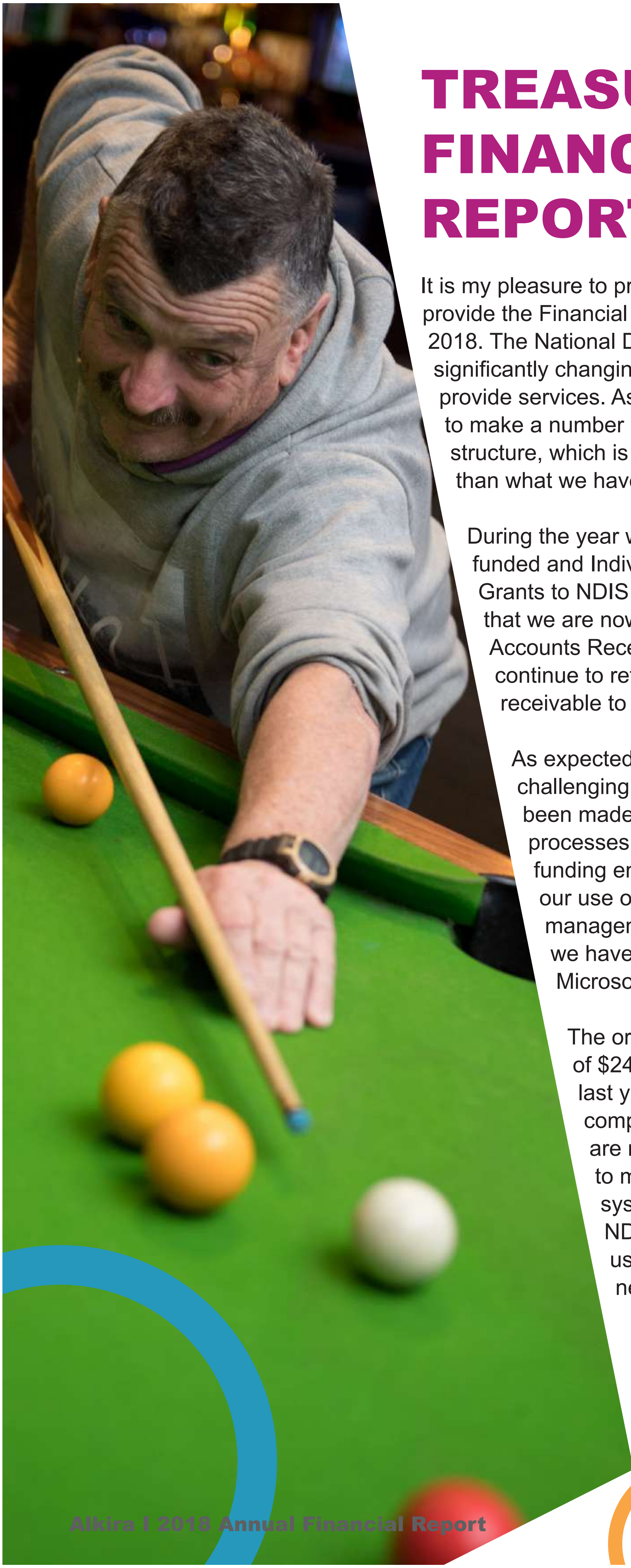
ANNUAL FINANCIAL REPORT 2018

alkira



TREASURER'S FINANCIAL REPORT

It is my pleasure to present Alkira's Treasurer's Report and provide the Financial Statements for the year ended 30th June 2018. The National Disability Insurance Scheme (NDIS) is significantly changing the way Alkira is funded and the way we provide services. As an organisation, we have been required to make a number of changes to align with the NDIS pricing structure, which is a completely new and different model than what we have used in the past.

During the year we commenced our transition from block funded and Individual Support Package (ISP) Government Grants to NDIS revenue. The major impact of this is that we are now paid in arrears which has resulted in Accounts Receivable increasing significantly. As we continue to refine our processes we expect the amount receivable to reduce.

As expected the past 12 months have been challenging for our team. Significant investment has been made into the application of new systems and processes that will better support Alkira in the new funding environment. This includes expanding our use of Carelink+, an end-to-end customer management system tailored for the NDIS, and we have fully transitioned from using MYOB to Microsoft Dynamics NAV.

The organisation has recorded an overall deficit of $240,339 compared to a surplus of $590,035 last year, with an operating deficit of $794,391 compared to $273,069 last year. Although we are recording a deficit, we have been required to make significant one off investments in our systems and processes to ensure that we are NDIS ready. These investments have placed us in a strong position to operate within the new NDIS environment.

Alkira's 2018 operating performance:

- Revenue from the Government block funding model has decreased in line with participants transferring to the NDIS. Income from the NDIS combined with the revenue from the block funding model has increased largely in line with salary increases.
- A decrease in bequest income following a large bequest being received in 2017.
- Investment income has reduced due to lower interest rates.
- Insurance & Workcover expenses have increased compared to 2017 due mainly to an increased Workcover insurance rate.
- An increase in Staff Related Costs is largely due to increased recruitment costs to support the NDIS implementation.

The Balance Sheet continues to be in a favourable position with net assets of $7,963,109 of which $5,071,989 is in cash. Alkira received a substantial bequest of just over $243,000 bequeathed by a long-term supporter of our organisation. This generosity is greatly appreciated, as it allows us to continue to invest in the systems, infrastructure and people. In accordance with Accounting Standards this bequest is recognised as income in the year it is received, and the corresponding expenditure will be incurred over the coming years resulting in a misalignment in operating results.

Moving into the next financial year, focus will be on fine-tuning the new operating systems and billing processes to best meet the needs of those people and families who use our services.

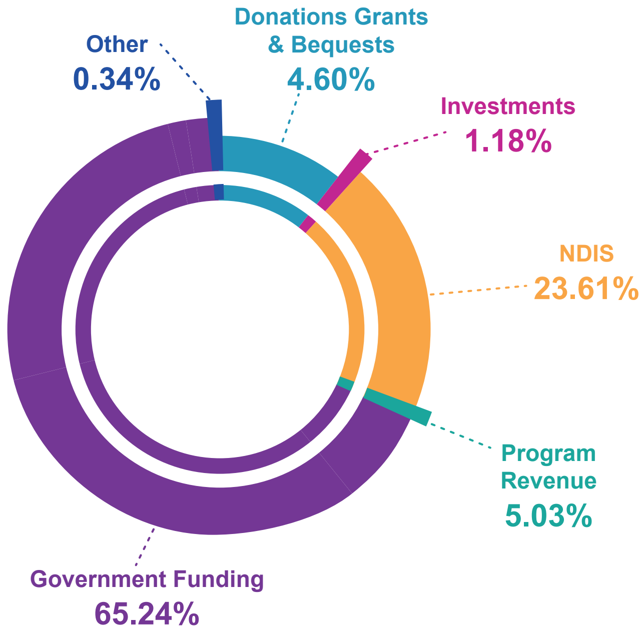
The organisation relies heavily on funding received from government to run programs and services. Changes to the funding model via the NDIS are currently impacting on the service delivery and operations of the organisation. The scheme is welcomed by Alkira as it greatly benefits people with a disability. Moving forward however, we will have a strong focus on gaining revenue streams which are independent of government funding through sponsorships, donations and bequests enabling us to maintain and further develop the quality and range of services we deliver.

I would like to thank the Alkira's dedicated Management Team, Staff and Volunteers for their contribution to achieving our 2018 financial position and our transition to NDIS.

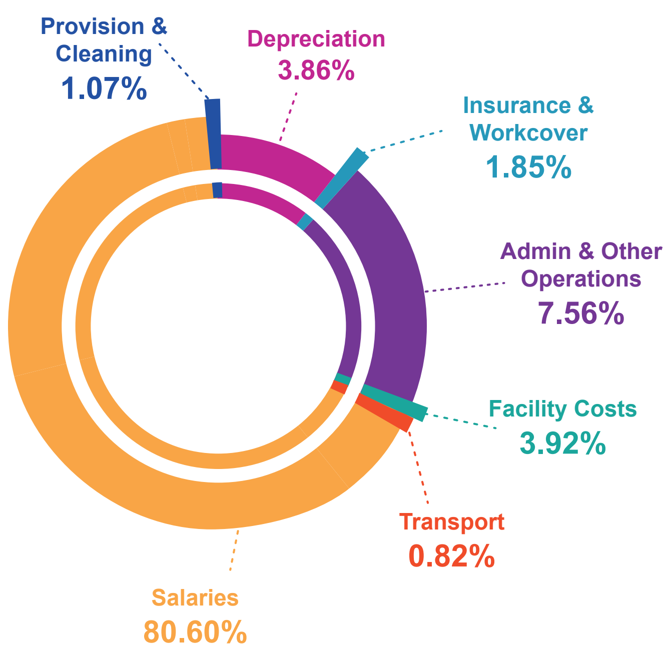
For more information please contact us to request our 2018 Annual Financial Report which is provided in a separate document.

Graeme Fallet
Treasurer
Board of Directors

Income



Expenditure



AUDITORS FINANCIAL REPORT

Auditors Report 2017-18 / Wayne C Durdin, E.F. McPhail and Partners.

Opinion

We have audited the financial report of Alkira Centre - Box Hill Inc. (the association), which comprises the assets and liabilities statement as at 30 June 2018, the income and expenditure statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification by members of the committee on the annual statements giving a true and fair view of the financial position and performance of the association.

In our opinion, the accompanying financial report presents fairly, in all material respects the financial position of Alkira Centre - Box Hill Inc. as at 30 June 2018 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements, and the requirements of the Associations Incorporation Reform Act 2012.

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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the association to meet the requirements of the Associations Incorporation Reform Act 2012. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Committee for the Financial Report

The committee is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the Associations Incorporation Reform Act 2012 and for such internal control as the committee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is 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 committee either intends to liquidate the association or to cease operations, or have no realistic alternative but to do so.

The committee is responsible for overseeing the association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism 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 committee.
- Conclude on the appropriateness of the committee's 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 the committee 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.

Name of Firm:
E. F. McPhail and Partners
Name of Partner: Wayne C. Durdin
Address: 38 Ellingworth Parade, Box Hill, Victoria, 3128

Dated this 7th day of September 2018.

FINANCIAL REPORT

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2018

		2018	2017
Operating Revenue			
Community Supports		5,382,489	5,341,727
Home Supports		3,647,219	3,284,974
Other Revenue		210	8,297
	2	9,029,918	8,634,998
Expenditure			
Salaries	3	7,918,623	7,233,910
IT Expenses		177,247	176,408
Maintenance		125,010	135,574
Client Allowances		24,097	45,216
Provisions Food & Cleaning		104,872	116,124
Staff Related Costs		179,468	71,318
Materials & Loose Tools		6,553	11,324
Electricity, Gas & Water		85,750	66,856
Rates		9,910	6,605
Rent & Outgoings		157,860	152,686
Insurance & Workcover		213,445	121,767
Audit Fees		13,750	9,600
Printing & Stationery		52,258	55,538
Transport Fuel & Maintenance		80,182	93,070
Other Running Expenses		295,804	226,899
Depreciation	7	379,480	385,172
		9,824,309	8,908,067
Net Operating Income/(loss)		**(794,391)**	**(273,069)**
Non Operating Revenue			
Donations & Bequests		440,794	740,950
Investment Income		113,258	122,154
		554,052	863,104
Total comprehensive income/(loss)attributable to members of the entity	4	**(240,339)**	**590,035**

Statement of Financial Position as at 30 June 2018

	Note	2018	2017
Current Assets			
Cash & Cash Equivalents	5	5,071,989	5,014,819
Accounts Receivable & other debtors	6	832,446	140,098
Total Current Assets		5,904,435	5,154,917
Non Current Assets			
Property, Plant and Equipment	7	4,432,944	4,733,492
Total Non Current Assets		4,432,944	4,733,492
Total Assets		**10,337,379**	**9,888,409**
Current Liabilities			
Accounts Payable & other payables	8	1,179,635	568,053
Employee Provisions	9	760,869	715,478
Total Current Liabilities		1,940,504	1,283,531
Non Current Liabilities			
Employee Provisions	9	433,766	401,430
Total Non Current Liabilities		433,766	401,430
Total Liabilities		2,374,270	1,684,961
Net Assets		**7,963,109**	**8,203,448**
Equity			
The Alkira Building Fund	10	2,000,000	2,000,000
Alkira Foundation	10	1,710,241	1,393,127
Accumulated General Fund	10	4,252,868	4,810,321
Total Equity		**7,963,109**	**8,203,448**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2018

	General Fund	Alkira Building Fund	Foundation	Total
Balance at 1 July 2016	4,357,996	2,000,000	1,254,516	7,612,512
Adjustments during year	901	-	-	901
Net surplus for the year	451,424	-	138,611	590,035
Balance at 30 June 2017	**4,810,321**	**2,000,000**	**1,393,127**	**8,203,448**
Balance at 1 July 2017	4,810,321	2,000,000	1,393,127	8,203,448
Adjustments during year	-	-	-	
Net surplus for the year	(557,453)	-	317,114	(240,339)
Balance at 30 June 2018	**4,252,868**	**2,000,000**	**1,710,241**	**7,963,109**

For a description of the Alkira Building Fund and Foundation, refer to Note 10.

Statement of Cash Flows for the Year Ended 30 June 2018

	Note	2018	2017
Cash flows from operating activities			
Receipts from government grants, client fees and other receipts		8,685,377	8,598,120
Donations received		400,144	740,950
Payments to suppliers and employees		(9,071,028)	(8,610,948)
Interest (unrestricted) received		121,609	152,370
Net cash generated from operating activities		**136,102**	**880,492**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28,182	20,000
Purchase of property, plant and equipment		(107,114)	(149,241)
Net cash used in investing activities		**(78,932)**	**(129,241)**
Net increase in cash held		**57,170**	**751,251**
Cash and cash equivalents at beginning of financial year		5,014,819	4,263,568
Cash and cash equivalents at end of financial year	5	**5,071,989**	**5,014,819**

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Polices.

Basis of Preparation

Alkira Centre - Box Hill Inc. applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards –

Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Associations Incorporation Reform 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, events 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 statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

b. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

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

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on either a straight-line or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings (for purchases post 1/7/2013)	2.5%
Buildings (for purchases pre 1/7/2013)	4% - 20%
Motor Vehicles	20%
Furniture & Fittings (for purchases post 1/7/2013)	20%
Furniture & Fittings (for purchases pre 1/7/2013)	10%
Computers	20% - 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they occur.

c. Fair Value of Assets and Liabilities
The association measures some of its assets at fair value on a recurring basis

Fair value is the price the association would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use, or to sell it to another market participant that would use the asset in its highest and best use.

d. 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 association commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Classification and subsequent measurement
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.

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.

(i) 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 being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association'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.

(iv) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the association assesses whether there is objective evidence that a financial asset has been impaired. 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.

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 or 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.

e.Impairment of Assets

At the end of each reporting period, the association assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116:Property, Plant and Equipment) . Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

f. Employee Provisions

Short-term employee benefits

Provision is made for the association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' annual 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. 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.

The association's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the association does not have an unconditional right to defer settlement for at least 12 months after the reporting period, in which case the obligations are presented as current provisions.

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h. Accounts Receivable and Other Debtors
Accounts receivable and other debtors include amounts receivable from customers for goods or services 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(d) for further discussion on the determination of impairment losses.

i. Revenue and Other Income
Grant revenue is recognised in profit or loss when the association obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the association and the amount of the grant can be measured reliably.

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

National Disability Insurance Scheme (NDIS) revenue is recognised in profit and loss upon the association delivering the service to customers with an NDIS plan and service agreement.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax.

j. Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 ATO is included with other receivables or 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

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

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 association 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.Provisions
Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n. Leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Key Judgments

(i) 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 of the annual reporting period in which the employees render the related services. As the association expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the association believes that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

New Accounting Standards for Application in Future Periods

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on the association when adopted in future periods is discussed below:
AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.
The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low- value assets);

- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

- inclusion of additional disclosure requirements.

Although members of the committee anticipate that the adoption of AASB 16 will impact the association's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 1058: Income of Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019).
This Standard is applicable to transactions that do not arise from enforceable contracts with customers involving performance obligations.

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.

- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.
An entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.
The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 Contributions.
Although members of the committee anticipate that the adoption of AASB 1058 may have an impact on the association's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2: Revenue and Other Income

	2018	2017
Community Supports		
Government Grants	4,063,492	4,995,758
National Disability Insurance Scheme Revenue	996,548	-
Production & Program Revenue	87,115	99,011
Training Support & Transport Fees	203,221	245,926
Miscellaneous Income	32,113	-
Profit on Sale of Assets	-	1,032
	5,382,489	**5,341,727**
Home Supports		
Government Grants	2,189,005	3,055,806
National Disability Insurance Scheme Revenue	1,266,588	-
Accommodation Fees	191,627	229,168
Miscellaneous Income	-	-
Profit on Sale of Assets	-	-
	3,647,219	**3,284,974**
Other Revenue		
Investment Income	113,258	122,154
Donations & Bequests	440,794	740,950
Miscellaneous Income	210	8,297
	554,262	**871,401**
Total Revenue	**9,583,970**	**9,498,102**

Note 3: Key Management Personnel Compensation

The totals of remuneration paid to key management personnel (KMP) of the association during the year are as follows:

	Note	2018	2017
Key management personnel compensation		612,450	506,647

For details of other transactions within KMP, refer to Note 12

Note 4: Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

	Note	2018	2017
Community Supports		(499,747)	(42,470)
Home Supports		(280,502)	(220,159)
Net Operating Surplus (Deficit)		**(780,249)**	**(262,629)**
Non Operating Income		554,052	863,104
Profit / (Loss on Sale of Assets)		(2,629)	-
Non Operating Expenditure		11,513	10,440
Non Operating Revenue / (Expenditure)		**539,910**	**852,664**
Total comprehensive income/(loss) attributable to members of the entity		**(240,339)**	**590,035**

Note 5: Cash and Cash Equivalents

	Note	2018	2017
Cash on Hand		4,250	4,250
Cash at Bank		483,153	1,021,265
Short-term investments – bank depoits		4,584,586	3,989,304
Cash and Cash Equivalents		**5,071,989**	**5,014,819**

The effective interest rate on short-term bank deposits was 2.47% (2017: 2.85%); these deposits have an average maturity of 366 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2018	2017
Cash and Cash Equivalents	13	**5,071,989**	**5,014,819**

Note 6: Accounts Receivable and Other Debtors

	Note	2018	2017
Current			
Debtors		318,766	75,827
Accrued NDIS Income		422,967	-
Sundry Debtors		21,581	2,534
Prepayments		35,978	20,232
Interest receivable		33,154	41,505
Total current accounts receivable and other debtors		**832,446**	**140,098**
Financial assets classified as loans and receivables			
Accounts receivable and other debtors:		832,446	140,098
– total current	13	**832,446**	**140,098**

Note 7: Property, Plant Equipment

	Note	2018	2017
Land & Building:			
At cost		7,428,019	7,535,639
Accumulated depreciation		(3,405,461)	(3,297,389)
		4,022,558	4,238,250
Motor Vehicles:			
At cost		912,849	1,127,409
Accumulated depreciation		(803,857)	(954,782)
		108,992	172,627
Furniture, Equipment:			
At cost		834,434	916,735
Accumulated depreciation		(751,613)	(781,705)
		82,821	135,030
Computers:			
At cost		569,932	452,108
Accumulated depreciation		(351,359)	(288,251)
		218,573	163,857
Capital - W.I.P		-	23,728
		-	23,728
Total property, plant and equipment		4,432,944	4,733,492

Note 7: Property, Plant Equipment (continued)

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:

	Computers	Land & Building	Motor Vehicles	Furniture, Equipment	Capital - W.I.P.	Total
Balance at 1 July 2017	163,857	4,238,250	172,627	135,030	23,728	4,733,492
Additions	96,050	-	9,091	4,747	-	109,888
Disposals	-	-	(30,956)	-	-	(30,956)
Transfers	44,844	1,327	-	(22,443)	(23,728)	-
Depreciation expense	(86,178)	(217,019)	(41,770)	(34,513)	-	(379,480)
Carrying amount at 30 June 2018	218,573	4,022,558	108,992	82,821	-	4,432,944

Note 8: Accounts Payable and Other Payables

	Note	2018	2017
Current			
Unsecured liabilities:			
Trade Creditors		90,461	39,250
Sundry Creditors		705,172	422,982
Income in advance		384,002	105,821
Financial liabilities as accounts payable and other payables		**1,179,635**	**568,053**

Financial liabilities at amortised cost classified as accounts payable and other payables.

	Note	2018	2017
Accounts payable and other payables:			
– total current		1,179,635	568,053
Less grants operating received in advance		384 002	105,821
Financial liabilities as accounts payable and other payables	**13**	**795,633**	**462,232**

Collateral pledged

No collateral has been pledged for any of the accounts payable and other payable balances.

The average credit period on accounts payable and other payables is 1 months. No interest is payable on outstanding payables during this period. For payables outstanding longer than 1 months, 0% per annum is payable on the outstanding balance.

Note 9: Employee Provisions

	Note	2018	2017
Current			
Provision for Long Service Leave		233,544	225,881
Provision for annual leave entitlements		527,325	489,597
Total Current Employee Provisions		**760,869**	**715,478**

Based on past experience, the association expects the full amount of annual leave balance to be settled within the next 12 months. Further, these amounts must be classified as current liabilities since the association does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlements.

	Note	2018	2017
Non Current			
Provision for Long Service Leave		433,766	401,430
Total Non Current Employee Provisions		433,766	401,430
Analysis of Employee Provisions – Annual Leave Entitlements			
Opening balance at 1 July 2017		489,597	501,566
Additional provisions		660,751	550,136
Amounts used		(623,023)	(562,106)
Balance at 30 June 2018		**527,325**	**489,597**

Employee provisions – annual leave entitlements

The provision for employee benefits represents amounts accrued for annual leave.

Based on past experience, the association expects the full amount of the annual leave balance to be settled within the next 12 months. Further, these amounts must be classified as current liabilities since the association does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlements.

Note 10: Reserves

Alkira General Fund, Alkira Building Fund and Foundation

The Alkira building fund was established to provide for future capital expenditure of the Association. Alkira Foundation was established in June 2011 to provide for future income generation. All appropriations to both Funds and any expenditure from both Funds are made on the basis of decisions by the Board of Management. The total of the Funds is represented by the following specific current assets shown in the accounts.

		2018	2017
Alkira General Fund			
Current year Surplus / (Deficit)		(240,339)	590,035
Prior Year Adjustments		-	-
Current Year Adjustments		-	901
Accumulated Funds Brought Forward		4,810,321	4,357,996
Transfer to Alkira Foundation		(317,115)	(138,611)
Accumulated Funds Carried Forward		**4,252,868**	**4,810,321**
Alkira Building Fund			
Cash at Bank		2,000,000	2,000,000
The net transfers comprised the following:			
Opening Balance		2,000,000	2,000,000
Transfer in		-	-
Investment Income		49,408	57,079
Transfer out		-	-
Transfer to General Funds		(49,408)	(57,079)
Net		**2,000,000**	**2,000,000**
Alkira Foundation			
Cash at Bank		1,393,127	1,254,516
The net transfers comprised the following:			
Opening Balance		1,393,127	1,254,516
Transfer in		277,428	101,284
Investment Income		39,687	37,327
Transfer out		-	-
Transfer to General Funds		-	-
Net		**1,710,241**	**1,393,127**

Note 11: Events after the Reporting Period

The committee is not aware of any significant events since the end of the reporting period.

Note 12: Related Party Transactions

During the year ended 30 June 2018, Alkira Centre - Box Hill Inc. had no related party transactions.

Note 13: Financial Risk Management

The association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Note	2018	2017
Financial assets			
Cash and cash equivalents	5	5,071,989	5,014,819
Accounts receivable and other debtors	6	832,446	140,098
Total Financial Assets		**5,904,435**	**5,154,917**
Financial liabilities			
- accounts payable and other payables	8	795,633	462,232
Total Financial Liabilities		**795,633**	**462,232**

Note 14: Capital and Leasing Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

		2018	2017
Payable - minimum lease payments			
- not later than 12 months		106,542	44,304
- between 12 months and five years		119,405	84,916
Later than 5 years		-	-
		225,947	**129,220**

The property lease commitment is a non-cancellable operating lease with a 2-year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of the change in the consumer price index or 3.5% per annum. An option exists to renew the lease at the end of the 2-year term for an additional term of 1 year. The lease allows for subletting of all lease areas.

Note 15: Other Information

NDIS

Alkira have assessed the impact to the changes of NDIS funding and it is not considered to have any significant impact on the financials.

Note 16: Association Details

The registered office of the association is: Alkira Centre - Box Hill Inc., 3 Thurston Street, Box Hill Vic 3128. / The principal place of business is: Alkira Centre - Box Hill Inc., 3 Thurston Street, Box Hill Vic 3128. / **Associations Incorporation Reform Act 2012 ss 94(2)(b), 97(2)(b) and 100(2)(b) Annual statements Give True and Fair View of Financial Position of Incorporated Association**

We, Peter Harrison, President and Graeme Fallet, Treasurer being members of the Committee of Alkira Centre - Box Hill Inc., certify that: The statements attached to this certificate give a true and fair view of the financial position of Alkira Centre - Box Hill Inc. during and at the end of the financial year of the association ending on 30 June 2018.

Signed: ______________________ **Signed:** ______________________

03 9890 1365

info@alkira.org.au

3 Thurston Street
Box Hill VIC 3128

www.alkira.org.au