521,317</u>	<u>26,195,929</u>
Financial liabilities at amortised cost:		
Trade and other payables	5,302,144	5,548,148
RAD & RAC liabilities	24,683,816	22,096,351
Bond liabilities	280,620	491,620
	<u>30,266,580</u>	<u>28,136,119</u>

17 Cash Flow Information

	2023	2022
	\$	\$
Reconciliation of net income to net cash provided by operating activities:		
Result for the year	(4,803,939)	(671,186)
Non-cash flows in result:		
- depreciation and amortisation	2,356,248	2,123,266
- net loss/(gain) on disposal of property, plant and equipment	54,998	-
- net (gain)/loss on revaluation of financial assets	225,967	388,340
- Imputed RAD interest income	(1,760,564)	(850,402)
- Imputed RAD interest expense	1,760,564	850,402
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	38,037	(802,761)
- (increase)/decrease in other assets	83,595	(188,384)
- increase/(decrease) in trade payables and accruals	(246,004)	155,192
- increase/(decrease) in provisions	125,284	193,408
Cash flows from operations	<u>(2,165,813)</u>	<u>1,197,874</u>

18 Economic Dependency

A significant portion of income for the association is from government grants under the Aged Care Act 1997. The income is received predominately from the Federal Government Department of Health.

Notes to the Financial Statements

19 Related Parties

There were no transactions between related parties during the course of the year ended 30 June 2023 (2022:nil).

20 Contingent Assets

Sundry Lease Accrual

A sundry lease in relation to land used by Cassia House has been in place since 01 July 2016. No lease invoices have been received in relation to this lease contract since 31 March 2020, meaning that approximately \$603k is owing to the landlord as at 30 June 2023 (30 June 2022: \$417k). This amount has been fully accrued as at 30 June 2023.

However, we expect that a portion of this liability will be treated as Covid-19 rent relief by the landlord, as MannaCare was significantly impacted by Covid-19 during this period. At year-end, we await clarity from our landlord on their position, with any adjustment to be determined subsequently. Any rent relief will be treated as reduced rent expense in FY2024, with an equivalent reduction in rent liability.

21 Key Management Personnel Remuneration

Chief Executive: Tracy Laethaisong 1 July 2023 to 22 June 2023

Chief Financial Officer : Jeremy Jones 1 July 2022 to 13 March 2023

Chief Financial Officer : Sandy Perri 14 March 2023 - to date

General Manager - Operations : Kirstin Fox 01 July 2022 to 7 October 2022

Acting Operations Manager - Residential : Hiromi Mathieson 8 Oct 2022 to 8 February 2023

General Manager - Quality & Risk : Hiromi Mathieson 9 February 2023 to 20 May 2023

Chief Operating Officer : Hiromi Mathieson 21 May 2023 to date

Remuneration of Directors

All directors hold honorary board positions and do not receive any compensation.

The totals of remuneration paid to the key management personnel of MannaCare Inc during the year are as follows: \$ 801,308 (2022: \$ 750,473).

22 Events after the end of the Reporting Period

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

23 Statutory Information

The registered office and principal place of business is:

MannaCare Inc

Waratah House

371 Manningham Road

Doncaster, Victoria 3108



Statement by Members of the Board

The members of the Board of MannaCare Inc declare that :


1. The financial statements and notes satisfy the requirements of 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 2023 and of its performance for the financial year ended on that date; and

(b) Complying with Australian Accounting Standards - Simplified Disclosure Regime (including the Australian Accounting Interpretations) ; and

2. There are reasonable grounds to believe that the registered entity is able to pay all of its debt, as and when they become due and payable; and

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



John Bennie PSM
Chairman



John Shaw
Treasurer

Dated: 30 October 2023

Mannacare Inc

ABN: 15 698 364 348

BANKS GROUP

Auditor's Independence Declaration under Section 60-40 of the Charities and Not-for-profits Commission Act 2012 to the Responsible Persons of Mannacare Inc

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Fisher FCA, Partner (auditor registration number 306364) on behalf of
Banks Group Assurance Pty Ltd, Chartered Accountants
Authorised audit company registration number 294178 (ACN 115 749 598)

30 October 2023
Melbourne, Australia

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Independent Audit Report to the members of Mannacare Inc

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mannacare Inc, which comprises the statement of financial position as at 30 June 2023, the statement of income and expenditure and other 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 statement by members of the board.

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

- (i) giving a true and fair view of the Association's financial position as at 30 June 2023 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosures 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 Association 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2(n) in the financial report, which indicates that the Association incurred a net deficit of \$4,577,972 during the year ended 30 June 2023 and, as of that date, the Association's current liabilities exceeded its current assets by \$9,617,310. As stated in Note 2(n), these events or conditions, along with other matters as set forth in Note 2(n), indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Financial Report

The Directors of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Simplified Disclosures and the ACNC Act, and for such internal control 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.

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

The Directors are responsible for overseeing the Association's financial reporting process.

Mannacare Inc

Independent Audit Report to the members of Mannacare Inc

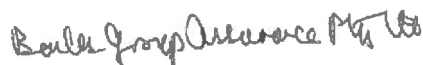
Auditor's Responsibilities for the Audit of the Financial Report

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 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 the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Banks Group Assurance Pty Ltd, Chartered Accountants
Authorised audit company number 294178 (115 749 598)



Andrew Fisher FCA, Partner
Registration number 306364

Melbourne, Australia
30 October 2023