The Tipping Foundation Ltd

(trading as E.W. Tipping Foundation)

ABN: 59 032 986 751

ACN: 152 848 505

For the Year Ended 30 June 2017

The Tipping Foundation Ltd

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For the Year Ended 30 June 2017

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The Tipping Foundation Ltd

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Directors' Report

For the Year Ended 30 June 2017

The Board members submit the special purpose financial report ("the financial report") of The Tipping Foundation Ltd (formerly E.W Tipping Foundation Inc.) ("the Foundation") for the financial year ended 30 June 2017.

1. Board Members

The Board of The Tipping Foundation Ltd comprises community members who volunteer their time, skills and experience to support the mission of the Foundation.

The names of board members throughout the year and at the date of this report are:

Candice Charles (Chair commenced November 2016)
Geoff Donovan (resigned from Chair November 2016)
Peter Williams (Deputy Chair)
John Rowan
Corinna Dieters
Andrew Sando (commenced October 2016)
Christopher Edwards (commenced April 2017)
Margot Druce

2. Secretary

Jacqueline Wilson appointed to position of Secretary 1 April 2017. Alison Brideson resigned as Secretary effective 31 March 2017

3. Principal Activities

In line with our Strategic Plan, we work with people who have disabilities, children who are vulnerable and families. This is achieved by:

- Driving client voice and decision making across all services, developing structures and mechanisms to ensure client input

- Developing sustainable client led service and support to better meet client needs based on client feedback and research

- Developing services and supports that exceed quality accreditation requirements and are proactive in reducing further need

4. Significant Changes in the State of Affairs

There were no significant changes in the State of Affairs of the Tipping Foundation during the 2016/17 financial year.

5. Operating and financial review

The surplus of the Foundation for the financial year amounted to $199,881 (2016: deficit of $27,619). There have been no changes to normal operations.

6. Events subsequent to reporting date

There has not arisen in the interim between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, in the opinion of the board members of the Foundation, to affect significantly the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation, in future years.

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Directors' Report

For the Year Ended 30 June 2017

7. Likely developments

Further information about likely developments in the operations of the Foundation and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Foundation.

8. Indemnification and insurance of officers and auditors

Deed of Indemnification and Access

During the financial year, commencing Board Members, Andrew Sando and Christopher Edwards were offered and accepted Deeds of Indemnification and Access.

Indemnification

Since the end of the previous financial year, the Foundation has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Foundation.

Insurance premiums

Since the end of the previous financial year, the Foundation has not paid insurance premiums in respect of board members' and officers' liability and legal expense insurance contracts. All the Foundation's insurance including board members' and officers' liabilities are covered by the Victorian Managed Insurance Authority as part of our contract with Department of Health & Human Services.

9. Environmental regulation

The Foundation is not subject to any significant environmental regulations under either Commonwealth or State legislation.

10. Auditor's independence declaration

The auditor's independence declaration in accordance with subdivision 60-c section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, for the year ended 30 June 2017 and can be found on page 31 of the financial report.

Signed in accordance with a resolution of the Members of the Board:

Board Member: .... Board Member: ....

CANDICE CHARLES JOHN ROWAN

Dated 27/4/2017

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Statement of Surplus or Deficit and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
REVENUE FROM OPERATING ACTIVITIES			
Revenue	5	**23,637,823**	22,015,273
Management fee income	16	**3,600,000**	4,800,000
Other income		**213,321**	142,068
		27,451,144	26,957,341
OPERATING EXPENDITURE			
Employee expenses	6	**(21,286,628)**	(21,060,022)
Depreciation of property, plant and equipment	11(a)	**(727,078)**	(847,954)
Temporary staff expenses		**(60,008)**	(55,858)
Staff development and welfare expenses		**(389,939)**	(418,776)
Coordination and administration expense		**(1,847,292)**	(1,732,185)
Resident and service-participant expenses		**(659,073)**	(666,678)
Property expense		**(1,237,079)**	(1,185,193)
Communication expense		**(466,401)**	(467,022)
Travel and motor vehicle expenses		**(699,763)**	(655,028)
		(27,373,261)	(27,088,716)
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		**77,883**	(131,375)
FINANCE INCOME AND EXPENSES			
Investment income		**174,692**	201,261
Finance charges & interest expenses		**(52,694)**	(97,505)
NET FINANCE INCOME		**121,998**	103,756
NET SURPLUS/(DEFICIT) FROM ACTIVITIES		**199,881**	(27,619)

The accompanying notes form part of the financial statements

The Tipping Foundation Ltd

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Statement of Surplus or Deficit and Other Comprehensive Income (continued)

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
NET SURPLUS/(DEFICIT) FOR THE YEAR		199,881	(27,619)
Revaluation of land and buildings	11(a)	307,500	-
Recognition of revaluation on sale of land and buildings		-	10,581
OTHER COMPREHENSIVE INCOME FOR THE YEAR		307,500	10,581
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		507,381	(17,038)

The accompanying notes form part of the financial statements

The Tipping Foundation Ltd

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Statement of Financial Position

As at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**6,527,314**	7,591,918
Investments	8	**-**	4,261
Trade and other receivables	9	**697,008**	1,302,619
Other assets	10	**214,382**	268,160
TOTAL CURRENT ASSETS		**7,438,704**	9,166,958
NON-CURRENT ASSETS			
Property, plant and equipment	11	**14,461,217**	14,030,228
TOTAL NON-CURRENT ASSETS		**14,461,217**	14,030,228
TOTAL ASSETS		**21,899,921**	23,197,186
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**930,397**	1,085,566
Employee benefits provisions	13	**2,523,579**	2,250,341
Financial liabilities	14	**-**	1,485,000
Other liabilities	15	**1,002,367**	1,797,834
TOTAL CURRENT LIABILITIES		**4,456,343**	6,618,741
NON-CURRENT LIABILITIES			
Employee benefits provisions	13	**1,003,646**	645,894
TOTAL NON-CURRENT LIABILITIES		**1,003,646**	645,894
TOTAL LIABILITIES		**5,459,989**	7,264,635
NET ASSETS		**16,439,932**	15,932,551
EQUITY			
Reserves		**6,198,363**	5,890,863
Retained funds		**10,241,569**	10,041,688
TOTAL EQUITY		**16,439,932**	15,932,551

The accompanying notes form part of the financial statements

The Tipping Foundation Ltd

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Statement of Changes in Equity

For the Year Ended 30 June 2017

2017

	Retained Funds	Asset Revaluation Reserve	Total
	$	$	$
Balance at 1 July 2016	10,041,688	5,890,863	15,932,551
Surplus for the year	199,881	-	199,881
Revaluation of Fixed Assets	-	307,500	307,500
Total comprehensive income for the year	199,881	307,500	507,381
Balance at 30 June 2017	10,241,569	6,198,363	16,439,932

2016

	Retained Funds	Asset Revaluation Reserve	Total
	$	$	$
Balance at 1 July 2015	10,058,726	5,901,444	15,960,170
(Deficit) for the year	(27,619)	-	(27,619)
Reversal on disposal of asset	10,581	(10,581)	-
Total comprehensive income for the year	(17,038)	(10,581)	(27,619)
Balance at 30 June 2016	10,041,688	5,890,863	15,932,551

The Asset Revaluation Reserve records all unrealised gains attached to land and buildings.

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Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
Cash from operating activities:			
Payments to suppliers and employees		(27,511,334)	(28,350,337)
Receipts from government grants		20,560,006	20,022,478
Donation income		51,600	220,712
Receipts from customers		8,129,132	7,936,387
Interest and term deposit interest received		188,268	192,137
Finance charges and interest paid		(52,694)	(97,505)
Net cash provided by / (used in) operating activities	19	1,364,978	(76,130)
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		88,812	499,055
Funds transferred from term deposits		-	1,516,338
Acquisition of property, plant and equipment		(1,037,655)	(543,809)
Redemption of Term Deposit		4,261	-
Net cash (used in)/ provided by investing activities		(944,582)	1,471,584
Cash flows from financing activities:			
Repayment of borrowings		(1,485,000)	(270,000)
Net cash (used in) financing activities		(1,485,000)	(270,000)
Net (decrease) / increase in cash and cash equivalents		(1,064,604)	1,125,454
Cash and cash equivalents at beginning of year		7,591,918	6,466,464
Cash and cash equivalents at end of year	7	6,527,314	7,591,918

Note 1 Reporting Entity

The Tipping Foundation Ltd (formerly E.W. Tipping Foundation Inc.) ("the Foundation") is a not-for-profit entity domiciled in Australia. The address of the Foundation's registered office is 1036 Dandenong Road, Carnegie, Victoria 3163. The Foundation is principally involved in providing services to people with disability.

Note 2 Basis of Preparation

(a) Basis of accounting

The board members have determined that the Foundation is not publicly accountable nor a reporting entity. The special purpose financial statements have been prepared in accordance with the requirements of the Australian Charities and Not-for-profit Commission Act 2012, Australian Charities and Not-for-profit Commission Regulation 2013 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the board members to meet the needs of members:

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 1048 Interpretation and Application of Standards

AASB 1054 Australian Additional Disclosures.

The financial statements were approved by the Board Members on 27 November 2017.

(b) Basis of measurement

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets (refer to note 11).

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Foundation's functional currency.

(d) Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Foundation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Note 2 Basis of Preparation (continued)

(d) Use of judgements and estimates (continued)

Assumptions and estimation uncertainties

The Board evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Foundation.

Key estimates - Disability Leasing Model

The Foundation has assessed future repairs and maintenance expense for properties owned by the Department of Human Services in accordance with the Disability Leasing Model. A provision is recorded to provide appropriate quality accommodation for residents and a safe working environment for the Foundation's staff. The provision is expected to be used in future years in accordance with the requirement of the Department of Human Services.

Key estimates - Long Service Leave Provision

The Foundation has provided for long service leave for all employees in line with an Enterprise Bargaining Agreement (EWTF - EBA) or, where the EWTF – EBA is not applicable, the Long Service Leave Act 1992 (Victoria). This approach has been adopted notwithstanding the EWTF - EBA and the LSL Act allowing for the exclusion of casual employees from accruing long service leave subsequent to a break of greater than three months in continuous service.

Note 3 Significant Accounting Policies

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

(a) Financial instruments

The Foundation classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Foundation classifies non-derivative financial liabilities into the other financial liabilities category.

i. 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.

ii. Loans and receivables and held-to-maturity assets

The Foundation initially recognises loans and receivables and deposits on the date that they originate.

Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Held to maturity financial assets comprise term deposits.

Note 3 Significant Accounting Policies (continued)

(a) Financial instruments (continued)

ii. Loans and receivables and held-to-maturity assets (continued)

All other financial assets (including those designated at fair value through profit or loss) are recognised initially on the trade date, which is the date the company becomes a party to the contractual provisions of the investment.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Foundation is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Foundation has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iii. Available-for-sale financial assets

Investments held are originally recognised at cost, which includes transaction costs. They are subsequently measured at fair value which is equivalent to their market bid price at the end of the reporting period. Movements in fair value are recognised through an equity reserve. When these assets are derecognised, the gain or loss in equity is reclassified to the statement of surplus or deficit.

iv. Borrowings

Secured and unsecured loans have been obtained by the Foundation. Carrying amounts therefore represent the amounts expected to be repaid at settlement. Unsecured loans are considered to be repayable at call and are therefore presented as current liabilities.

v. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Foundation 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.

vi. Share capital

The Foundation is Company Limited by Guarantee and the liability of each Member is limited to the amount of $10 each if the Company is wound up.

(b) Income taxes

The Foundation is endorsed as an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997. No income tax is payable by the Foundation as Section 23 of the Income Tax Assessment Act exempts charitable institutions from income tax.

Note 3 Significant Accounting Policies (continued)

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or director's valuation as indicated less, where applicable, any accumulated depreciation and impairment losses. Revaluation increments are recorded in other comprehensive income.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in the statement of surplus or deficit and other comprehensive income.

i. Property

Freehold land and buildings are measured at fair value (refer to note 4(i)) less subsequent depreciation of buildings. Fair values are receipted in the statement of other comprehensive income and property valuations are recorded in equity as part of the revaluation reserve.

Freehold land and buildings that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired. Refer to note 3(h) for detail of the return of capital contributions.

ii. Plant and equipment

Plant and equipment are measured on the cost basis, less depreciation and impairment losses where appropriate.

The carrying amount of plant and equipment is reviewed annually by board members to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, on the basis that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be reliably measured.

All other repairs and maintenance are charged to the statement of surplus or deficit and other comprehensive income during the financial period in which they are incurred.

iii. Leasehold improvements

Leasehold improvements are carried at cost less, where applicable, any accumulated depreciation.

iv. Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is recognised in the statement of surplus or deficit and other comprehensive income. The estimated useful lives of property, plant and equipment are as follows:

Class of Fixed Asset	2017	2016
Property / Buildings	40 years	40 years
Plant and Equipment	3 years	3 years
Motor Vehicles	5 years	5 years
Leasehold improvements	5 years	5 years

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

Note 3 Significant Accounting Policies (continued)

(d) Impairment

i. Non-derivative financial assets

A financial asset not carried at fair value through the statement of surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Foundation on terms that the Foundation would not consider otherwise, or indications that a debtor will enter bankruptcy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of surplus or deficit and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of surplus or deficit.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to surplus or deficit.

ii. Non-financial assets

The carrying amounts of the Foundation's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profits-sharing plans if the Foundation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Note 3 Significant Accounting Policies (continued)

(e) Employee benefits (continued)

ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii. Other long-term employee benefits

The Foundation's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value based on Australian corporate bond rates. Remeasurements are recognised in the statement of surplus or deficit and other comprehensive income in the period in which they arise.

iv. Termination benefits

Termination benefits are expensed at the earlier of when the Foundation can no longer withdraw the offer of those benefits and when the Foundation recognises costs for a restructuring. If benefits are payable more than 12 months of the end of the reporting period, then they are discounted to their present value.

(f) Provisions

Provisions are recognised when the Foundation 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 are measured at the present value of management's best estimate of the amounts required to settle the obligation at the end of the reporting period.

(g) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Foundation during the reporting period which reman unpaid.

(h) Provision for return of capital contributions – shared equity (note 11(b))

Where other entities' funds were used to purchase land and buildings, an equitable right to repay those funds on subsequent disposal of the land and buildings may be created.

Where such an obligation exists, the Foundation has recognised the quantifiable future sacrifice of economic assets as a reduction in the value of the property. No adjustment is made to this obligation until disposal of the asset or its subsequent revaluation.

The amount actually repayable to the outside funding bodies is a function of the percentage equity provided on original asset acquisition multiplied by the net proceeds on disposal of the assets.

The Foundation is entitled to the depreciation of their share of the buildings.

Note 3 Significant Accounting Policies (continued)

(i) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor are recognised in the statement of surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The Foundation does not have any finance leases at 30 June 2017.

Determining whether an arrangement contains a lease at inception of an agreement, the Foundation determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met: 1) the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and 2) the arrangement contains a right to use the asset(s). At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for lease and those for other elements on the basis of their relative fair values.

(j) Revenue and deferred revenue

Client revenue is recognised when the provision of services has been completed.

Grant income is recognised when the project or service specified by the grant agreement has been provided or where no future obligations exist.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

Donation income is recognised upon receipt unless there are other obligations to be met. If there are obligations attached to the donation, the donation will be recognised when the obligations have been met.

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

Revenue from government grants and subsidies received for specific purposes is recognised only to the extent that monies have been expended in accordance with the funding agreement. Where the terms of that agreement stipulate that any unexpended funds may be required to be returned to the funding body, the unexpended funds are carried forward as "deferred income".

(k) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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.

(l) New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Foundation, except for:

Note 3 Significant Accounting Policies (continued)

(l) New accounting standards for application in future periods (continued)

i) AASB 9 Financial Instruments

AASB 9 replaces existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 9.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programs.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 15.

iii) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 16.

The Foundation does not plan to adopt the above standards early and the extent of the impact has not been determined at the date of approval of the financial report.

Note 4 Determination of fair values

A number of the Foundation's accounting policies and disclosure require the determination of fair value. Fair values have been determined for measurement purposes based on the following methods, which applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Land and buildings

The fair value of land and buildings at balance date is measured by reference to a director's valuation. A valuation performed by an external and independent company was performed in the year ended 30 June 2015. The fair values are based on market values, being the estimated amount for which property could be exchanged on the date of the valuation between a willing buyer and willing seller in an arm's length transaction.

Note 5 Revenue and Other Income

Revenue from Continuing Operations

	2017	2016
	$	$
Income		
- Government funding	20,253,598	18,748,592
- Supported persons fees	3,240,569	2,988,297
- Contract, brokered income	-	35,138
- Donations and fundraising	143,656	243,246
Total revenue from operating activities	23,637,823	22,015,273

Note 6 Employee Expenses

	2017	2016
Salaries and wages	16,041,177	15,738,289
Superannuation	1,664,005	1,622,336
Workcover	967,299	1,638,534
Termination expenses	23,500	40,294
Sick leave expenses/sick leave expense adjustment	465,844	391,033
Annual leave	1,124,797	1,076,766
Long service leave	604,249	235,341
Other employee expenses	395,757	317,429
Total employee expenses	21,286,628	21,060,022

Note 7 Cash and Cash Equivalents

	2017	2016
Cash on hand	1,800	2,000
Cash at bank	6,525,514	7,589,918
Total cash and cash equivalents	6,527,314	7,591,918

The Foundation holds a number of bank accounts in trust for its clients in each of their houses for the purpose of client related expenditure. These bank accounts are not recognised as part of the cash and cash equivalents of The Tipping Foundation Ltd as the cash is not controlled by the Foundation. In the current year, this balance is $205,145 (2016: $162,287).

Note 8 Investments

	2017 $	2016 $
Available for sale financial assets	-	4,261
Total investments	-	4,261

Note 9 Trade and Other Receivables

	2017 $	2016 $
Trade receivables	**314,439**	154,726
Trade receivables – related party	**357,223**	1,115,355
Rental bonds	**25,346**	32,538
Total trade and other receivables	**697,008**	1,302,619

Note 10 Other Assets

	2017 $	2016 $
Prepayments	**196,079**	237,645
Interest receivable	**18,303**	30,515
Total Other assets	**214,382**	268,160

The Tipping Foundation Ltd

ABN: 59 032 986 751

Notes to the Financial Statements

For the Year Ended 30 June 2017

Note 11 Property Plant and Equipment

	2017 $	2016 $
LAND AND BUILDINGS		
Freehold land at director's valuation		
Freehold land at directors valuation	**4,741,500**	4,610,250
Total land	**4,741,500**	4,610,250
Buildings		
Buildings	**8,652,240**	8,475,990
Accumulated depreciation	**(429,317)**	(212,481)
Total buildings at director's valuation	**8,222,923**	8,263,509
Total land and buildings – net of shared equity (see note 11 (b))	**12,964,423**	12,873,759
PLANT AND EQUIPMENT		
Furniture, fixture and fittings		
Furniture, fixture and fittings at cost	**330,518**	308,705
Accumulated depreciation	**(275,995)**	(243,272)
Total furniture, fixture and fittings	**54,523**	65,433
Motor vehicles		
Motor vehicles at cost	**862,256**	977,064
Accumulated depreciation	**(701,509)**	(921,154)
Total motor vehicles	**160,747**	55,910
Office equipment		
Office equipment at cost	**92,215**	94,217
Accumulated depreciation	**(57,105)**	(27,582)
Total office equipment	**35,110**	66,635
Computer equipment		
Computer equipment at cost	**1,158,649**	474,461
Accumulated depreciation	**(472,569)**	(296,447)
Total computer equipment	**686,080**	178,014

Note 11 Property Plant and Equipment (continued)

	2017 $	2016 $
Leasehold improvements		
Leasehold improvements at cost	**1,449,355**	1,383,232
Accumulated depreciation	**(907,307)**	(713,825)
Total leasehold improvements	**542,048**	669,407
Work in progress		
Work in progress at cost	**18,286**	121,070
Total work in progress	**18,286**	121,070
Total plant and equipment	**1,496,794**	1,156,469
Total property, plant and equipment	**14,461,217**	14,030,228

The last external valuations used to determine the directors value of land and buildings were performed on all held properties by WBP Property Group in June 2015. These valuations remain appropriate for the year ended 30 June 2017.

The Tipping Foundation Ltd

ABN: 59 032 986 751

Notes to the Financial Statements

For the Year Ended 30 June 2017

Note 11 Property Plant and Equipment (continued)

11a 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:

	Land	Buildings	Furniture, Fixtures and Fittings	Motor Vehicles	Plant & Equipment	Computer Equipment	Leasehold Improvements	WIP	Total
	$	$	$	$	$	$	$	$	$
2017									
Balance at 1 July 2016	4,610,250	8,263,509	65,433	55,910	66,635	178,014	669,407	121,070	14,030,228
Additions	-	-	23,010	146,039	-	153,461	124,955	590,190	1,037,655
Disposals	-	-	(119)	-	(718)	(866)	(25,216)	-	(26,919)
Write-offs	-	-	-	-	-	-	-	(160,169)	(160,169)
Depreciation expense	-	(216,836)	(33,801)	(41,202)	(30,807)	(177,334)	(227,098)	-	(727,078)
Transfers	-	-	-	-	-	532,805	-	(532,805)	-
Revaluation increase recognised in equity	131,250	176,250	-	-	-	-	-	-	307,500
Balance at 30 June 2017	4,741,500	8,222,923	54,523	160,747	35,110	686,080	542,048	18,286	14,461,217
2016									
Balance at 1 July 2015	4,760,250	8,685,395	149,234	183,556	58,221	255,505	628,573	99,817	14,820,551
Additions	-	-	21,142	8,000	54,950	73,740	310,015	75,962	543,809
Disposals	(150,000)	(205,152)	(31,619)	(39,209)	-	(3,691)	(1,798)	-	(431,469)
Write-offs	-	-	-	-	-	-	-	(54,709)	(54,709)
Depreciation expense	-	(216,734)	(73,324)	(96,437)	(46,536)	(147,540)	(267,383)	-	(847,954)
Balance at 30 June 2016	4,610,250	8,263,509	65,433	55,910	66,635	178,014	669,407	121,070	14,030,228

Note 11 Property Plant and Equipment (continued)

11(b) Shared Equity

The properties below are included in the carrying value of total land and buildings net of shared equity amounts disclosed. This note relates to the shared equity portions related to DHS and Shire of Cardinia. If E W Tipping Foundation Inc was to sell these properties, they would be required to repay the shared equity portion to the funding body.

	2017		2016	
	Land	Buildings	Land	Buildings
	$	$	$	$
89 Church St, Drouin at valuation	210,000	200,000	210,000	200,000
Shared equity by DHS (85%)	(178,500)	(170,000)	(178,500)	(170,000)
	31,500	30,000	31,500	30,000
175 Princes Way, Drouin at valuation	165,000	205,000	165,000	205,000
Shared equity by DHS (83%)	(136,950)	(170,150)	(136,950)	(170,150)
	28,050	34,850	28,050	34,850
33 Moore St, Moe at valuation	-	1,150,000	-	1,150,000
Shared equity by DHS (100% land, 85% of building)	-	(977,500)	-	(977,500)
	-	172,500	-	172,500
43 Winifred St, Oak Park at valuation	-	1,120,000	-	1,120,000
Shared equity by DHS (100% land, 88% of building)	-	(985,600)	-	(985,600)
	-	134,400	-	134,400
63 Scenic Rd, Warragul at valuation	-	-	175,000	235,000
Shared equity by DHS (75%)	-	-	(131,250)	(176,250)
	-	-	43,750	58,750
Units 1 & 2 115 Normanby St, Warragul at valuation	165,000	215,000	165,000	215,000
Shared equity by DHS (93%)	(153,450)	(199,950)	(153,450)	(199,950)
	11,550	15,050	11,550	15,050
74 Queen St, Maffra at valuation	180,000	323,000	180,000	323,000
Shared equity by DHS (72%)	(129,600)	(232,560)	(129,600)	(232,560)
	50,400	90,440	50,400	90,440

Note 11 Property Plant and Equipment (continued)

11(b) 2016 Shared Equity (continued)

	2017		2016	
	Land	Buildings	Land	Buildings
	$	$	$	$
10 Kennedy Crt, Wodonga at valuation	-	900,000	-	900,000
Shared equity by DHS (100% land, 85% of building)	-	(765,000)	-	(765,000)
	-	135,000	-	135,000
17 & 17A Holt Pl, Pakenham at valuation	250,000	330,000	250,000	330,000
Shared equity by Shire of Cardinia (100% land, 0% of building)	(250,000)	-	(250,000)	-
	-	330,000	-	330,000
Value of Shared Equity property on statement of financial position	121,500	942,240	165,250	1,000,990

Note 12 Trade and Other Payables

	2017	2016
	$	$
Trade payables	361,313	276,431
Trade payables – related party	-	228,363
Net GST payable	107,883	112,084
Accrued expenses	461,201	468,688
Total trade and other payables	930,397	1,085,566

Note 13 Employee Benefits Provisions

	2017	2016
CURRENT		
Provision for annual leave	1,491,007	1,410,586
Provisions for long service leave	1,017,572	803,755
Other	15,000	36,000
Total current employee benefits provisions	2,523,579	2,250,341

Note 13 Employee Benefits Provisions (continued)

	Note	2017 $	2016 $
NON-CURRENT			
Provision for long service leave		**1,003,646**	645,894
Total non-current employee benefits provisions		**1,003,646**	645,894

Note 14 Financial Liabilities

	Note	2017	2016
CURRENT			
Secured liabilities			
Loan (National Australia Bank)	14(a)	-	1,485,000
Total current financial liability		-	1,485,000

The Tipping Foundation Ltd holds a master asset finance agreement with revolving leasing limit with the National Australian Bank for $513,421 (2016: 438,730) as at 30 June 2017 and is unutilised. Interest rate is charged at variable rates.

Note 15 Other Liabilities

	2017	2016
Grants received in advance	**645,187**	1,462,240
Provision for disability leasing model property costs	**357,180**	335,594
Total other liabilities	**1,002,367**	1,797,834

Note 16 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

In the current and prior year, the Foundation had a service agreement with Victorian Person Centred Services Inc (VPCS) whereby specialist staff are employed to service the Foundation's community based services as and when they are required. Members of the VPCS board are also on the board of the Foundation.

Note 16 Related Party Transactions (continued)

	2017 $	2016 $
Management Fee received from VPCS	3,600,000	4,800,000
Total related party transactions	3,600,000	4,800,000

The Foundation used the legal services of Logie-Smith Lanyon Lawyers in relation to various legal matters where the Chair of the Foundation, at time service was delivered, was a partner for a period during the year ended 30 June 2016. The amounts disclosed in the table below were billed based on normal market rates for such services and were due and payable under normal payment terms. Other than the amounts disclosed below, there are no material contracts involving the board members of the Foundation at year end. There has been no such transactions during the financial year ended 30 June 2017.

	2017	2016
Logie-Smith Lanyon Lawyers	-	7,691
Total related party transactions	-	7,691

Note 17 Capital and Leasing Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements are as follows:

Minimum lease payments:

	2017	2016
- not later than 12 months	**356,870**	421,063
- between 12 months and five years	**281,429**	189,016
Total operating lease commitments	**638,299**	610,079

During the year $444,726 was recognised as an expense in surplus in respect of operating leases (2016: $508,237).

Capital commitment contracted is as follows:

	2017	2016
- not later than 12 months	**189,018**	492,407
Total operating lease commitments	**189,018**	492,407

Note 18 Remuneration of Auditors

	2017	2016
Other non KPMG services	-	44,351
Audit services – KPMG	**24,632**	24,728
Total auditors' remuneration	**24,632**	69,079

Note 19 Cash Flow Information

Reconciliation of cash flow from operations with surplus/(deficit) for the year

	2017 $	2016 $
Net surplus/(deficit) for the year	**199,881**	(27,619)
Non-cash flows in surplus/(deficit)		
Profit on sale of property, plant & equipment	**(61,893)**	(67,585)
Depreciation and amortisation of non-current assets	**727,078**	847,954
Write-offs of property, plant and equipment	**160,169**	54,709
	1,025,235	807,459
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	**605,611**	(329,893)
Decrease in prepayments and other assets	**53,778**	43,363
(Decrease) in trade and other payables	**(155,169)**	(679,216)
(Decrease) in other liabilities	**(795,467)**	(70,435)
Increase in employee benefit provisions	**630,990**	152,592
Net cash provided by/(used in) operating activities	**1,364,978**	(76,130)

Note 20 Commitments and contingencies

The Foundation entered into commercial office, residential properties on behalf of some clients and motor vehicle leases. These transactions may expose the Foundation to liability where there are significant amounts of unpaid rent / motor vehicles or significant damage to the leased asset. The Foundation was not a trustee of any trust during the year ended 30 June 2017.

Note 21 Events subsequent to reporting date

No matter has arisen since the end of the financial year which would materially affect the operations of the Foundation.

Note 22 Economic dependence

The Foundation is dependent on the grants from State and Commonwealth Governments for a significant portion of its revenue used to operate the business. At the date of this report the Board members have no reason to believe the grants from the State and Commonwealth Government's will not continue to be provided. The reduction in such grants could result in significant reduction of the Foundation's services.

Note 23 Reserves

The asset revaluation reserve comprises revaluations made to land and buildings carried at director's valuation. The last valuation was performed during the year ended 30 June 2015.

The Tipping Foundation Ltd

ABN: 59 032 986 751

Directors' Declaration

In the opinion of the directors of The Tipping Foundation Ltd ("the Entity")

(a) The entity is not publicly accountable nor a reporting entity.

(b) the financial statements and notes, set out on pages 3 to 26, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and the Australian Charities and Not-for-profits Commission Regulation 2013, including:

(i) giving a true and fair view of the financial position of the Entity as at 30 June 2017 and of its performance, as represented by the results of its operations for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 1 to 3; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2, and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(c) There are reasonable grounds to believe that The Tipping Foundation Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Board member ....
CANDICE CHARLES

Board member ....
JOHN ROWAN

Dated 27/11/2017

KPMG

Independent Auditor's Report

To the members of The Tipping Foundation Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of The Tipping Foundation Ltd (the Company).

In our opinion, the accompanying Financial Report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012, Australian Charities and Not-for-profit Commission Regulation 2013*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* to the extent described in Note 2 and Division 60 of the *Australian Charities and Not-for-profit Commission Act 2012 and Australian Charities and Not-for-profits Commission Regulation 2013.*

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2017
- Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity in accordance with the *Australian Charities and Not-for-profit Commission Act 2012, Australian Charities and Not-for-profit Commission Regulation 2013* and the 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 fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Australian Charities and Not-for-profit Commission Act 2012 and Australian Charities and Not-for-profit Commission Regulation 2013.* As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of The Tipping Foundation Ltd and should not be used by parties other than the members of The Tipping Foundation Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of The Tipping Foundation Ltd or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in The Tipping Foundation Ltd annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the *Director's Report.*

Our opinion on the Financial Report does not cover the Other Information and, accordingly, 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the Financial Report is appropriate to meet the requirements of the *Australian Charities and Not-for-profit Commission Act 2012 and Australian Charities and Not-for-profit Commission Regulation 2013* and is appropriate to meet the needs of the members
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

Our responsibilities include:

- Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error
- Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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, further events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating 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 Directors of the Company 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.

KPMG
KPMG

Antoni Cinanni
Partner

Melbourne
27 November 2017

KPMG

Lead Auditor's Independence Declaration under subdivision 60-C section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012

To the Directors of The Tipping Foundation Limited

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

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Antoni Cinanni
Partner

Melbourne

27 November 2017