MANAGEMENT LETTER – 2025 AUDIT

JOY MELBOURNE INCORPORATED

30 JUNE 2025

24 October 2025

The Directors
Joy Melbourne Incorporated
Part Level 1, Victorian Pride Centre,
79 - 81 Fitzroy St,
ST KILDA VIC 3182

Dear Directors,

2025 Audit

Joy Melbourne Incorporated

The audit for the year ended 30 June 2025 has been completed in accordance with the Australian Auditing Standards.

It should be noted that the purpose of an audit of a financial report is to express an opinion on that report and the issues identified in this report only include matters that have come to our attention during the performance of our usual audit procedures. The issues raised in this report therefore are not to be regarded as comprehensive statement of all matters that may exist.

While as part of our audit of the financial report we considered the effectiveness of the entity's system of internal controls over financial reporting when determining the nature and extent of our audit procedures, our audit was not designed to provide assurance on internal controls.

Fraud risk

The primary responsibility for the prevention and detection of fraud (including both misappropriation of assets and fraudulent financial reporting) rests with the directors and management. As your auditor, we have a responsibility to assess the risk of material misstatement of the financial report due to fraud. During the course of the audit, we did not identify any instances of suspected or actual fraud.

Overview and Audit Adjustments

Joy Melbourne Incorporated incurred a deficit of $119k in FY 2025 compared to $297k in FY2024. Revenue dropped by approximately $270k, primarily because in the prior year the entity received a bequest of $250k, while there were no bequests received in the current year. Overall expenses decreased from $1.660m in 2024 to $1.219m in 2025, mainly due to declines in payroll expenses.

We confirm that we considered the following audit adjustments for FY2025:

a) An adjustment of income relating to 2026, amounting to $3,000, was not processed on the grounds of materiality.
b) An adjustment to bring on long service leave provision of $6,510 was processed.
c) An adjustment was also passed relating to annual leave and employee provisions amounting to $15.7k.

Issues communicated in 2024

Issue	Progress	Status
We noted minor issues with Revenue cut-off whereby the apportionment of Revenue between year ends was inaccurate. For instance, the campaign period of Acland St Village Business Association covered June/July 2024 but was recorded in the subsequent period (FY2025), and similarly the campaign for Fitzroy Business Association was recorded in FY2025.	During the current year audit, we also noted instances of invoices relating to FY2026 recorded in FY2025	Ongoing

Issues identified in 2025

Going concern assessment

During the audit we noted that as of 30 June 2025, the entity's reserves are reported at under $500,000. While this level of reserves currently supports ongoing operations, we note that the entity has incurred operating deficits in recent years. If similar levels of outgoings and deficits continue, the reserves may be significantly depleted in the near term.

The current financial trajectory raises concerns regarding the entity's ability to continue as a going concern over the medium to long term. Without corrective action or additional funding sources, the entity may face challenges in meeting its obligations and sustaining operations.

Other matters

On 31 October 2024, the Australian Accounting Standards Board (AASB) released proposals for a simplified Tier 3 financial reporting framework, aimed at certain Not for Profit (NFP) entities preparing General Purpose Financial Statements (GPFS). This initiative aligns with the AASB's broader objective to **phase out** Special Purpose Financial Statements (SPFS) across all entity types.

A significant number of entities are expected to be impacted by these proposals, including trusts and controlled entities that are required by legislation to prepare financial statements in accordance with Australian Accounting Standards. These entities will need to transition to either Tier 1 or Tier 2 (Simplified Disclosures) reporting frameworks in the future.

We encourage management to begin preparing GPFS in anticipation of these changes. GPFS offer several key advantages, particularly for entities with public accountability or a diverse stakeholder base which may be the case for the Pride Centre. General Purpose Financial Statements provide a comprehensive and transparent view of an entity's financial position and performance, supporting informed decision-making by stakeholders such as regulators, donors, and investors.

Other ACNC matters

The Australian Charities and Not-for-profits Commission (ACNC) has identified several upcoming developments that may impact registered charities:

Data-Driven Regulation
The ACNC will continue using data to identify sector risks, allocate regulatory resources, and support evidence-based decision-making.

Enhanced Public Transparency

The Charity Register, now covering over 63,000 charities, will remain a key tool for promoting public trust and confidence in the sector.

Cross-Government Collaboration
The ACNC will work with other government agencies to reduce red tape and respond to risks affecting public trust in charities.

Internal Capability Investment
The ACNC will invest in staff development and data capability to improve regulatory effectiveness and service delivery.

Continued Partnership with the ATO
While operating independently, the ACNC benefits from shared services and strategic alignment with the ATO, including under the ATO enterprise agreement.

Conclusion

We wish to express our appreciation to you and your staff for the courtesy and co-operation received during our audit.

Please do not hesitate to contact the writer if there are any matters which you wish to discuss further.

Yours sincerely

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