

Annual Financial Statements

Year Ended 30 June 2017

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ChildFund Australia

(A company limited by guarantee)

ABN 79 002 885 761

Directors' report

The directors present their report together with the financial statements of ChildFund Australia ("the Company") for the year ended 30 June 2017 and the auditor's report thereon.

Directors

The Directors in office during the whole of the financial year and up to the date of this report were:

Mary Latham (Chair)

Mary Latham is a Chartered Accountant, Company Director and Consultant. She has worked in the financial services industry in Australia and England for 15 years, and in the Australian not-for-profit sector since 2006. She is also a Director of Australian Conservation Foundation, Australian Podiatry Association (Vic) and IDC Secretariat (Australia). Mary joined the Board in November 2012 and is a member of the Governance Committee and the Audit and Risk Committee. Mary was appointed as the Chair of the Board in November 2015.

David Shortland (Deputy Chair)

David Shortland is a governance specialist and communication counsel to boards and senior executives. He is a facilitator for the Australian Institute of Company Directors (AICD) in Strategy & Risk & Governance and contributed to AICD's Good Governance Principles and Guidance for Not-For-Profit Organisations. David is a director of the Heart Foundation (NSW). He joined the ChildFund Australia board in November 2014 and is Chair of the Governance Committee and a member of the Communications and Marketing Committee. David was appointed Deputy Chair in November 2016.

Michael Rose

Michael Rose is the Chairman of ChildFund Alliance and has been a member of the ChildFund Australia Board since 2005. Michael serves on the Boards of a number of not-for-profit organisations and other organisations focused on welfare reform, economic development and education in Indigenous communities. He is a Fellow of the Australian Institute of Company Directors.

Justine Richardson

Justine Richardson works with Boards and Senior Executives to address complex business issues and help businesses grow and improve their operations. Justine has extensive experience in external and internal audits, providing accounting advice and process improvement specialising in companies undergoing substantial change in high growth environments. Justine joined the ChildFund Australia board in November 2014 and is Chair of the Audit & Risk Committee and member of the Governance Committee.

Jo Brennan

Jo Brennan is a General Manager with CommInsure at the Commonwealth Bank and brings 25 years of executive leadership experience working across a diverse range of industries including financial, insurance, energy and not-for-profit. She was previously the Chief Executive Officer of Habitat for Humanity in Australia and is passionate about international development. Jo has extensive experience in leading operational teams and large-scale transformational programs. Jo joined the ChildFund Australia board in November 2014 and is a member of the Program Review Committee and the Communications and Marketing Committee.

Carolyn Hardy

Carolyn Hardy is a passionate advocate for the rights of women and children. She worked with the United Nations for over twelve years in senior leadership roles with UNICEF, UN Women and the UN Trust Fund to End Violence Against Women. She is also a member of the International Board of Amnesty International. Carolyn joined the ChildFund Australia Board in November 2015 and is a member of the Program Review and Chair of the Communications and Marketing Committees.

Richard Moore

Richard Moore is a consultant specialising in Asian economic, political and social transition, currently working in Myanmar. Richard was previously Australia's Alternate Executive Director on the Asian Development Bank Board, a Ministerial adviser and AusAID Deputy Director General. As AusAID Gender Advocate, he was responsible for Australia's programs to address gender violence internationally and increase women's economic and political opportunities. Richard joined the ChildFund Board in November 2015 and is a member of the Program Review Committee and the Audit and Risk Committee.

Directors' report (continued)**Belinda Lucas**

Belinda Lucas has almost two decades of experience in international development. Having developed a passion for helping civil society organisations to improve their effectiveness, Belinda co-founded international development consultancy Learning4Development in 2013. She provides advice and support to not-for-profit organisations on areas such as governance, strategic planning, program quality and evaluation, and sector best practice. She has also developed learning resources for the Australian Council for International Development, and consulted to the Australian Government's Department of Foreign Affairs on aid policy and partner due diligence for over 10 years. Belinda joined the Board in November 2015 and is a member of the Governance Committee and Chair of the Program Review Committee.

The following Directors resigned during or after the close of the financial year:

Joanne Thomson – Resigned in November 2016 (maximum term)

Michael Pain – Resigned in November 2016

Yassmin Abdel-Magied – Resigned in July 2017

Gaye Hart – Resigned in November 2016

Company Secretary

Adrian Graham was appointed on 21 June 2017.

Directors' report (continued)

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors during the financial year were:

	Board Meetings		Audit & Risk Committee		Program Review Committee		Communications and Marketing Committee		Governance Committee	
	A	B	A	B	A	B	A	B	A	B
Michael Rose	4	3								
Jo Thomson	1	1			1	1				
Gaye Hart	1	1	2	2			2	2		
Mary Latham	4	4	5	4					3	3
Yassmin Abdel-Magied	4	1	3	2	1	-	2	1		
David Shortland	4	4					4	2	3	3
Justine Richardson	4	4	5	5					3	3
Jo Brennan	4	2			3	1	4	4		
Carolyn Hardy	4	3			3	2	4	4		
Richard Moore	4	3	5	5	3	2				
Belinda Lucas	4	3			3	3			3	3

Column A – Indicates the number of meetings the Director was eligible to attend.

Column B – Indicates the number of meetings attended

From time to time, directors have also attended other meetings of importance.

Directors' report (continued)**Objectives**

The long-term objective of the Company is to create lasting and meaningful change by supporting long-term community development, responding to humanitarian emergencies and promoting children's rights. An essential aspect of the work is to strive to understand children's experience of poverty and to involve them actively in program activities. The short-term objectives are to expand support for children in developing communities; improve program effectiveness through enhanced monitoring and evaluation processes; influence policy and inform public awareness; increase sponsorship and program expenditure; greater accountability and transparency.

Principal activities

The principal activity of the Company during the financial year was international aid and development delivered by working in partnership with children and their communities. Expenditure on overseas development activities, including community education was \$41,502,484 (2016: \$40,139,498).

There were no significant changes in the nature of the activities of the Company during the year.

Performance measurement

The Company has in place several performance measurement systems for its various functions. Program effectiveness is assessed against stated program objectives through regular monitoring and evaluation processes conducted by staff, partners and independent evaluators. Fundraising performance is measured against targets agreed annually. Overall company performance measures include various ratios such as those disclosed in note 25.

Review and results of operations

Total comprehensive income was a deficit of \$792,450 (2016: deficit of \$2,443,093), which included a gain on investments of \$134,329 (2016: loss of \$128,916) which has been taken up in equity. The equity of the Company decreased to \$3,804,028 (2016: \$4,596,478).

Dividends

The Company's constitution does not permit dividends to be paid.

Liability of members

The liability of members is limited to contributing up to \$100 for payment of the Company's debts and liabilities, and of the costs, charges and expenses of winding up and for adjustments of the rights of the contributions among themselves.

Environmental regulation

The Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of environmental requirements as they apply to the Company.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Likely developments

It is not foreseen that the Company will undertake any change in its general direction during the coming financial year. Further information about likely developments in the operations of the Company and the expected results in future financial years has not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Company.

Directors' report (continued)**Events subsequent to reporting period**

As of 1 July 2017, "the Company" has taken over International Christian Aid Relief Enterprises Limited (I-CARE) an ACNC registered charity. Apart from that there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Indemnification and insurance of officers***Indemnification***

The Company has agreed to indemnify the current directors of the Company and the former directors against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

Insurance premiums

During the financial year the Company maintained an Association Liability insurance policy which included cover in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers. The insurance policy relates to:

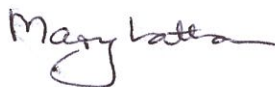
- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The Association Liability insurance policy does not disclose separately the premium for the above insurance in respect of individual officers of the Company or in aggregate for all directors and officers. The premium paid for the Association Liability insurance policy was \$3,150 (2016: \$3,150).

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for financial year ended 30 June 2017.

Signed in accordance with a resolution of the directors:



Mary Latham
Director



Justine Richardson
Director

Dated at Sydney this 13th day of September 2017



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

To: the directors of ChildFund Australia

I declare that, to the best of my knowledge and belief, in relation to the audit 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

Sarah Cain

Sarah Cain
Partner

Sydney

13 September 2017

Statement of comprehensive income

Year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue			
Monetary donations & gifts			
Child sponsorship donations		26,296,652	27,191,454
Other donations		4,347,559	3,899,461
		<u>30,644,211</u>	<u>31,090,915</u>
Legacies and bequests		297,633	16,812
Grants			
Department of Foreign Affairs and Trade		7,906,085	7,457,793
Other Australian	6	1,778,782	848,086
Overseas	7	10,111,467	9,002,901
		<u>19,796,334</u>	<u>17,308,780</u>
Investment income	8	249,491	328,991
Other income	9	513,092	600,525
Total revenue		<u>51,500,761</u>	<u>49,346,023</u>
Expenditure			
International Aid and Development Programs Expenditure			
International programs			
Funds to international programs	10	38,244,616	36,977,363
Program support costs		2,603,075	2,547,575
		<u>40,847,691</u>	<u>39,524,938</u>
Community education		654,793	614,560
Fundraising costs			
Public		7,926,863	8,795,089
Government, multilateral and private		101,085	118,062
Accountability and administration	11	2,897,108	2,607,551
Total expenditure		<u>52,427,540</u>	<u>51,660,200</u>
Shortfall of revenue over expenditure		(926,779)	(2,314,177)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	8	134,329	(128,916)
Total comprehensive loss for the year		<u>(792,450)</u>	<u>(2,443,093)</u>

During the year, the Company did not engage in any political or religious proselytisation programs, domestic projects, commercial activities, had no impairment of investments and did not include the value of non-monetary donations and gifts.

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Statement of financial position

As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Cash and cash equivalents	13	6,623,192	7,156,166
Trade and other receivables	14	803,213	725,888
Financial assets	15	7,669,145	7,546,005
Total current assets		<u>15,095,550</u>	<u>15,428,059</u>
Property, plant and equipment	16	779,146	829,603
Intangibles	17	1,624,342	1,827,385
Total non-current assets		<u>2,403,488</u>	<u>2,656,988</u>
Total assets		<u>17,499,038</u>	<u>18,085,047</u>
Liabilities			
Trade and other payables	18	12,905,176	12,727,620
Provisions	19	537,743	472,604
Total current liabilities		<u>13,442,919</u>	<u>13,200,224</u>
Provisions	19	252,091	288,345
Total non-current liabilities		<u>252,091</u>	<u>288,345</u>
Total liabilities		<u>13,695,010</u>	<u>13,488,569</u>
Net assets		<u>3,804,028</u>	<u>4,596,478</u>
Equity			
Unrestricted reserves			
Retained surplus	20	1,281,479	2,332,505
Bequest reserve	20	500,000	500,000
Fair-value reserve	20	681,179	546,850
		<u>2,462,658</u>	<u>3,379,355</u>
Restricted reserves	20	1,341,370	1,217,123
Total equity		<u>3,804,028</u>	<u>4,596,478</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Statement of changes in equity

Year ended 30 June 2017

	Retained surplus \$	Bequest reserve \$	Fair value reserve \$	Restricted reserve \$	Total equity \$
Balance as at 1 July 2015	<u>3,931,984</u>	<u>500,000</u>	<u>675,766</u>	<u>1,931,821</u>	<u>7,039,571</u>
Total comprehensive income for the period					
Shortfall in revenue over expenditure	(2,314,177)	-	-	-	(2,314,177)
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	-	(128,916)	-	(128,916)
Transfers to restricted funds	(2,090,221)	-	-	2,090,221	-
Transfers from restricted funds	2,804,919	-	-	(2,804,919)	-
Balance as at 30 June 2016	<u>2,332,505</u>	<u>500,000</u>	<u>546,850</u>	<u>1,217,123</u>	<u>4,596,478</u>
Balance as at 1 July 2016	<u>2,332,505</u>	<u>500,000</u>	<u>546,850</u>	<u>1,217,123</u>	<u>4,596,478</u>
Total comprehensive income for the period					
Shortfall in revenue over expenditure	(926,779)	-	-	-	(926,779)
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	-	134,329	-	134,329
Transfers to restricted funds	(2,328,810)	-	-	2,328,810	-
Transfers from restricted funds	2,204,563	-	-	(2,204,563)	-
Balance as at 30 June 2017	<u>1,281,479</u>	<u>500,000</u>	<u>681,179</u>	<u>1,341,370</u>	<u>3,804,028</u>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Cash receipts in the course of operations		51,196,683	49,988,460
Cash payments in the course of operations		(51,963,755)	(52,605,561)
Net cash used in operating activities	24	<u>(767,072)</u>	<u>(2,617,101)</u>
Cash flows from investing activities			
Acquisition of available-for-sale financial assets		(135,693)	(147,604)
Bank term deposits		146,882	(4,211,901)
Acquisition of intangibles, property, plant & equipment		(25,338)	(147,178)
Investment income received		178,386	192,298
Interest received		69,861	106,902
Net cash from/(used) in investing activities		<u>234,098</u>	<u>(4,207,483)</u>
Cash flows from financing activities			
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(532,974)	(6,824,584)
Cash and cash equivalents at 1 July		<u>7,156,166</u>	<u>13,980,750</u>
Cash and cash equivalents at 30 June	13	<u>6,623,192</u>	<u>7,156,166</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Notes to the financial statements
Year ended 30 June 2017**1. Reporting entity**

ChildFund Australia (the "Company") is a public company limited by guarantee and a not for profit entity. It is an income tax exempt charitable organisation domiciled in Australia and the registered office is at Level 8, 162 Goulburn Street, Surry Hills NSW 2010. The mission of the Company is to work in partnership with children and their communities to create lasting and meaningful change by supporting long-term community development and promoting children's rights.

2. Basis of preparation**(a) Statement of compliance**

In the opinion of the directors, the Company is not publicly accountable. The financial report is a Tier 2 general purpose financial report which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and the ACFID Code of Conduct Guidance.

The financial statements were approved by the Board of Directors on the 13th of September 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Overseas Branches

The Company has five overseas branches as at 30 June 2017 being Cambodia, Laos, Myanmar, Papua New Guinea and Vietnam. For the purposes of these financial statements, the statements of financial position of the overseas branches have been aggregated into the Company's statement of financial position. The overseas branches are fully funded by the Company and as such the statement of comprehensive income is not aggregated as such results are already reflected in the Company's operations.

Notes to the financial statements
Year ended 30 June 2017

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company is a signatory to the Australian Council for International Development (ACFID) Code of Conduct and the Company has presented its statement of comprehensive income in accordance with the Code of Conduct Implementation Guidance.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria are also applied when recognising revenue:

Child sponsorship, gift remittances and donations

Revenue from sponsorship, gift remittances, donations and grants are recognised in the statement of comprehensive income as income when the Company gains control of the contribution or the right to receive the contribution. Amounts prepaid by sponsors are retained by the Company and recorded as a liability until the monies are due to be remitted to respective overseas providers of services. Unspent restricted donations are shown as restricted reserves.

Grants

Grants from Government, multilateral and non-government organisations are recognised as revenue as they are expended on programs to which they relate. Unexpended grants are recognised as liabilities to reflect the obligation to repay any unspent portion at the completion of the program.

Sale of property, plant and equipment

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest income

Interest income is recognised in the statement of comprehensive income, using the effective interest method.

(b) Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(c) Taxation

No income tax is payable as the Company is exempt under Australian taxation legislation.

(d) Comparatives

Where required by accounting standards or where items have been reclassified, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the financial statements
Year ended 30 June 2017

3. Significant accounting policies (continued)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the end of each reporting period.

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses, see note 3(h).

Notes to the financial statements
Year ended 30 June 2017

3. Significant accounting policies (continued)

(h) Impairment

The carrying amounts of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Available-for-sale financial assets:

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the statement of comprehensive income. The cumulative loss that is reclassified from equity to statement of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the statement of comprehensive income. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets:

The carrying amounts of the Company'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. Indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an assets or its related cash generating unit (CGU) exceeds its recoverable amount.

(i) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as incurred.

Notes to the financial statements
Year ended 30 June 2017

3. Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods were as follows:

- | | |
|--|--------------|
| • Furniture, fittings and office equipment | 4 to 5 years |
| • Buildings | 40 years |

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

Non-current assets at overseas branches

Items of plant and equipment acquired specifically for use by overseas branches are expensed at the time of purchase.

Capital works in progress

Only items ready for use are included in cost of assets and depreciated. Capital works in progress are capitalised but not depreciated.

(j) Intangible assets and software

The implementation cost of information technology systems that have a useful life beyond 2 years is capitalised and amortised over the expected life once available for use. Only direct labour and external consultant costs are capitalised. The Company has revised its amortisation period from 6 to 10 years to adequately reflect the expected rate of amortisation due to the nature of the underlying asset.

(k) Investments – Available-for-sale financial assets

The Company's investment in equity securities and managed funds are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is recognised in the statement of comprehensive income.

(l) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 60 days.

(m) Employee benefits

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and non-monetary benefits that are expected to be settled within 12 months of each reporting period date represent present obligations resulting from employees' services provided to the end of each reporting period. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the end of each reporting period including related on-costs such as workers compensation insurance and payroll tax. Non-accumulation non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

Notes to the financial statements
Year ended 30 June 2017

3. Significant accounting policies (continued)

Long term service benefits

The Company's net obligation in respect of annual leave expected to be settled after 12 months and other long term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the corporate bonds at the end of reporting period which have maturity dates approximating to the terms of the Company's obligations.

Superannuation

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred. The Company has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to the employee upon retirement.

(n) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and at call deposits maturing within 90 days from year end.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, 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 Company, and the Company has not yet determined the potential effect of the standards.

Notes to the financial statements
Year ended 30 June 2017

4. Determination of fair value

Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their last sale price at the end of each reporting period.

	2017 \$	2016 \$
5. Personnel expenses		
Salaries and wages	4,858,570	4,658,772
Other associated personnel expenses	143,610	165,126
Contributions to defined contribution superannuation funds	457,396	435,447
Increase in liability for leave	28,886	78,239
	<u>5,488,462</u>	<u>5,337,584</u>

6. Other Australian Grants

During the year \$2,685,849 (2016:\$2,046,646) of grants were received from the Department of Immigration & Border Protection and other Australian organisations. Of this and previous years deferred revenue an amount of \$1,778,782 (2016: \$848,086) was recorded as income and the remainder treated as deferred revenue as the funds were not utilised during the period.

7. Overseas Grants

During the year, \$10,371,623 (2016: \$9,002,901) of grants was received and sourced by organisations such as ChildFund Alliance members and other multi-lateral donors. Of this, \$10,111,467 (2016: \$9,002,901) was recorded as income.

8. Investment income

Recognised in profit or loss

Income from available-for-sale financial assets	178,386	192,298
Interest on bank deposits	71,105	136,693
	<u>249,491</u>	<u>328,991</u>

Recognised in other comprehensive income

Net change in fair value of available- for- sale financial assets	134,329	(128,916)
	<u>134,329</u>	<u>(128,916)</u>

9. Other income

Fundraising grant – ChildFund International	428,925	409,556
Foreign exchange gains	-	112,604
Other	84,167	78,365
	<u>513,092</u>	<u>600,525</u>

10. Funds to international programs

Asia & Pacific	26,422,672	24,025,313
Africa	9,745,058	10,392,605
Latin America	2,076,886	2,559,445
	<u>38,244,616</u>	<u>36,977,363</u>

Notes to the financial statements
Year ended 30 June 2017

	2017 \$	2016 \$
11. Administration expenses		
Administration staff salaries and other associated personnel expenses (part of personnel expenses set out in note 6)	2,285,849	2,291,829
Depreciation	75,795	89,274
Amortisation*	87,308	109,643
Foreign exchange losses	158,052	-
Other administration expenses	290,104	116,805
	<u>2,897,108</u>	<u>2,607,551</u>

*Total amortisation costs of \$203,043 (Refer note 17) for the marketing software solution has been apportioned among fundraising, program support and administration expenses.

12. Auditors remuneration
Audit services:

Auditors of the Company

KPMG Australia:

- audit of financial statements 46,000 44,000

Overseas KPMG firms:

- audit and review of financial statements 67,663 37,031

Overseas other audit firms:

- audit and review of financial statements 4,640 22,705

118,303 103,736

Other services:

Overseas KPMG firms:

- other services (EU Project Audit, KPMG PNG) 12,862 -

12,862 -

13. Cash and cash equivalents

Cash at bank (held in AUD)	316,495	292,519
Cash at bank (held in USD)	2,754,421	1,389,525
Cash deposits (held in AUD)	2,209,404	4,542,115
Cash at bank, branch offices & Others (held in various currencies)	1,342,872	932,007
	<u>6,623,192</u>	<u>7,156,166</u>
Cash and cash equivalents in statement of cash flows		

Cash at bank deposits

The weighted average interest rate on cash at bank in AUD at 30 June 2017 was 0.02% (2016: 0.05%). No interest is receivable on USD bank balance.

Cash deposits

The deposits are fixed term deposits maturing within three months of the period end, and funds in "maxi saver" accounts. The weighted average interest rate on short term deposits as at 30 June 2017 is 0.6% (2016: 2.1%).

Notes to the financial statements
Year ended 30 June 2017

	2017	2016
	\$	\$
14. Trade and other receivables		
Sundry debtors	594,873	549,343
Prepayments	208,340	176,545
	<u>803,213</u>	<u>725,888</u>
15. Financial assets		
Term deposits	4,565,019	4,711,901
Available-for-sale financial assets, at fair value	3,104,126	2,834,104
	<u>7,669,145</u>	<u>7,546,005</u>

Only term deposits maturing in more than 90 days are included in investments.

An unrealised gain of \$134,329 (2016: unrealised loss \$128,916) being the difference between the fair value of the available for sale financial assets at balance date and carrying value was taken up in equity.

The company's available-for-sale financial assets are managed by JB Were.

Notes to the financial statements
Year ended 30 June 2017
16. Property, plant and equipment

	Buildings	Furniture, fittings and office equipment	Total
	\$	\$	\$
Cost			
Balance at 1 July 2016	1,182,042	567,102	1,749,144
Acquisitions	-	25,338	25,338
Disposal	-	(2,908)	(2,908)
Balance at 30 June 2017	<u>1,182,042</u>	<u>589,532</u>	<u>1,771,574</u>
Depreciation			
Balance at 1 July 2016	422,721	496,821	919,542
Depreciation charge for the	31,638	44,157	75,795
Disposals		(2,908)	(2,908)
Balance at 30 June 2017	<u>454,359</u>	<u>538,070</u>	<u>992,429</u>
Carrying amounts			
At 1 July 2016	<u>759,323</u>	<u>70,280</u>	<u>829,603</u>
At 30 June 2017	<u>727,683</u>	<u>51,463</u>	<u>779,146</u>

17. Intangibles

	Total
	\$
Cost	
Balance at 1 July 2016	2,192,862
Additions	-
Balance at 30 June 2017	<u>2,192,862</u>
Amortisation	
Balance at 1 July 2016	365,477
Amortisation charge for the year	203,043
Balance at 30 June 2017	<u>568,520</u>
Carrying amounts	
At 1 July 2016	<u>1,827,385</u>
At 30 June 2017	<u>1,624,342</u>

Notes to the financial statements
Year ended 30 June 2017

	2017 \$	2016 \$
18. Creditors		
Trade and other payables		
Accounts payable	2,213,506	2,280,010
Unremitted funds	7,622,439	7,368,917
Revenue received in advance	486,845	548,737
Deferred Grant Revenue	2,582,386	2,529,956
	<u>12,905,176</u>	<u>12,727,620</u>

Interest accrues (at bank deposit rate) on unspent government grants. All such interest is added to the grant amount and is used to fund programs.

19. Provisions

Current liabilities

Liability for annual leave	226,268	219,283
Liability for long service leave	311,475	253,321
	<u>537,743</u>	<u>472,604</u>

Non-current liabilities

Liability for annual leave	125,599	128,314
Liability for long service leave	126,492	160,031
	<u>252,091</u>	<u>288,345</u>

20. Share capital and reserves

Share capital

No share capital has been issued as the Company is limited by guarantee.

Unrestricted reserves

Unrestricted reserves are not restricted or designated for use in particular programs or some other defined or designated purpose. These funds are available to be allocated according to the discretion of the directors.

Bequest reserves

Bequest reserves are not restricted or designated for use in particular programs or some other defined or designated purpose. These are bequest funds that the Directors have set aside with an intention to set up an endowment fund in future. These funds are however available to be allocated to other purposes according to the discretion of the directors.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Restricted reserves

Restricted reserves are tied to particular purposes specified by donors or as identified at the time of a public appeal; but with no obligation to return unspent funds to donors. They are not available for use in other ChildFund Australia work.

Notes to the financial statements
Year ended 30 June 2017

21. Members' liability

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2017 there were 9 members (2016: 12 members).

22. Operating leases

The Company leases equipment under operating leases with terms of one to five years. Leases of property generally provide the Company with a right of renewal at which times all terms are renegotiated.

	2017 \$	2016 \$
Non- cancellable operating lease rentals are payable as follows:		
Less than one year	29,396	9,140
Between one and five years	89,750	3,956
	119,146	13,096

There are no operating lease commitments beyond 5 years.

23. Related parties

Transactions with key management personnel

In addition to a salary, the Company also provides non-cash benefits to key management personnel, and contributes to a post-employment defined contribution superannuation fund on their behalf. No loans were made, guaranteed, or secured by the entity to key management personnel.

Key management personnel compensation

The key management personnel compensation included in the statement of comprehensive income are as follows:

	2017 \$	2016 \$
Short-term employee benefits	980,778	1,215,230

Key management employees are not entitled to post-employment, long-term benefits, termination or share-based payments.

Other related party transactions

ChildFund Australia is a member of the ChildFund Alliance – a global network of 11 organisations which assists more than 14 million children and families in 63 countries.

During the year ChildFund International, a member of the ChildFund Alliance, granted an amount of \$428,925 (2016: \$409,556) to ChildFund Australia to be used for sponsor acquisition.

During the year, sponsorship, gifts, donations and grants totalling \$18,270,273 (2016: \$19,139,464) were included in disbursements to ChildFund Alliance members who have the responsibility for allocating those funds to programs throughout the world. During the year ChildFund Australia received \$9,180,798 (2016: \$8,214,610) from ChildFund Alliance members for programs in ChildFund Australia managed country programs.

Overseas branches

The results of project offices are aggregated in these financial statements.

Notes to the financial statements
Year ended 30 June 2017**23. Related parties (continued)****i) Papua New Guinea**

The Company operates a project office in Papua New Guinea to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG PNG.

During the year, the Company remitted to the Papua New Guinea project office donations totalling \$2,048,773 (2016: \$1,869,484) and Department of Foreign Affairs and Trade project amounts totalling \$837,728 (2016: \$813,000). At year-end, the net assets of the Papua New Guinea project office were \$102,374 (2016: \$165,077).

ii) Vietnam

The Company operates a project office in Vietnam to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Vietnam.

During the year, the Company remitted to the Vietnam project office sponsorship, gifts and donations totalling \$5,605,983 (2016: \$5,052,724) and Department of Foreign Affairs and Trade project amounts totalling \$1,257,229 (2016: \$1,163,333). At the end of year, the net assets of the Vietnam project office were \$4,340,261 (2016: \$3,463,258).

iii) Cambodia

The Company operates a project office in Cambodia to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Cambodia.

During the year, the Company remitted to the Cambodia project office sponsorship and donations totalling \$4,186,391 (2016: \$3,961,612) and Department of Foreign Affairs and Trade funds totalling \$700,000 (2016: \$700,000). At the end of year, the net assets of the Cambodia project office were \$983,077 (2016: \$1,371,649).

iv) Laos

The Company operates a project office in Laos to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Laos.

During the year, the Company remitted to the Laos project office donations totalling \$1,972,785 (2016: \$1,263,469) and Department of Foreign Affairs and Trade funds totalling \$1,331,000 (2016: \$1,266,473). At the end of year, the net assets of the Laos project office were \$182,182 (2016: \$159,118).

v) Myanmar

The Company operates a project office in Myanmar to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Thailand.

During the year, the Company remitted to the Myanmar project office donations totalling \$750,827 (2016: \$368,674) and Department of Foreign Affairs and Trade funds totalling \$730,000 (2016: \$616,918). At the end of year, the net assets of the Myanmar project office were \$43,376 (2016: \$48,091).

Notes to the financial statements
Year ended 30 June 2017

24. Notes to the statement of cash flows

	2017	2016
	\$	\$
Deficit for the year	(926,779)	(2,314,177)
Depreciation	75,795	89,274
Amortisation	203,043	365,477
Investment income	(178,386)	(192,298)
Interest income	(69,861)	(106,901)
Operating loss before changes in working capital and provisions	(896,188)	(2,158,625)
(Increase)/decrease in trade and other receivables	(77,325)	169,718
Increase/(decrease) in trade and other payables	177,556	(706,433)
Increase in employee benefits provisions	28,885	78,240
Net cash used in operating activities	(767,072)	(2,617,101)

25. Additional information and declarations to be furnished under the Charitable Fundraising (NSW) Act 1991

Public fundraising appeals conducted during the financial year

- Ongoing sponsorship of children, gifts for children and donations.

Statements showing how funds received were applied to charitable purposes

	2017	2016
	\$	\$
Gross revenue from public activities	30,941,844	31,107,727
Less: Public fundraising costs	(7,926,863)	(8,795,089)
Net public funds	<u>23,014,981</u>	<u>22,312,638</u>
Gross Government, overseas, multilateral & corporate grants	19,796,334	17,308,780
Less: Government, multilateral & corporate fundraising costs	(101,085)	(118,062)
Net Government, overseas, multilateral & corporate funds	<u>19,695,249</u>	<u>17,190,718</u>
Other revenue	<u>762,583</u>	<u>929,516</u>
Net funds raised	<u>43,472,813</u>	<u>40,432,872</u>
Overseas project disbursements	38,244,616	36,977,363
Program support costs	2,603,075	2,547,575
Community education costs	<u>654,793</u>	<u>614,560</u>
Total funds disbursed towards the objectives of the Company	<u>41,502,484</u>	<u>40,139,498</u>
Accountability and administration expenses	<u>2,897,108</u>	<u>2,607,551</u>
Operating deficit	<u>(926,779)</u>	<u>(2,314,177)</u>

Percentages

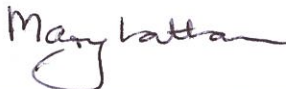
Total cost of public fundraising/gross public fundraising income	25.6%	28.3%
Surplus from public fundraising/gross public fundraising income	74.4%	71.7%
Funds disbursed towards objectives/total expenditure	79.2%	77.7%
Funds disbursed towards objectives/total revenue received	80.6%	81.3%

Directors' declaration

In the opinion of the directors of ChildFund Australia ("the Company"):

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 8 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime, the Australian Charities and Not-for-profits Commission Regulation 2013 and the Corporations Regulations 2001; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Mary Latham
Director



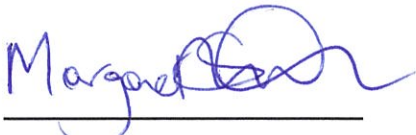
Justine Richardson
Director

Dated at Sydney this 13th day of September 2017

Declaration by Chief Executive Officer in respect of fundraising appeals

I, Margaret Sheehan, Acting Chief Executive Officer of ChildFund Australia, declare that in my opinion:

- (a) the accounts give a true and fair view of all income and expenditure of ChildFund Australia with respect to fundraising appeals for the financial year ended 30 June 2017;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals as at 30 June 2017;
- (c) the provisions of the Charitable Fundraising Act (NSW) 1991 and Regulations and the conditions attached to the authority have been complied with for the year ending 30 June 2017; and
- (d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.



Margaret Sheehan
Acting Chief Executive Officer

Dated at Sydney this 13th day of September 2017



Independent Auditor's Report

To the members of ChildFund Australia

Report on the audit of the Annual Financial Statements

Opinion

We have audited the **Annual Financial Statements**, of ChildFund Australia (the Company).

In our opinion, the accompanying **Annual Financial Statements** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.
- iii. Comply with the presentation and disclosure requirements of the ACFID Code of Conduct.

The **Annual Financial Statements** comprises:

- i. Statement of financial position as at 30 June 2017.
- ii. Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors declaration.
- v. Declaration by the Chief Executive Officer in respect of fundraising appeals of the Company.

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 Annual Financial Statements* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* 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 Annual Financial Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in company's annual reporting which is provided in addition to the Annual Financial Statements 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 Directors Report.

Our opinion on the Annual Financial Statements 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 Annual Financial Statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Annual Financial Statements 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 Annual Financial Statements

The Directors are responsible for:

- i. Preparing the Annual Financial Statements that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Preparing the Annual Financial Statements in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- iii. Implementing necessary internal control to enable the preparation of Annual Financial Statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. 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 Annual Financial Statements

Our objective is:

- i. to obtain reasonable assurance about whether the Annual Financial Statements as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 Annual Financial Statements.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- i. Identifying and assessing the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error.
- ii. 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.
- iii. 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.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. 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 Annual Financial Statements 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 Company to cease to continue as a going concern.
- vi. Evaluating the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represents the underlying transactions and events in a manner that achieves fair presentation.

In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act and Regulation.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or



normal year-end financial adjustments required for the preparation of Annual Financial Statements such as accruals, prepayments, provisioning and valuations.

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- i. the Annual Financial Statements gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 30 June 2017;
- ii. the Annual Financial Statements has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2016 to 30 June 2017, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received as a result of fundraising appeal activities conducted during the period from 1 July 2016 to 30 June 2017 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- iv. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

KPMG

KPMG

Sarah Cain

Sarah Cain

Partner

Sydney

13 September 2017