Mosaic Community Care Inc.

ABN 16 687 322 465

General Purpose Financial Report - 30 June 2018

Mosaic Community Care Inc.
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General Information

The financial statements cover Mosaic Community Care Inc. as an individual entity. The financial statements are presented in Australian dollars, which is Mosaic Community Care Inc.'s functional and presentation currency.

Mosaic Community Care Inc. is a not-for-profit incorporated association, incorporated and domiciled in Australia. Its registered office and principal place of business is:

2 Sabre Crescent, JANDAKOT WA 6164

A description of the nature of the Association's operations and its principal activities are included in the Board of Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue on 27 September 2018.

AUSTRALIAN AUDIT

DIRECTORS:
ROBERT CAMPBELL CA, CPA, RCA, MSW
VIRAL PATEL CA, CPA, FCCA (UK), RCA
ALASTAIR ABBOTT CA, RCA, M.FORENSIC ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

To the Board of Directors of Mosaic Community Care Inc.

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* and section 80 of the *Associations Incorporation Act 2015 (WA)*, in relation to our audit of the financial report of Mosaic Community Care Inc. for the year ended 30 June 2018, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit

A Abbott

Alastair Gordon Abbott, CA
Registered Company Auditor number 486826
Director
Australian Audit
Perth, Western Australia

Dated: 25 October 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Mosaic Community Care Inc.

Report on the Audit of the Financial Report
Opinion

We have audited the financial report of Mosaic Community Care Inc. (the Entity), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the statement by the Board of Directors.

In our opinion the accompanying financial report has been prepared in accordance with requirements of the *Associations Incorporation Act 2015 (WA)* and Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

c) giving a true and fair view of the Entity's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year then ended; and

d) complying with Australian Accounting Standards, and Division 60 the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Associations Incorporation Act 2015 (WA)* and the *ACNC Act*. The responsibility of Management also includes such internal control as management 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, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, Mosaic Community Care Inc. has complied with 60-30(3)(b), (c) and (d) of the ACNC Act:

- by providing us with all information, explanation and assistance necessary for the conduct of the audit;
- by keeping financial records sufficient to enable a financial report to be prepared and audited ; and
- by keeping other records required by Part 3-2 of the Act, including those records required by Section 50-5 that correctly record its operations, so as to enable any recognised assessment activity to be carried out in relation to the entity.

A. Abbott

Alastair Gordon Abbott, CA
Registered Company Auditor number 486826
Director
Australian Audit
Perth, Western Australia

Dated: 25 October 2018

Mosaic Community Care Inc.
Corporate Governance Statement
30 June 2018

Mosaic Community Care Inc. ('Mosaic') is incorporated under the Associations Incorporations Act (WA) 2015 and provides care and support to people in the community with a disability.

Mosaic Community Care Inc. is governed by a Board of Directors ('the Board') which is comprised of eight Directors as at 30 June 2018. All Directors are elected by voting Members of the Association at an Annual General Meeting for a term of one year. The Board itself then elects a Chairperson, Deputy Chairperson, Treasurer and Secretary from within its ranks. The Chief Executive Officer of Mosaic Community Care Inc. is an Executive Director of the Board with no voting rights and attends all Board Meetings in an Ex Officio capacity.

The Board governs Mosaic Community Care Inc. in accordance with its Constitution, which was last varied in November 2016. The Board sets Mosaic's strategic direction, provides leadership, governs itself, ensures that its fiduciary responsibilities are met, undertakes evaluations and holds the Chief Executive Officer accountable for operational matters.

The Board has formed the following sub-committee.

- Finance, Audit and Risk Management (FARM)

Other sub committees are formed as and when required.

The Board was comprised of the following Directors as at 30 June 2018. All Directors have indicated their intention to stand once again at the Annual General Meeting.

Name	Date Appointed	Role
Geoff Parnell	25 June 2007	Chairperson
Kevin Taylor	18 October 2010	Deputy Chairperson / Treasurer (resigned 30 June 2018)
Chris Ryder	3 October 2011	Secretary
Elizabeth Ferguson	27 June 2013	Director
Jodi Kerr	27 June 2013	Director
Virginia Miltrup	27 June 2013	Director / Deputy Chairperson from 30 June 2018
Phillip Barker	9 April 2014	Director / Treasurer from 30 June 2018
Rachel Skoss	5 February 2015	Director

Mr Frank J Kellett the Chief Executive Officer of Mosaic Community Care Inc. attends all Board Meetings and sits on all sub-committees of the Board.

Commencing from 30 June 2018, Kevin Taylor stepped down from the Board, Phillip Barker accepted the position of treasurer and chair of FARM committee and Virginia Miltrup accepted the position of deputy chairperson of the Board.

Mosaic Community Care Inc.
Corporate Governance Statement
30 June 2018

Directors' Board Meeting Attendance 2017 – 2018

Director	Attended/Maximum Possible
Geoff Parnell	8 / 8
Kevin Taylor	8 / 8
Chris Ryder	7 / 8
Elizabeth Ferguson	6 / 8
Jodi Kerr	5 / 8
Virginia Miltrup	7 / 8
Phillip Barker	8 / 8
Rachel Skoss	4 / 8
Frank Kellett (Executive / Ex Officio)	8 / 8

It will be noted from the Board Member Profiles outlined on the Mosaic website that the current Board is comprised of very experienced and capable people from a variety of backgrounds, which serves Mosaic well in the current changing and dynamic environment. Appropriate additional training of the Directors is undertaken as and when warranted. The Board is committed to maintaining a high standard of Corporate Governance.

The Board's key responsibilities include:

- exercising the authority given to it by the Constitution;
- ensuring compliance with relevant legislation;
- maintaining governance and holding its Chief Executive Officer accountable for all operational matters;
- succession planning for the role of Chief Executive Officer;
- being accountable for Mosaic Community Care Inc.'s overall performance;
- ensuring that Mosaic Community Care Inc. is solvent and able to meet its financial obligations as and when they become due;
- being responsible for Board development, succession planning and its own performance and processes;
- setting Mosaic Community Care Inc.'s strategic direction and progressing an annual work plan and agenda consistent with that direction;
- exercising due diligence, fiduciary responsibility and ensuring that risk is identified and managed appropriately; and
- being responsible for affixing the Common Seal according to its constitution.

Mosaic Community Care Inc.'s financial statements are audited by Mr Alastair Abbott, Chartered Accountant (CA) and Registered Company Auditor (RCA) of Australian Audit Pty Ltd.

An Annual General Meeting is held to present the annual financial statements to the Members of Mosaic Community Care Inc. The next such meeting is scheduled for November 2018.

Mosaic Community Care Inc.
Board of Directors' Report
30 June 2018

The Board of Directors presents the report on Mosaic Community Care Inc. for the financial year ended 30 June 2018.

The Board of Directors has been in office since the start of the financial year to the date of this report unless otherwise stated.

A review of the operations of the association during the financial year and the results of those operations are as follows:

- the principal activity of the association during the financial year was the provision of community and residential support services for people with disability in Western Australia.
- during the period, Mosaic applied the accounting policies described in note 1 to these financial statements.

Additionally, this financial year saw the Board continue to pursue the following Strategic Plan Objectives which had been set for the 5 years ending 30 June 2021:

- become a preferred provider;
- continuously improve service quality;
- improve and adapt the model of service delivery;
- become an employer of choice;
- maintain financial stability and sustainability;
- develop Mosaic's capabilities; and
- collaborate with other sector organisations.

The net surplus of Mosaic Community Care Inc. for the financial year ended 30 June 2018 amounted to $523,739, an increase of $341,401 from the prior year.

Mosaic continues to enjoy significant cash reserves and is well placed to support operations when funding is provided in arrears, rather than in advance upon the implementation of the (NDIS).

The Board is cognisant of, and closely monitoring, the significant changes that are currently occurring in the disability sector. They include:

- implementation of the NDIS and the potential challenges that this could bring to bear on the financial viability and also the workforce needs of service providers in the sector; and
- Mosaic's participation in the progressive rollout of the NDIS over the next 3 years.

Given these changes the Board will be paying particular attention to the following:

- risks relating to the continued growth of Mosaic and the significant changes impacting the sector; and
- the medium / long term capital needs of Mosaic and the financial implications of any significant investment in capital works.

The Board endorsed prudent growth opportunities in the 2017-2018 financial year in accordance with their strategic plan objectives.

Geoffrey Maxwell Parnell
Chairperson

Phillip Barker
Treasurer

27 September 2018

Mosaic Community Care Inc.
Board of Directors' Declaration
30 June 2018

In the Board of Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012 and Western Australian legislation the Associations Incorporation Act 2015, the Charitable Collections Act 1946 and associated regulations;
- the attached financial statements and notes comply with Australian Accounting Standards as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Association's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors by:

Geoffrey Maxwell Parnell
Chairperson

Phillip Barker
Treasurer

27 September 2018

Mosaic Community Care Inc.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Operating Income	3	15,158,869	13,463,642
Other		-	97,621
Total revenue from operating activities		15,158,869	13,561,263
Expenses			
Employment	4	(12,437,168)	(11,539,914)
House expense	5	(918,523)	(916,544)
Administration	6	(1,021,294)	(781,135)
Property		(157,811)	(144,519)
Motor Vehicles		(20,164)	(17,469)
Board stipend		(54,352)	(51,620)
Other expenses		(82,208)	(16,353)
Total expenses		(14,691,520)	(13,467,554)
Operating surplus		467,349	93,709
Interest income		174,781	166,905
Finance costs		(37,347)	(37,185)
Depreciation and amortisation		(468,931)	(394,971)
Non-operating income	7	387,887	353,880
Surplus for the year	17	523,739	182,338
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings		185,504	-
Other comprehensive income for the year		185,504	-
Total comprehensive income for the year		709,243	182,338

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

Mosaic Community Care Inc.
Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	8	7,095,609	6,243,805
Trade and other receivables	9	258,282	198,984
Other current assets		11,527	12,020
Total current assets		7,365,418	6,454,809
Non-current assets			
Property, plant and equipment	10	2,585,934	2,233,456
Intangibles	11	123,846	166,809
Work-in-progress - Systems and capital works		-	51,331
Total non-current assets		2,709,780	2,451,596
Total assets		10,075,198	8,906,405
Liabilities			
Current liabilities			
Payables	12	1,289,574	1,092,954
Income in advance	13	970,795	804,750
Current provisions	14	962,303	916,131
Total current liabilities		3,222,672	2,813,835
Non-current liabilities			
Non-current provisions	15	365,370	314,657
Total non-current liabilities		365,370	314,657
Total liabilities		3,588,042	3,128,492
Net assets		6,487,156	5,777,913
Equity			
Reserves	16	780,604	628,704
Retained surpluses	17	5,706,552	5,149,209
Total equity		6,487,156	5,777,913

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

Mosaic Community Care Inc.
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,828,777	13,795,014
Payments to suppliers and employees (inclusive of GST)		(14,541,477)	(12,910,902)
Net cash from operating activities	24	1,287,300	884,112
Cash flows from investing activities			
Payments for property, plant and equipment	10	(1,026,629)	(1,259,377)
Proceeds from disposal of property, plant and equipment	10	416,352	222,492
Interest received		174,781	166,905
Net cash used in investing activities		(435,496)	(869,980)
Cash flows from financing activities			
Repayment of borrowings		-	149,544
Net cash from financing activities		-	149,544
Net increase in cash and cash equivalents		851,804	163,676
Cash and cash equivalents at the beginning of the financial year		6,243,805	6,080,129
Cash and cash equivalents at the end of the financial year	8	7,095,609	6,243,805

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

Mosaic Community Care Inc.
Statement of Changes in Equity
For the year ended 30 June 2018

	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2016	1,472,434	4,123,141	5,595,575
Surplus for the year	-	182,338	182,338
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	182,338	182,338
Transfer to/from reserve	(843,730)	843,730	-
Balance at 30 June 2017	628,704	5,149,209	5,777,913

	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	628,704	5,149,209	5,777,913
Surplus for the year	-	523,739	523,739
Other comprehensive income for the year	185,504	-	185,504
Total comprehensive income for the year	185,504	523,739	709,243
Transfer from	(280,965)	280,965	-
Transfer to	247,361	(247,361)	-
Balance at 30 June 2018	780,604	5,706,552	6,487,156

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012 and Western Australian legislation the Associations Incorporation Act 2015, the Charitable Collections Act 1946 and associated regulations, as appropriate for not-for profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Revenue recognition
Non-reciprocal grant revenue is recognised in the statement of comprehensive income when the association obtains control of the grant and 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.

When grant revenue is received whereby the association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The association receives non-reciprocal contributions of assets from the government and other parties for zero or nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised on an accruals basis.

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

Note 1. Significant accounting policies (continued)

Income tax
As the Association is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

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

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is available for use.

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

Land and Buildings	0% - 20%
Motor Vehicles	20%
Plant and equipment	20% - 33%

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software
Software is recorded at cost. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. Software has an estimated useful life of between three and four years. It is assessed annually for impairment.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Association prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

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

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (continued)

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Association for the annual reporting period ended 30 June 2018. The Association's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Association, are set out below.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Association will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Association.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Association will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Association.

AASB 1058 Income of Not-for-Profit Entities
This standard is 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.
The Association will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Association.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The Association determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of property, plant and equipment
The Association assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Operating Income

	2018 $	2017 $
House income	1,405,077	1,239,573
Community access services (CAS)	1,613,500	1,478,820
Supported accommodation income	12,140,292	10,745,249
	15,158,869	13,463,642

Note 4. Employment

	2018 $	2017 $
Direct employment costs	10,457,420	9,790,678
Indirect employment costs	1,979,748	1,749,236
	12,437,168	11,539,914

Note 5. House expense

	2018 $	2017 $
Food	237,927	208,836
Rent and rates	115,849	85,595
Maintenance	126,984	236,458
Vehicle expenses	119,315	89,708
Utilities	180,395	153,224
Running expenses	109,860	116,263
Other expenses	28,193	26,460
	918,523	916,544

Mosaic Community Care Inc.
Notes to the Financial Statements
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Note 6. Administration

	2018 $	2017 $
Office expenses	212,434	236,267
Communication	98,724	84,317
Recruitment and advertising	84,123	80,115
Staff training	181,513	89,642
Marketing	116,513	81,159
Events - Friends of Mosaic and 25 years Anniversary	62,816	-
Membership and subscription	37,288	35,715
Donations	-	1,250
Professional Fees - Other	99,115	144,737
Professional Fees - PWC	109,459	-
Other	19,309	27,933
	1,021,294	781,135

Note 7. Non-operating income

	2018 $	2017 $
Capital grants	-	149,544
SACS back payments	337,754	251,873
Prior year (under)/over provisions	44,789	(49,537)
Donations, sponsorship and other	5,344	2,000
	387,887	353,880

Note 8. Current assets - cash and cash equivalents

	2018 $	2017 $
Cash on hand	16,091	13,006
Cash at bank	750,002	1,139,138
Term deposits	6,329,516	5,091,661
	7,095,609	6,243,805

Note 9. Current assets - trade and other receivables

	2018 $	2017 $
Trade receivables	103,384	78,145
Prepayments	42,501	41,205
Accrued income	112,397	79,634
	258,282	198,984

Note 10. Non-current assets - property, plant and equipment

	2018 $	2017 $
Land and buildings - at cost	1,848,262	1,485,480
Less: Accumulated depreciation	(154,041)	(197,091)
	1,694,221	1,288,389
Plant and equipment - at cost	316,108	145,025
Less: Accumulated depreciation	(105,584)	(42,629)
	210,524	102,396
Motor vehicles - at cost	1,333,931	1,314,203
Less: Accumulated depreciation	(652,742)	(471,532)
	681,189	842,671
	2,585,934	2,233,456

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

	Plant and Equipment $	Land and Buildings $	Motor Vehicles $	Total $
Balance at 1 July 2016	30,542	597,148	544,339	1,172,029
Additions/ Trf. from WIP	103,843	795,713	735,605	1,635,161
Disposals	-	-	(222,493)	(222,493)
Depreciation expense	(31,989)	(104,472)	(214,780)	(351,241)
Balance at 30 June 2017	102,396	1,288,389	842,671	2,233,456
Additions	134,090	416,288	514,728	1,065,106
Disposals	(4,709)	(10,007)	(401,636)	(416,352)
Revaluation increments	-	118,753	-	118,753
Depreciation expense	(68,253)	(119,202)	(227,574)	(415,029)
Balance at 30 June 2018	163,524	1,694,221	728,189	2,585,934

Note 11. Non-current assets - intangibles

	2018 $	2017 $
Software - at cost	243,343	223,023
Less: Accumulated amortisation	(119,497)	(65,596)
	123,846	157,427
Trademark - at cost	-	9,382
	123,846	166,809

Note 12. Current liabilities - Payables

	2018 $	2017 $
Creditors	434,114	299,307
Accrued expenses	171,845	105,023
Superannuation payable	248,545	218,738
Salary accrual	253,056	359,850
Other payables	182,014	110,036
	1,289,574	1,092,954

Refer to note 19 for further information on financial instruments.

Note 13. Current liabilities - Income in advance

	2018 $	2017 $
Funding to be repaid	171,138	300,954
DSC grants in advance	686,617	497,296
Sundry grants in advance	113,040	6,500
	970,795	804,750

Note 14. Current liabilities - Current provisions

	2018 $	2017 $
Employee leave provision	896,520	855,351
Provision for under-servicing	65,783	60,780
	962,303	916,131

Note 15. Non-current liabilities - Non-current provisions

	2018 $	2017 $
Long service leave provision	365,370	314,657

Note 16. Equity - reserves

	2018 $	2017 $
Revaluation surplus reserve	415,504	230,000
Capital works reserve	-	280,965
Residence improvement reserve	365,100	117,739
	780,604	628,704

Revaluation reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Note 16. Equity - reserves (continued)

Capital work reserve
This reserve is intended for the possible investment in an innovative capital works program and would include funding for new housing for clients. As there are no capital works projects for the next financial year identified at the time of preparing these accounts, the reserve was written back to nil in the 2018 year.

Residence improvement reserve
This reserve is intended for capital works required for possible renovations and long term maintenance to existing homes used by the people we support. The reserve has been increased to improve the amenity of our clients housing.

Note 17. Equity - retained surpluses

	2018 $	2017 $
Retained surpluses at the beginning of the financial year	5,149,209	4,123,141
Surplus for the year	523,739	182,338
Transfer from capital works reserve	280,965	727,379
Transfer (to) / from residence improvement reserve	(247,361)	116,351
Retained surpluses at the end of the financial year	5,706,552	5,149,209

Note 18. Reconciliation of cash

The effective interest rate on short-term bank deposits was 3% (2017: 3%); these deposits have an average maturity of less than six months.

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:

	2018 $	2017 $
Cash and Cash equivalents	7,095,608	6,243,805

Note 19. Financial instruments

Financial risk management objectives
The association's financial instruments consist mainly of deposits with banks, local money market instruments, receivables and payables, and lease liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	7,095,608	6,243,805
Accounts receivable and other debtors	215,781	157,779
	7,311,389	6,401,584
Financial liabilities		
Accounts payable and other payables	1,289,574	1,092,954

Note 19. Financial instruments (continued)

The Association's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Association and appropriate procedures, controls and risk limits. Management reports to the Board on a monthly basis.

Market risk

Price risk
The Association is not exposed to any significant price risk.

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

Interest rate risk is managed using a mix of terms on term deposits.

Sensitivity analysis

The following table illustrates sensitivities to the association's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	Weighted average interest rate %	Profit $	Weighted average interest rate %	Balance $
Cash and Cash equivalents	2.00%	133,000	2.00%	123,000
		133,000		123,000

No sensitivity analysis has been performed on foreign exchange risk as the association has no exposure to currency risk.

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the association.

Credit risk is managed through maintaining procedures (such as the utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposure against such limits and monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the committee has otherwise assessed as being financially sound.

Note 19. Financial instruments (continued)

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

There is no collateral held by the association securing trade and other receivables.

Accounts receivable and other debtors that are neither past due nor impaired are considered to be of high credit quality. The association has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided below.

Trade and other receivables

The following table details the association's receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the association and the member or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining their willingness to pay and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the association.

The balances of receivables that remain within initial terms (as detailed in the table) are considered to be of high credit quality.

	Within initial trade term $	Past due but not impaired $	Total $
2018			
Trade receivables	103,384	-	103,384
Prepayments	42,501	-	42,501
Accrued income	112,397	-	112,397
Total	258,282	-	258,282

	Within initial trade terms $	Past due but not impaired $	Total $
2017			
Trade receivables	78,145	-	78,145
Prepayments	41,205	-	41,205
Accrued income	79,634	-	79,634
Total	198,984	-	198,984

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

Liquidity risk

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

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- only investing surplus cash with major financial institutions.

Note 19. Financial instruments (continued)

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The association does not hold directly any derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial liability and financial asset maturity analysis

2018	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Financial liabilities due for payment					
Trade and other payables (excluding annual leave and grants receivable in advance)	(959,112)	-	-	-	(959,112)
Total contractual outflows	(78,913)	(78,913)	(32,880)	-	(190,706)
Financial assets – cash flows realisable					
Cash and cash equivalents	7,095,608	-	-	-	7,095,608
Accounts receivable and other debtors	215,781	-	-	-	215,781
Total non-derivatives	6,273,364	(78,913)	(32,880)	-	6,161,571

2017	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Financial liabilities due for payment					
Trade and other payables (excluding annual leave and grants receivable in advance)	(514,363)	-	-	-	(514,363)
Total contractual outflows	(74,383)	-	-	-	(74,383)
Financial assets – cash flows realisable					
Cash and cash equivalents	6,243,805	-	-	-	6,243,805
Accounts receivable and other debtors	99,033	-	-	-	99,033
Total non-derivatives	5,754,092	-	-	-	5,754,092

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Fair value estimation

No comparison between fair value and carrying amounts has been presented, as the association has determined that there is no significant difference between the carrying amount and the fair value of any of the financial assets or liabilities.

No financial instruments in the statement of financial position are measured at fair value.

Note 20. Key management personnel disclosures

Board of Directors
The following persons were Board of Directors of Mosaic Community Care Inc. during the financial year:

Geoff Parnell	Chairman
Kevin Taylor	Deputy Chairman / Treasurer (resigned 30 June 2018)
Chris Ryder	Secretary
Jodi Kerr	Director
Elizabeth Ferguson	Director
Virginia Miltrup	Director / Deputy Chairperson from 30 June 2018
Phillip Barker	Director / Treasurer from 30 June 2018
Rachel Skoss	Director

Compensation by category: Key Management Personnel (KMP)

The totals of remuneration paid to KMP of the association during the year are as follows:

	2018 $	2017 $
Executive remuneration	922,514	964,449
Stipend for board	54,352	51,620
Total	976,866	1,016,069

Remuneration of the Board of Directors

The members of the Board of Directors receive a stipend at rates as approved by the members of the association. The total stipend paid to board members during the financial year amounted to $54,352 (2017: $51,620).

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the Association:

	2018 $	2017 $
Audit services -		
Audit of the financial statements	29,000	27,000

Note 22. Related party transactions

Key management personnel
Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

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

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

Note 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.

Note 24. Cash flow information

Reconciliation of surplus to net cash from operating activities

	2018 $	2017 $
Surplus for the year	523,739	182,338
Adjustments for:		
Depreciation and amortisation	468,931	394,975
Interest received	(174,781)	(166,905)
Capital grants	-	(149,544)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(59,298)	(34,096)
Decrease in other current assets	493	-
Decrease/(increase) in other operating assets	68,666	(1,980)
Increase in payables	196,620	404,464
Increase in income in advance	166,045	-
Increase in employee benefits	96,885	254,860
Net cash from operating activities	1,287,300	884,112

Note 25. Segment information

Mosaic Community Care Inc. operates predominantly in one business and geographic segment, being in the provision of community and residential support services in the Perth metropolitan region.

Note 26. Mosaic Community Care Inc. details

The principal place of business and registered office of Mosaic Community Care Inc. is:

2 Sabre Crescent, JANDAKOT WA 6164