

Health Services Union NSW

ABN 85 037 751 682

**Financial Statements
For the year ended 30 June 2021**

Health Services Union NSW

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30 June 2021

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**Health Services Union NSW
Council's certificate
30 June 2021**

We, Mark Sterrey, Gerard Hayes and Lynne Russell, being three members of the Union Council ('the Council') of Health Services Union NSW ('the Union'), do state on behalf of the Council, and in accordance with a resolution passed by the Council that:

(a) In the opinion of the Council, the attached financial report shows a true and fair view of the financial affairs of the Union as at 30 June 2021.

(b) In the opinion of the Council, meetings of the Council were held during the year ending 30 June 2021 in accordance with the rules of the Union.

(c) To the knowledge of any member of the Council, there have been no instances where records of the Union or other documents (not being documents containing information made available to a member of the Union under Sub-Section 512(2) of the *Industrial Relations Act 1991*, as applied by Sub-Section 282(3) of the *Industrial Relations Act 1996*) or copies of these records or documents, or copies of the rules of the Union, have not been furnished, or made available to the members in accordance with the requirements of the *Industrial Relations Act 1991*, the Regulations thereto, or the rules of the Union.

(d) The Union has complied with Sub-Sections 517(1) and (5) of the *Industrial Relations Act 1991*, in relation to the financial report in respect of year ended 30 June 2021, and the Auditors' Report thereon.



Mark Sterrey

President



Gerard Hayes

Secretary



Lynne Russell

Assistant Secretary/Treasurer

Dated: 31 August 2021

Health Services Union NSW
Accounting officers' report
30 June 2021

I, Lynne Russell, being the Officer responsible for keeping the accounting records of Health Services Union NSW, certify that as at 30 June 2021, the number of members of the Union was 46,812 (2020: 43,218).

In my opinion:

- (a) The attached financial report shows a true and fair view of the financial affairs of the Union as at 30 June 2021.
- (b) A record has been kept of all moneys paid by, or collected from, members and all moneys so paid or collected have been credited to the bank account to which those moneys are to be credited, in accordance with the rules of the Union.
- (c) Before any expenditure was incurred by the Union, approval of the incurring of expenditure was obtained in accordance with the rules of the Union.
- (d) With regard to funds of the Union raised by compulsory levies or voluntary contributions from members, or funds other than the General Fund operated in accordance with the rules, no payments were made out of any such fund for the purposes other than those for which the fund was operated.
- (e) No loans or other financial benefits were made to persons holding office in the Union.
- (f) The register of members of the Union was maintained in accordance with the Industrial Relations Act 1996.
- (g) gives the attached financial report a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended at 30 June 2021.

Lynne Russell

Lynne Russell

Assistant Secretary/Treasurer

Dated: 31 August 2021

Health Services Union NSW
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue			
Operating income	5	24,051,340	22,236,222
Other income	6	252,974	260,296
Total revenue		<u>24,304,314</u>	<u>22,496,518</u>
Expenses			
Employee benefits expense	7	(12,474,912)	(11,845,554)
Marketing and campaign expenses		(586,979)	(772,534)
Depreciation and amortisation expense	8	(1,380,065)	(1,296,738)
Consulting and professional fees		(761,273)	(568,412)
Insurance expenses		(1,838,698)	(1,470,156)
Utilities and telephone expenses		(804,613)	(789,781)
Computer and IT expenses		(450,911)	(404,284)
Office administration and travel expenses		(884,563)	(1,111,152)
Other expenses	9	(705,679)	(736,480)
Affiliation and capitation fees		(1,521,791)	(1,381,293)
Donations		(432,447)	(137,609)
Delegates conference expenses		-	(626,059)
Total expenses		<u>(21,841,931)</u>	<u>(21,140,052)</u>
Surplus for the year	20	2,462,383	1,356,466
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Superannuation actuarial gain		(48,287)	23,837
Superannuation actual return on fund assets		432,224	71,678
Other comprehensive income for the year		<u>383,937</u>	<u>95,515</u>
Total comprehensive income for the year		<u><u>2,846,320</u></u>	<u><u>1,451,981</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Health Services Union NSW
Statement of financial position
As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	10	3,717,905	3,240,718
Trade and other receivables	11	235,489	269,780
Inventories	12	37,244	-
Other financial assets	13	2,044,194	2,000,000
Other assets	14	1,678,265	979,901
Total current assets		<u>7,713,097</u>	<u>6,490,399</u>
Non-current assets			
Investment properties	16	12,453,212	11,274,665
Property, plant and equipment	15	6,831,831	6,828,723
Total non-current assets		<u>19,285,043</u>	<u>18,103,388</u>
Total assets		<u>26,998,140</u>	<u>24,593,787</u>
Liabilities			
Current liabilities			
Trade and other payables	17	996,116	1,005,863
Employee benefits	18	2,395,240	2,378,463
Provisions	19	11,176	27,683
Total current liabilities		<u>3,402,532</u>	<u>3,412,009</u>
Non-current liabilities			
Employee benefits	18	81,890	514,380
Total non-current liabilities		<u>81,890</u>	<u>514,380</u>
Total liabilities		<u>3,484,422</u>	<u>3,926,389</u>
Net assets		<u>23,513,718</u>	<u>20,667,398</u>
Equity			
Retained earnings	20	23,513,718	20,667,398
Total equity		<u>23,513,718</u>	<u>20,667,398</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Health Services Union NSW
Statement of changes in equity
For the year ended 30 June 2021

	Retained earnings \$	Total equity \$
Balance at 1 July 2019	19,215,417	19,215,417
Surplus for the year	1,356,466	1,356,466
Other comprehensive income for the year	<u>95,515</u>	<u>95,515</u>
Total comprehensive income for the year	<u>1,451,981</u>	<u>1,451,981</u>
Balance at 30 June 2020	<u><u>20,667,398</u></u>	<u><u>20,667,398</u></u>
	Retained earnings \$	Total equity \$
Balance at 1 July 2020	20,667,398	20,667,398
Surplus for the year	2,462,383	2,462,383
Other comprehensive income for the year	<u>383,937</u>	<u>383,937</u>
Total comprehensive income for the year	<u>2,846,320</u>	<u>2,846,320</u>
Balance at 30 June 2021	<u><u>23,513,718</u></u>	<u><u>23,513,718</u></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Health Services Union NSW
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		26,540,146	24,563,353
Payments to suppliers and employees (inclusive of GST)		<u>(23,682,198)</u>	<u>(22,018,879)</u>
Interest received		2,857,948	2,544,474
		<u>51,137</u>	<u>78,698</u>
Net cash from operating activities	31	<u>2,909,085</u>	<u>2,623,172</u>
Cash flows from investing activities			
Payments for property, plant and equipment	15	(566,668)	(1,281,300)
Payments for investments		(44,194)	(325,539)
Purchase of investment properties		(2,037,513)	(2,832,809)
Proceeds from disposal of property, plant and equipment and investment property		<u>216,477</u>	<u>220,347</u>
Net cash used in investing activities		<u>(2,431,898)</u>	<u>(4,219,301)</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		477,187	(1,596,129)
Cash and cash equivalents at the beginning of the financial year		<u>3,240,718</u>	<u>4,836,847</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>3,717,905</u></u>	<u><u>3,240,718</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Basis of preparation

The financial report covers Health Services Union NSW ('the Union') as an individual not-for-profit entity, incorporated and domiciled in Australia. The Union is an organisation of employees registered under the New South Wales Industrial Relations Act 1996. In accordance with the Act the Union is a body corporate and has perpetual succession. By virtue of this method of incorporation, the Union is not subject to the Corporations Act 2001.

The financial report of the Health Services Union NSW for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the Union Council ('the Council') on 31 August 2021. The Union has the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the New South Wales Industrial Relations Act 1996.

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

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

Note 2. Summary of significant accounting policies

Comparative figures

Comparative figures

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

Retrospective accounting policy

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

Revenue recognition

The Union enters into various arrangements where it receives consideration from another party. These arrangements include consideration in the form of membership subscriptions, capitation fees, levies, grants, and donations.

The timing of recognition of these amounts as either revenue or income depends on the rights and obligations in those arrangements.

Revenue from contracts with customers

Where the Union has a contract with a customer, the Union recognises revenue when or as it transfers control of goods or services to the customer. The Union accounts for an arrangement as a contract with a customer if the following criteria are met:

- the arrangement is enforceable; and
- the arrangement contains promises (that are also known as performance obligations) to transfer goods or services to the customer (or to other parties on behalf of the customer) that are sufficiently specific so that it can be determined when the performance obligation has been satisfied.

Note 2. Summary of significant accounting policies (continued)

Membership subscriptions

For membership subscription arrangements that meet the criteria to be contracts with customers, revenue is recognised when the promised goods or services transfer to the customer as a member of the Union.

If there is only one distinct membership service promised in the arrangement, the Union recognises revenue as the membership service is provided, which is typically based on the passage of time over the subscription period to reflect the Union's promise to stand ready to provide assistance and support to the member as required.

If there is more than one distinct good or service promised in the membership subscription, the Union allocates the transaction price to each performance obligation based on the relative standalone selling price of each promised good or service. In performing this allocation, standalone selling prices are estimated if there is no observable evidence of the price that the Union charges for that good or service in a standalone sale. When a performance obligation is satisfied, which is either when the customer obtains control of the good (for example, books or clothing) or as the service transfers to the customer (for example, member services or training course), the Union recognises revenue at the amount of the transaction price that was allocated to that performance obligation.

For member subscriptions paid annually in advance, the union has elected to apply the practical expedient to not adjust the transaction price for the effects of a significant financing component because the period from when the customer pays and the good or services will transfer to the customer will be one year or less.

When a member subsequently purchases additional goods or services from the union at their standalone selling price, the Union accounts for those sales as a separate contract with a customer.

Interest income

Interest revenue is recognised on an accrual basis using the effective interest method.

Rental income

Leases in which the Union, as a lessor, do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Income tax

No provision for income tax is necessary as the Union is exempt from income tax under Section 50 -15 of the Income Tax Assessment Act 1997.

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Union's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Union's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. The reclassification between cash and cash equivalents and other financial assets to reflect this policy has occurred during the year.

Note 2. Summary of significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Union has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Union has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Union has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Union recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Union's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 2. Summary of significant accounting policies (continued)

Financial instruments

Classification

The Union classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Union's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Union has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Union reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Union commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Union has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Union measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Union assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Union applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Property, plant and equipment

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

Plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	2.5%
Motor vehicles	22.5%
Office furniture and equipment	5% - 33.3%
Plant & equipment	10% - 50%

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

Note 2. Summary of significant accounting policies (continued)

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the Statement of Profit and Loss and Other Comprehensive Income in the year that the item is derecognised.

Investment properties

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight-line basis over 40 years.

Leases

The Union assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Union as a lessee

The Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Union applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Union as a lessor

Leases in which the Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment of non-financial assets

The carrying amount of non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purpose of assessing value in use of assets not held primarily to generate cash, this represents depreciated current replacement cost, as the Union is a not-for-profit organisation.

Impairment loss

Assets that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation change for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

Trade and other payables

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

Provisions

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

Note 2. Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Other employees benefits payable later than one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. In the case of Long Service Leave this results in an amount not materially different to that achieved by discounting future cash flows.

Employees of the Union are entitled to benefits from superannuation plans on retirement, disability, or death.

Define benefits superannuation schemes

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted every three years, with interim valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to the end of the reporting period where interim valuation is performed at an earlier date.

The superannuation schemes for Health Services Union NSW are:

- the State Authorities Superannuation Scheme (SASS); and
- the State Authorities Non-Contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the Schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed at 30 June 2024.

The superannuation expense includes net interest measured at and reported as defined benefit costs.

The amount recorded in profit or loss are limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in other comprehensive income with no subsequent recycling to profit or loss. Interest income is measured using the same discount rate used to measure the defined benefit obligation (market yields on 10 year Commonwealth government bonds).

Note 2. Summary of significant accounting policies (continued)

Other entities' responsibility for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of the fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Risks

There are a number of risks to which the Fund exposes the Union. The more significant risks relating to the defined benefits are:

Investment risk

The risk that investment returns will be lower than assumed, and the employer will need to increase contributions to offset this shortfall.

Longevity risk

The risk that pensioners live longer than assumed, increasing future pensions.

Pension indexation risk

The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

Salary growth risk

The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk,

Significant events

There were no fund amendments, curtailments or settlements during the year.

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 principal 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 interests. 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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Functional and presentation currency

The functional currency of the Union is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Union for the annual reporting period ended 30 June 2021. The Union has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical knowledge and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Union makes estimates and assumptions concerning the future. The resulting accounting estimates by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities include the determination of employee entitlements for long service leave, the asset or liability in respect of the defined superannuation plans, depreciation of property, plant and equipment, the fair value of available for sale financial assets and the going concern basis.

Critical judgements in applying the Union's accounting principles

The critical judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are those described in Notes.

Related party disclosures

Related parties for the purpose of the disclosures made in Note 28 of this financial report include Officers and entities in which Officers have a significant interest in, and their transactions with the Union.

Note 4. Information to be provided to members or registrar

In accordance with the requirements of the Industrial Relations Act, 1991 (NSW) the attention of members is drawn to the provisions of Sub-Sections (1) and (2) of Section 512 which reads as follows:

- (a) A member of an organisation, or the Industrial Registrar, may apply to the organisation for specified information prescribed by the regulations in relation to the organisation.
- (b) An organisation must, on the making of such an application, make the specified information available to the member or the Industrial Registrar in the manner, and within the time, prescribed by the regulations.

Health Services Union NSW
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Note 5. Operating income

	2021	2020
	\$	\$
Membership contributions	22,254,409	20,487,247
Service fees	520,102	400,000
Rental income	1,276,829	1,348,975
	<u>24,051,340</u>	<u>22,236,222</u>

Note 6. Other income

	2021	2020
	\$	\$
Other income	59,387	89,815
Profit for the sale of property, plant and equipment	174,016	93,612
Interest income	19,571	76,869
	<u>252,974</u>	<u>260,296</u>

Note 7. Employee benefits expense

	2021	2020
	\$	\$
Salaries and wages	10,800,627	10,185,471
Superannuation	1,108,106	1,043,931
Other employee expenses	566,179	616,152
	<u>12,474,912</u>	<u>11,845,554</u>

Note 8. Depreciation and amortisation expense

	2021	2020
	\$	\$
Depreciation - buildings	560,771	508,542
Depreciation - motor vehicles	363,754	344,980
Depreciation - furniture and fixtures	322,597	340,032
Depreciation - plant and equipment	132,943	103,184
	<u>1,380,065</u>	<u>1,296,738</u>

Note 9. Other expenses

	2021	2020
	\$	\$
Motor vehicle expenses	437,072	460,947
Other expenses	268,607	275,533
	<u>705,679</u>	<u>736,480</u>

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 10. Cash and cash equivalents

	2021	2020
	\$	\$
<i>Current assets</i>		
Cash on hand	4,490	5,000
Cash at bank	2,703,501	2,231,987
Cash on deposit	1,009,914	1,003,731
	<u>3,717,905</u>	<u>3,240,718</u>

Note 11. Trade and other receivables

	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	-	24,374
Accrued income	137,026	152,629
Defined benefit obligations	36,453	-
	<u>173,479</u>	<u>152,629</u>
Other receivables	62,010	92,777
	<u>235,489</u>	<u>269,780</u>

Note 12. Inventories

	2021	2020
	\$	\$
<i>Current assets</i>		
Finished goods - at cost	37,244	-
	<u>37,244</u>	<u>-</u>

Note 13. Other financial assets

	2021	2020
	\$	\$
<i>Current assets</i>		
Held to maturity financial assets	2,044,194	2,000,000
	<u>2,044,194</u>	<u>2,000,000</u>

Note 14. Other assets

	2021	2020
	\$	\$
<i>Current assets</i>		
Prepayments	1,556,379	976,815
Deposits	118,800	-
Rental bonds	3,086	3,086
	<u>1,678,265</u>	<u>979,901</u>

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 15. Property, plant and equipment

	2021 \$	2020 \$
<i>Non-current assets</i>		
Land and buildings - at cost	6,451,615	5,731,986
Less: Accumulated depreciation	<u>(2,762,606)</u>	<u>(2,341,172)</u>
	3,689,009	3,390,814
Plant and equipment - at cost	1,712,463	1,573,618
Less: Accumulated depreciation	<u>(1,430,810)</u>	<u>(1,297,867)</u>
	281,653	275,751
Fixtures and fittings - at cost	6,536,195	6,497,290
Less: Accumulated depreciation	<u>(4,524,127)</u>	<u>(4,201,530)</u>
	2,012,068	2,295,760
Motor vehicles - at cost	1,449,239	1,437,078
Less: Accumulated depreciation	<u>(600,138)</u>	<u>(570,680)</u>
	849,101	866,398
	<u>6,831,831</u>	<u>6,828,723</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Buildings \$	Plant and equipment \$	Fixtures and fittings \$	Motor vehicles \$	Total \$
Balance at 1 July 2019	3,534,115	226,876	2,070,992	773,672	6,605,655
Additions	-	152,059	564,800	564,441	1,281,300
Disposals	-	-	-	(126,767)	(126,767)
Depreciation expense	<u>(143,301)</u>	<u>(103,184)</u>	<u>(340,032)</u>	<u>(344,948)</u>	<u>(931,465)</u>
Balance at 30 June 2020	3,390,814	275,751	2,295,760	866,398	6,828,723
Additions	-	138,845	38,905	388,918	566,668
Disposals	-	-	-	(42,461)	(42,461)
Transfers in/(out)	445,542	-	-	-	445,542
Depreciation expense	<u>(147,347)</u>	<u>(132,943)</u>	<u>(322,597)</u>	<u>(363,754)</u>	<u>(966,641)</u>
Balance at 30 June 2021	<u>3,689,009</u>	<u>281,653</u>	<u>2,012,068</u>	<u>849,101</u>	<u>6,831,831</u>

Health Services Union NSW
Notes to the financial statements
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Note 15. Property, plant and equipment (continued)

Valuation of properties

The following valuations of properties have been conducted:

	Certified practising valuer	Date	Fair value \$
Property			
Unit 23/126-128 Auburn Street, Wollongong NSW	2	01/03/2019	520,000
Unit 5/2-6 Hunter Street, Parramatta NSW	3	08/03/2019	700,000
Level 2, 109 Pitt Street, Sydney NSW	1	12/03/2019	8,485,000
Unit 13, 15 Meadow Way, Banksmeadow NSW	4	07/03/2019	1,300,000
Total property			<u>11,005,000</u>
Investment property			
Lot 50/SP52105 / Lot 32/SP46628, 370 Pitt Street Sydney NSW	1	12/03/2019	1,050,000
Lot 34/SP70031 Level 8, 109 Pitt Street, Sydney NSW	1	12/03/2019	690,000
Level 3, 109 Pitt Street Sydney NSW	1	12/03/2019	7,470,000
Level 9, 109 Pitt Street Sydney NSW	1	12/03/2019	6,090,000
Lot 55-60/SP71295 Level 10, 109 Pitt Street Sydney NSW	1	12/03/2019	3,870,000
Lot 87/SP72095 Level 15, 109 Pitt Street Sydney NSW	1	12/03/2019	1,145,000
Suite 1306, 109 Pitt Street Sydney	5	17/01/2020	1,074,941
Suite 605, Level 6, 109 Pitt	5	31/03/2020	1,069,204
Suite 601, Level 6, 109 Pitt	5	14/04/2020	688,664
Suite 706, 109 Pitt Street Sydney	5	02/06/2021	2,037,513
Total investment property			<u>25,185,322</u>

- (1) M. Walsh, AAPI Certified Practising Valuer, Registered Valuer No. 67012, of Valuecorp.
- (2) Brendan Carr, AAPI Certified Practising Valuer, Registered Valuer No. 68248, of Martin Morris & Jones Pty Ltd.
- (3) D B Hayward, AAPI Certified Practising Valuer, Registered Valuer No. 68116, of Macquarie Bell Pty Ltd.
- (4) Tony Lenord, AAPI Certified Practising Valuer, Registered Valuer No. 67997, of Egan National Valuers (NSW).
- (5) For the properties purchased during the year 2020 & 2021, no valuation has been performed, however cost is accepted as fair value.

Note 16. Investment properties

	2021 \$	2020 \$
<i>Non-current assets</i>		
Property at cost	17,854,831	16,536,947
Less: Accumulated depreciation	<u>(5,401,619)</u>	<u>(5,262,282)</u>
	<u>12,453,212</u>	<u>11,274,665</u>

Health Services Union NSW
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Note 16. Investment properties (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	2021	2020
	\$	\$
Balance at the beginning of the period	11,274,665	8,807,097
Additions	2,037,513	2,832,809
Depreciation	(413,424)	(365,241)
Transfer to Land and buildings (own use)	(445,542)	-
	<u>12,453,212</u>	<u>11,274,665</u>

The fair value of the investment property is \$25,185,322 Note 15.

Note 17. Trade and other payables

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	240,210	167,336
Rental bonds collected	128,022	136,935
Member income in advance	208,199	260,741
GST payable	136,989	130,533
Other payables	282,696	310,318
	<u>996,116</u>	<u>1,005,863</u>

Note 18. Employee benefits

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Long service leave	1,096,711	1,039,626
Employee benefits	1,298,529	1,338,837
	<u>2,395,240</u>	<u>2,378,463</u>
<i>Non-current liabilities</i>		
Long service leave	81,890	166,896
Employee benefits*	-	347,484
	<u>81,890</u>	<u>514,380</u>

** Defined benefit plan*

Employees of the Union are entitled to benefits from superannuation plans on retirement, disability or death. The Union participated in twelve employer-sponsored superannuation plans. Two of these, State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS) are defined benefit plans. The following sets out details in respect of the defined benefit Superannuation plans only.

Note 18. Employee benefits (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

The amounts included in the Statement of Financial Position as net liability Defined Benefits Superannuation Plans are as follows:

	2021	2020
	\$	\$
Net defined benefit liability at start of year	347,484	442,999
Current service cost	49,092	123,113
Net interest on the net defined benefit liability	3,023	5,848
Actual return on fund assets less interest income	(432,224)	(71,678)
Actuarial losses arising from changes in financial assumptions	62,342	49,060
Actuarial losses arising from liability experience	(66,170)	(201,858)
	<u>(36,453)</u>	<u>347,484</u>

Reconciliation of the fair value of fund assets

	2021	2020
	\$	\$
Beginning of the year	3,588,333	5,163,924
Interest income	30,651	66,226
Actual return on Fund assets less interest income	432,224	71,678
Contributions by participants	17,528	36,750
Benefits paid	(95,179)	(1,715,562)
Taxes, premiums & expenses paid	59,170	(34,683)
	<u>4,032,727</u>	<u>3,588,333</u>

Reconciliation of the defined benefit obligation

	2021	2020
	\$	\$
Present value of defined benefit obligations at beginning of the year	3,935,817	5,606,923
Current service cost	49,092	123,113
Interest cost	33,674	72,074
Contributions by participants	17,528	36,750
Actuarial losses arising from changes in financial assumptions	62,343	49,060
Actuarial losses arising from liability experience	(66,170)	(201,858)
Benefits paid	(95,179)	(1,715,562)
Taxes, premiums & expenses paid	59,170	(34,683)
	<u>3,996,275</u>	<u>3,935,817</u>

Reconciliation of the effect of the Asset Ceiling

	2021	2020
	\$	\$
Adjustment for effect of asset ceiling at beginning of the year	-	-
Change in the effect of asset ceiling	-	-
	<u>-</u>	<u>-</u>

Adjustment for effect of asset ceiling at end of the year

Health Services Union NSW
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Note 18. Employee benefits (continued)

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Fair value of fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity as it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 2021

Asset category	Total (A\$'000)	Quoted prices in active markets for identical assets		
		Level 1 (A\$'000)	Significant observable inputs Level 2 (A\$'000)	Unobservable inputs Level 3 (A\$'000)
Short term securities	5,108,370	(2,398,668)	(2,709,702)	-
Australian Fixed Interest	903,816	-	(903,816)	-
International Fixed Interest	1,755,026	(45,227)	(1,709,799)	-
Australian Equities	8,310,657	(8,308,316)	(2,341)	-
International Equities	13,889,680	(13,884,532)	(5,148)	-
Property	3,287,730	(626,961)	-	2,660,769
Alternatives	8,529,711	(759)	(2,709,828)	5,819,124
Total	41,784,990	(25,264,463)	(8,040,634)	8,479,893

The percentage invested in each asset class at the balance sheet date:

	2021 %	2020 %
Short Term Securities	12	10
Australian Fixed Interest	3	3
International Fixed Interest	4	5
Australian Equities	20	18
International Equities	33	30
Property	8	8
Alternatives	20	26
	100	100

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Health Services Union NSW
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Note 18. Employee benefits (continued)

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

All Fund assets are invested by STC at arm's length through independent fund managers.

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets include as at 30 June 2021 \$41.4 million (2020: \$36.9 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$328 million (30 June 2020: \$340 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$443 million (30 June 2020: \$343 million).

Significant actuarial assumptions at the reporting date

Description	30 June 2021	30 June 2020
Discount rate	1.50%	0.87% pa
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2021.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Significant actuarial assumptions at the reporting date

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	as above	as above-0.5% pa	as above+0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	3,996,276	4,211,806	3,810,173

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 18. Employee benefits (continued)

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	3,996,276	4,143,012	3,863,933
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	3,996,276	4,055,172	3,941,484
	Base case	Scenario G Higher Mortality*	Scenario G Higher Mortality**
Defined benefit obligation (A\$)	3,996,276	4,038,517	3,991,996

*Assumes the short-term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.

**Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply from the years 2021 to 2026.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Employer contributions

	2021 \$	2020 \$
Expected employer contributions to be paid in the next reporting period	-	-

Surplus/deficit

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 "Financial Reporting by Superannuation Entities."

	2021 \$	2020 \$
Accrued benefits	2,658,280	2,458,927
Net market value of Funds assets	<u>(4,032,728)</u>	<u>(3,588,334)</u>
Net deficit	<u><u>(1,374,448)</u></u>	<u><u>(1,129,407)</u></u>

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 18. Employee benefits (continued)

Contribution recommendations

Recommended contribution rates for the Union are:

	Multiple of member contributions	% member salary
	n/a	n/a

Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Economic assumptions

The economic assumptions adopted for the 30 June 2021 actuarial investigation of the Pooled Fund are:

Weighted average assumptions	30 June 2021	30 June 2020
Expected rate of return on Fund assets backing current pension liabilities	6.5% pa	7.0% pa
Expected rate of return of Funds assets backing other liabilities	5.7% pa	6.0% pa
Expected salary increase rate (excluding promotional salary increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Expected rate of CPI increase	2.0% pa	2.0% pa

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

Maturity profile

The weighted average duration of the defined benefit obligation is 11.1 years (2020: 10.7 years).

Note 19. Provisions

	2021 \$	2020 \$
<i>Current liabilities</i>		
Building make good provision	11,176	27,683

Note 20. Retained earnings

	2021 \$	2020 \$
Retained earnings at the beginning of the financial year	20,667,398	19,310,932
Movement in actuarial gains	383,937	-
Retained earnings at the beginning of the financial year - restated	21,051,335	19,310,932
Surplus for the year	2,462,383	1,356,466
Retained earnings at the end of the financial year	23,513,718	20,667,398

Note 21. Financial risk management

The main risks the Union is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Union's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and derivatives.

The total for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2021	2020
	\$	\$
Financial Assets		
Cash and cash equivalents	3,717,905	3,240,718
Loans and receivables	354,289	269,780
Other financial assets	2,044,194	2,000,000
Total financial assets	<u>6,116,388</u>	<u>5,510,498</u>
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	<u>996,116</u>	<u>1,005,863</u>

Financial risk management policies

The Union Council has overall responsibility for the establishment of Health Services Union NSW's financial risk management framework.

The day-to-day risk management is carried out by Health Services Union NSW's finance function under policies and procedures which have been approved by the Union. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the policies and procedures. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate movements.

The Union does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Health Services Union NSW and arises principally from Health Services Union's receivables.

The receivables of the Health Services Union NSW are with lessees and members. Bank guarantees are in place to secure the receivables from lessees and member fees are automatically deducted as part of their salary and wages.

Liquidity risk

Liquidity risk arises from the possibility that the Union might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Union manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- using interest rate swaps to manage interest payments;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Health Services Union NSW ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

Health Services Union NSW
Notes to the financial statements
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Note 21. Financial risk management (continued)

Liquidity Risk - Asset maturity analysis

The table below reflect maturity analysis for financial assets.

	2021	2020
	\$	\$
Financial assets - cash flows realisable within one year		
Cash and cash equivalents	3,717,905	3,240,718
Trade, term and loans receivables	354,289	269,780
Held-to-maturity investments	<u>2,044,194</u>	<u>2,000,000</u>
Total anticipated inflows	<u><u>6,116,388</u></u>	<u><u>5,510,498</u></u>

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis

	2021	2020
	\$	\$
Financial liabilities due for payment within one year		
Trade and other payables (excluding estimated annual leave)	996,116	1,005,863
Total contractual outflows	<u><u>996,116</u></u>	<u><u>1,005,863</u></u>

The timing of expected outflows is not expected to be materially different from contracted cashflows, with the exception of the borrowings in the year ended 30 June 2021. They were classified as current liabilities due to the Union not having an unconditional right to defer settlement beyond 12 months.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Union is also exposed to earnings volatility on floating rate instruments.

Financial instrument composition and maturity analysis

The Union's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Not-interest bearing	Remaining contractual maturities
2021	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	-	-	-	-	-	3,717,905	3,717,905
Held-to-maturity investments	0.45%	2,044,194	-	-	-	-	2,044,194
Total non-derivatives		<u>2,044,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,717,905</u>	<u>5,762,099</u>

Health Services Union NSW
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Note 21. Financial risk management (continued)

2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Not-interest bearing \$	Remaining contractual maturities \$
Financial Assets:							
Cash and cash equivalents	-	-	-	-	-	3,240,718	3,240,718
Held-to-maturity investments	1.95%	2,000,000	-	-	-	-	2,000,000
Total non-derivatives		<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,240,718</u>	<u>5,240,718</u>

Note 22. Fair value measurement

The Union measures the following assets and liabilities at fair value on a recurring basis:

- Financial liabilities - interest rate swap.
- All other financial assets and financial liabilities the fair value approximates the carrying amount.

Fair value hierarchy

The following tables detail the incorporated association's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Buildings (note 15)	-	-	11,005,000	11,005,000
Investment properties (note 15)	-	-	25,185,322	25,185,322
Total assets	<u>-</u>	<u>-</u>	<u>36,190,322</u>	<u>36,190,322</u>
2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Buildings (note 15)	-	-	9,705,000	9,705,000
Investment property (note15)	-	-	21,615,000	21,615,000
Total assets	<u>-</u>	<u>-</u>	<u>31,320,000</u>	<u>31,320,000</u>

There were no transfers between levels during the financial year.

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to Accounting officers and other members of key management personnel of the incorporated association is set out below:

	2021	2020
	\$	\$
Short-term employee benefits	2,009,936	1,844,016
Long-term benefits	(33,822)	(93,406)
Post-employment benefits	195,245	413,024
	<u>2,171,359</u>	<u>2,163,634</u>

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 23. Key management personnel disclosures (continued)

Name of officers

The following persons were Officers of HSU NSW during all or part of the year ending 30 June 2021.

Names of responsible persons

Name	Position	Status
Mark Sterrey	President	Re-elected 16 July 2018
Lindy Twyford	Senior Vice President	Elected 16 July 2018
Steven Fraser	Junior Vice President	Elected 16 July 2018
	Member of Audit & Finance Committee	
Gerard Hayes	Secretary	Re-elected 16 July 2018
Lynne Russell	Assistant Secretary/Treasurer	Elected 3 October 2018
Kim Hadson	Ordinary Member of Union Committee	Elected 16 July 2018
Laycombe Reilly	Ordinary Member of Union Committee; Member of Union Council (Health Managers)	Elected 28 March 2019
Thelma Thames	Ordinary Member of Union Committee	Elected 16 July 2018
Melissa Todhunter	Ordinary Member of Union Committee	Elected 16 July 2018
Doris Borg	Ordinary Member of Union Committee	Appointed 24 November 2020
Michael Callinan	Member of Union Council; (Ambulance) Member of Audit & Finance Committee	Elected 16 July 2018
Joan Catlin	Member of Union Council; (Southern NSW LHD) Member of Audit & Finance Committee	Re-elected 16 July 2018
Darriea Turley	Member of Union Council; (Far West LHD) Member of Audit & Finance Committee	Re-elected 16 July 2018
Toni Winters	Member of Union Council (Mid North Coast LHD) Member of Audit & Finance Committee	Elected 16 July 2018
Robert Aney	Member of Union Council (Sydney LHD)	Elected 16 July 2018
Graeme Baillie	Member of Union Council (Murrumbidgee LHD)	Elected 16 July 2018
Bryan Billington	Member of Union Council (Western NSW LHD)	Elected 16 July 2018
Sharon Carney	Member of Union Council (Southern NSW LHD)	Re-elected 16 July 2018
Alison Curry	Member of Union Council (Aged Care)	Appointed 24 November 2020
Leesa Franks	Member of Union Council (South Eastern Sydney LHD)	Resigned 3 February 2021
Sanu Ghimine	Member of Union Council (Aged Care)	Appointed 24 November 2020
Edalina Hondros	Member of Union Council (South Western LHD)	Elected 16 July 2018
Paul Jones	Member of Union Council (Aged Care)	Appointed 24 November 2020
Jeffrey Knee	Member of Union Council (Hunter New England LHD)	Re-elected 16 July 2018
John Lawrence	Member of Union Council (Western Sydney LHD)	Re-elected 16 July 2018
Suzanne McGuire	Member of Union Council (Central Coast LHD)	Elected 16 July 2018
William Oddie	Member of Union Council (Northern NSW LHD)	Re-elected 16 July 2018
Josephine Peacock	Member of Union Council (Aged Care)	Re-elected 16 July 2018
Gillian Kay-Powers	Member of Union Council (Illawarra-Shoalhaven LHD)	Re-elected 16 July 2018
Donna Riley	Member of Union Council (Hunter New England LHD)	Elected 16 July 2018
Nabanita Roy	Member of Union Council (Eastern Sydney LHD)	Appointed 23 February 2021 Resigned 11 June 2021
Bruce Rowling	Member of Union Council (Northern Sydney LHD)	Re-elected 16 July 2018
Andrew Teece	Member of Union Council (Nepean Blue Mountains LHD)	Elected 16 July 2018

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 23. Key management personnel disclosures (continued)

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of Health Services Union NSW during the financial year.

Gerard Hayes	Secretary
Lynne Russell	Assistant Secretary/Treasurer
Ben Chapman	Chief of Staff
Angela Nigro	Chief Financial Officer
Ayshe Lewis	Industrial & Employee Services Manager
Lauren Hutchins	Divisional Manager - Aged Care Sector
Stuart Hatter	Divisional Manager - Ambulance
Jafar Kazmi	Divisional Manager - Public Health
Adam Hall	Political Manager
Rachel Collier	Membership & Administration Manager
Joanne Gad	Business Analyst Manager
Rob Sheehy	Divisional Manager - Public Metro Sector - resigned
Jessica Epps	Divisional Manager - Private Sector - resigned
Samantha Howes	Communications Manager - resigned
Jodi Fisher	Human Resources Manager - resigned
Dianne Campbell	Administration Manager - resigned

All of the above persons were also key management persons during the year ended 30 June 2021.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the incorporated association:

	2021	2020
	\$	\$
<i>Audit services - Nexia Sydney Audit Pty Ltd (2020: RSM Australia Pty Ltd)</i>		
Audit of the financial statements	46,200	48,300
<i>Other services - Nexia Sydney Audit Pty Ltd (2020: RSM Australia Pty Ltd)</i>		
Completion of financial statements	6,400	6,550
	<u>52,600</u>	<u>54,850</u>

Note 25. Contingent assets

Health Services Union NSW does not have any contingent assets at the end of the reporting period.

Note 26. Contingent liabilities

Health Services Union NSW does not have any contingent liabilities at the end of the reporting period.

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 27. Capital and leasing commitments

	2021 \$	2020 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	21,568	23,364
One to five years	3,146	24,714
More than five years	-	-
	<u>24,714</u>	<u>48,078</u>

Operating leases are in place for computer equipment.

The Union has committed to purchasing a property as at 30 June 2021 to the value of \$1,051,200 (30 June 2020: nil).

Note 28. Related party transactions

Parent entity

Health Services Union NSW is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

	2021 \$	2020 \$
Sale of goods and services:		
Service fee charged to the HSU NSW Branch	520,000	400,000
Payment for goods and services:		
Payment of capitation fees to HSU NSW Branch	1,166,838	1,032,768
Subscription expenses charged by HSU National office	2,112	1,913
National executive meeting travel expenses charged by HSU National office	932	11,556
Reimbursement to National office for NSW Rule Changes legal costs	1,092	-
Share of campaign costs paid to HSU National office	2,534	-
Payment for other expenses:		
Apportioned expenses received from branch	-	3,805
National council conference expenses charged to HSU NSW branch	-	9,090
Other transactions:		
Membership subscriptions belonging to HSU NSW received from HSU NSW Branch	292	144
Membership subscriptions belonging to HSU NSW Branch branch paid by HSU NSW	931	612
National executive travel expenses reimbursed by HSU National office	5,306	-

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 29. Lessor commitments

Operating lease commitments receivable - Union as lessor

Health Services Union NSW leases out its investment property (see Note 16) under commercial leases. These noncancellable leases have terms between 1 and 6 years. All leases include provisions for Health Services Union NSW to increase rent to CPI of 4% per annum with current market rental assessments performed regularly in accordance with the lease agreements.

The future minimum lease payments under non-cancellable leases are:

	2021	2020
	\$	\$
- not later than one year	1,033,436	1,080,904
- between one year and five years	441,944	896,177
Total minimum lease payments	<u>1,475,380</u>	<u>1,977,081</u>

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Union's operations, the results of those operations, or the Union's state of affairs in future financial years.

Note 31. Reconciliation of surplus to net cash from operating activities

	2021	2020
	\$	\$
Surplus for the year	2,462,383	1,356,466
Adjustments for:		
Depreciation and amortisation	1,380,065	1,296,738
net gain on disposal of property, plant and equipment	(174,016)	(93,612)
Change in operating assets and liabilities:		
Increase in inventories	(37,244)	-
Change in trade and other receivables	32,641	4,617
Change in other assets	(682,761)	242,005
Decrease in other provisions	(16,507)	-
Change in trade and other payables	12,753	(142,281)
Change in employee benefits	(68,229)	(40,761)
Net cash from operating activities	<u>2,909,085</u>	<u>2,623,172</u>

Note 32. Capital management

The Council controls the capital of Health Services Union NSW in order to ensure the entity continues as a going concern as well as ensuring that sufficient cash flows are available to fund benefits for its members. Capital consists of financial liabilities supported by financial assets of Health Services Union NSW.

Health Services Union NSW effectively manages the Union's capital by assessing the Union's financial risk and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes in the strategy adopted by management during the year.

Health Services Union NSW
Notes to the financial statements
30 June 2021

Note 33. Union details

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

Health Services Union NSW

Level 2

109 Pitt Street

SYDNEY NSW 2000

Note 34. General information

The financial report covers Health Services Union NSW ('the Union') as an individual not-for-profit entity, incorporated and domiciled in Australia. The Union is an organisation of employees registered under the New South Wales Industrial Relations Act 1996. In accordance with the Act the Union is a body corporate and has perpetual succession. By virtue of this method of incorporation, the Union is not subject to the Corporations Act 2001.

The financial report of the Health Services Union NSW for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the Union Council ('the Council') on 31 August 2021. The Union has the power to amend and reissue the financial statements.

Independent Auditor's Report to the Members of Health Services Union NSW

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Health Services Union NSW (the Union), which comprises the statement of financial position as at 30 June 2021, 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, and notes to the financial statements, including a summary of significant accounting policies, the Council's certificate and the Accounting Officer's certificate.

In our opinion, the accompanying financial report of the Union is in accordance with the Industrial Relations Act 1996, including:

- i) giving a true and fair view of the Union's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and Section 510 of the Industrial Relation Act NSW (1991), as applied by Section 282 (3) of the Industrial Relations Act 1996.

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 Union in accordance with the ethical requirements of the Accounting Professional & 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.

Other information

The Council are responsible for the other information. The other information comprises the information in Health Services Union NSW's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Council' responsibility for the financial report

The Council of the Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Industrial Relations Act 1996 and for such internal control as the Council determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council are responsible for assessing the Union'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 Council either intend to liquidate the Union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.

Nexia Sydney Audit Pty Ltd



Brett Hanger
Director

Dated: 31 August 2021