

# Annual Financial Statements

Year Ended 30 June 2016

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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 2016 and the auditor's report thereon.

### Directors

The Directors at any time during or since the end of the reporting period 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 2012 and is a member of the Governance Committee and the Audit and Risk Committee. Mary was appointed as the Chair of the Board on 25 November 2015.

#### **Joanne Thomson (Deputy Chair)**

Joanne Thomson is an international development specialist having worked in the NGO development sector for 25 years. She has been responsible for managing NGO programs in the Pacific, Asia and Africa having held senior executive positions with Australian NGOs and as a consultant on numerous NGO and Department of Foreign Affairs and Trade initiatives. Joanne joined the Board in 2007 and is the Deputy Chair of the Board and the Chair of the Program Review Committee.

#### **Marcus Laithwaite**

Marcus Laithwaite is a partner of a major professional services firm in Sydney, and a specialist in the financial services industry. Marcus joined the Board in 2007 and completed his maximum term on 25 November 2015 having been a member of the Governance Committee and the Program Review Committee.

#### **Michael Pain**

Michael Pain was a Managing Director with Accenture Australia, leading Accenture's Analytics activities in Australia. In this capacity, Michael oversaw Accenture's analytics activities and worked with strategic and technology implementation projects across a range of industry sectors including financial services, public sector and resources. Michael also co-led Accenture's corporate giving activities, and supported several philanthropic organisations in the area of ethics and the environment. Michael has a Bachelor of Science (Hons) from the University of Sydney and an MBA (Hons) from INSEAD in France. Michael joined the Board in 2012 and has been on leave of absence since 25 November 2015.

#### **David Shortland**

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 2014 and is Chair of the Governance Committee and a member of the Communications and Marketing Committee.

#### **Dr Stephen Moss**

Stephen Moss is a professional consultant, director and mediator with a background in law, psychology and business. Stephen joined the Board in 2008 and retired from the Board on 25 November 2015, having been a member of the Program Review Committee and the Communications and Marketing Committee.

#### **Yassmin Abdel-Magied**

Yassmin is the Founder and President of Youth Without Borders and a drilling engineer in the oil and gas industry. She is a passionate social justice advocate, and has served on various councils and Boards throughout the country. As the 2015 Queensland Young Australian of the Year, Yassmin is also an avid writer and social commentator, joining the ChildFund Australia Board in 2014. Yassmin is a member of the Program Review Committee and the Communications and Marketing Committee.

**Michael Rose**

Michael Rose is the Chairman of ChildFund Alliance and has been a member of the ChildFund Australia Board since 2005. Michael is the former Chief Executive Partner of leading commercial law firm, Allens, and serves on the Boards of a number of Government, arts and not-for-profit organisations. He is the Chairman of the Committee for Sydney, Sydney Living Museums and the Indigenous Engagement Task Force of the Business Council of Australia. He is also a member of the Referendum Council working on constitutional recognition for Indigenous Australians.

**Gaye Hart**

Gaye Hart has over 20 years' experience as an executive and non-executive director in not-for-profit, government and business boards including the Sydney Paralympics Organising Committee, the Australian National Maritime Museum, the NSW Regional Development Advisory Council and Hunter TAFE. She was awarded the Centenary of Federation medal in 2003 in recognition of her service to international development as President of ACFID, a member of the Simons Committee to Review the Australian Overseas Aid Program and a member of the Foreign Minister's Aid Advisory Council. In 1989 Gaye was made a Member of the Order of Australia for her services to the community through the Australian Bicentenary. In 2001 she was awarded a Doctorate in Education (honoris causa) in recognition of her contribution to education and training. Gaye joined the Board in 2010 and is a member of the Audit & Risk Committee and Chair of the Communications and Marketing Committee.

**Justine Richardson**

Justine Richardson is a partner of a major professional services firm in Sydney. 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 2014 and is Chair of the Audit & Risk Committee and member of the Governance Committee.

**Desmond Semple**

Desmond Semple has a background as CEO of Government Human Service Departments and more recently as a consultant undertaking major structural and organisational changes, across and within Government agencies. Desmond joined the Board in 2007 and completed his maximum term on 25 November 2015 having been a 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 2014 and is a member of the Program Review Committee and the Communications and Marketing Committee

**Carolyn Hardy**

Carolyn 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 2015 and is a member of the Program Review and 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 on 25 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 on 25 November 2015 and is a member of the Governance Committee and the Program Review Committee.

**Company Secretary**

Bandula Gonsalkorale was appointed on 20 December 2007.

**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	2								
Des Semple	1	1							1	1
Marcus Laithwaite	1	1			2	2			1	1
Jo Thomson	4	4			4	4				
Stephen Moss	1	0			2	0	2	0		
Gaye Hart	4	4	6	6			4	4		
Michael Pain	1	1	3	3					1	1
Mary Latham	4	4	6	6			2	2	3	3
Yassmin Abdel-Magied	4	4			4	4	4	4		
David Shortland	4	4					4	3	3	3
Justine Richardson	4	3	6	6					3	3
Jo Brennan	4	4			4	4	4	3		
Carolyn Hardy	3	3			2	2	2	1		
Richard Moore	3	3	3	3	2	2				
Belinda Lucas	3	2			2	2			2	2

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 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 \$40,139,498 (2015: \$41,017,700).

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 27.

### **Review and results of operations**

Total comprehensive income was a deficit of \$2,443,093 (2015: surplus of \$1,794,409), which included a loss on investments of \$128,916 (2015: gain of \$63,732) which has been taken up in equity. The equity of the Company decreased to \$4,596,478 (2015: \$7,039,571).

### **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**

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:

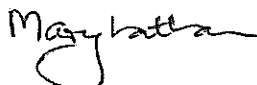
- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position 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 (2015: \$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 2016.

Signed in accordance with a resolution of the directors:



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Mary Latham  
Director



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Justine Richardson  
Director

Dated at Sydney this 14<sup>th</sup> day of September 2016




**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 and 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 2016 there has been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 and the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*  
KPMG

  
Brett Mitchell  
Partner

Sydney

14 September 2016

**Statement of comprehensive income**  
**Year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Revenue</b>			
Monetary donations & gifts			
Child sponsorship donations		27,191,454	29,042,943
Other donations		3,899,461	4,166,723
		<u>31,090,915</u>	<u>33,209,666</u>
Legacies and bequests		16,812	21,486
Grants			
Department of Foreign Affairs and Trade		7,457,793	7,938,948
Other Australian	7	848,086	1,459,626
Overseas	8	9,002,901	8,211,190
		<u>17,308,780</u>	<u>17,609,764</u>
Investment income	9	328,991	423,601
Other income	10	600,525	1,022,913
<b>Total revenue</b>		<u><b>49,346,023</b></u>	<u><b>52,287,430</b></u>
<b>Expenditure</b>			
<b>International Aid and Development Programs Expenditure</b>			
International programs			
Funds to international programs	11	36,977,363	37,759,892
Program support costs		2,547,575	2,537,662
		<u>39,524,938</u>	<u>40,297,554</u>
Community education		614,560	720,146
Fundraising costs			
Public		8,795,089	6,783,345
Government, multilateral and private		118,062	122,119
Accountability and administration	12	2,607,551	2,633,589
<b>Total expenditure</b>		<u><b>51,660,200</b></u>	<u><b>50,556,753</b></u>
<b>Excess/(shortfall) of revenue over expenditure</b>		<b>(2,314,177)</b>	<b>1,730,677</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets	9	(128,916)	63,732
<b>Total comprehensive expense/income for the year</b>		<u><u><b>(2,443,093)</b></u></u>	<u><u><b>1,794,409</b></u></u>

During the year, the Company did not engage in any political or religious proselytisation programs, domestic projects, 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 32.*



## Statement of financial position

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
Cash and cash equivalents	14	7,156,166	13,980,750
Trade and other receivables	15	725,888	895,606
Financial assets	16	4,711,901	500,000
<b>Total current assets</b>		<u>12,593,955</u>	<u>15,376,356</u>
Financial assets	16	2,834,104	2,815,416
Property, plant and equipment	17	829,603	901,054
Intangibles	17(a)	1,827,385	2,063,507
<b>Total non-current assets</b>		<u>5,491,092</u>	<u>5,779,977</u>
<b>Total assets</b>		<u>18,085,047</u>	<u>21,156,333</u>
<b>Liabilities</b>			
Trade and other payables	18	12,727,620	13,434,053
Provisions	19	472,604	372,599
<b>Total current liabilities</b>		<u>13,200,224</u>	<u>13,806,652</u>
Provisions	19	288,345	310,110
<b>Total non-current liabilities</b>		<u>288,345</u>	<u>310,110</u>
<b>Total liabilities</b>		<u>13,488,569</u>	<u>14,116,762</u>
<b>Net assets</b>		<u>4,596,478</u>	<u>7,039,571</u>
<b>Equity</b>			
Unrestricted reserves			
Retained surplus		2,332,505	3,931,984
Bequest reserve		500,000	500,000
Fair-value reserve		546,850	675,766
		<u>3,379,355</u>	<u>5,107,750</u>
Restricted reserves		1,217,123	1,931,821
<b>Total equity</b>		<u>4,596,478</u>	<u>7,039,571</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 32.*

## Statement of changes in equity

Year ended 30 June 2016

	Retained surplus \$	Bequest reserve	Fair value reserve \$	Restricted reserve \$	Total equity \$
Balance as at 1 July 2014	<u>2,922,861</u>	<u>500,000</u>	<u>612,034</u>	<u>1,210,267</u>	<u>5,245,162</u>
<b>Total comprehensive income for the period</b>					
Excess of revenue over expenditure	1,730,677	-	-	-	1,730,677
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets			63,732		63,732
Transfers to restricted funds	(2,570,077)	-		2,570,077	-
Transfers from restricted funds	1,848,523	-	-	(1,848,523)	-
<b>Balance as at 30 June 2015</b>	<u>3,931,984</u>	<u>500,000</u>	<u>675,766</u>	<u>1,931,821</u>	<u>7,039,571</u>
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>
<b>Total comprehensive income for the period</b>					
Shortfall in revenue over expenditure	(2,314,177)				(2,314,177)
<b>Other comprehensive income</b>					
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)	
<b>Balance as at 30 June 2016</b>	<u>2,332,505</u>	<u>500,000</u>	<u>546,850</u>	<u>1,217,123</u>	<u>4,596,478</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 32.*

**Statement of cash flows**  
**For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		49,988,460	53,923,784
Cash payments in the course of operations		<u>(52,605,561)</u>	<u>(48,275,971)</u>
<b>Net cash (used in)/from operating activities</b>	25	<u>(2,617,101)</u>	<u>5,647,813</u>
<b>Cash flows from investing activities</b>			
Acquisition of available-for-sale financial assets		(147,604)	(129,608)
Bank term deposits		(4,211,901)	(500,000)
Acquisition of intangibles, property, plant & equipment		(147,178)	(2,071,025)
Investment income received		192,298	173,874
Interest received		<u>106,902</u>	<u>220,409</u>
<b>Net cash used in investing activities</b>		<u>(4,207,483)</u>	<u>(2,306,350)</u>
<b>Cash flows from financing activities</b>			
<b>Net cash used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,824,584)	3,341,463
Cash and cash equivalents at 1 July 2015		<u>13,980,750</u>	<u>10,639,287</u>
Cash and cash equivalents at 30 June 2016	14	<u><u>7,156,166</u></u>	<u><u>13,980,750</u></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 32.*

## **Notes to the financial statements**

### **Year ended 30 June 2016**

#### **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 Conducts Guidance.

The financial statements were approved by the Board of Directors on the 14<sup>th</sup> of September 2016.

##### **(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 2016 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.

##### **(f) Deficiency of net current assets**

As at 30 June 2016, the company has a deficiency in net current assets of \$0.6m. The Directors believe the company will continue as a going concern and meet its debts as they fall due. The directors have taken into account the fact that current liabilities include a liability for unspent funds which is not expected to be repaid

**Notes to the financial statements**  
**Year ended 30 June 2016**

**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 2016**

**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 profit or loss. 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 2016**

**3. Significant accounting policies (continued)**

**(h) Impairment**

The carrying amounts of the Company's assets are reviewed at each end of 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 2016

**3. Significant accounting policies (continued)**

**(i) Property, plant and equipment (continued)**

***Depreciation***

Depreciation is recognised in profit or loss 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 amortisation period for such intangibles is 6 years.

**(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 the end of each reporting period represent present obligations resulting from employees' services provided to the end of each reporting period, 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 2016**

**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 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 2015, 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.

**(q) Changes in Accounting Policies**

The Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

## **Notes to the financial statements** **Year ended 30 June 2016**

### **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.

### **5. Financial risk management**

#### **(a) Overview**

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through training and management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **(b) Credit Risk**

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investment securities.

#### ***Investments***

The Company limits its exposure to credit risk by only investing in liquid securities under the recommendation by the investment advisor, JBWere. The investment advisor is one of Australia's leading wealth managers and in the business over 175 years, therefore management does not expect any counterparty to fail to meet its obligations.

**Notes to the financial statements**  
**Year ended 30 June 2016**

**5. Financial risk management (continued)**

**(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimises its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 60 days, excluding potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

**(d) Market Risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

***Currency risk***

The Company is exposed to currency risk on program expenses that are denominated in a currency other than the Australian Dollar (AUD). However, the currency risk for 90% of such expenses is borne by the counter party. The currency risk in branches in Vietnam, Cambodia and Laos are partially mitigated by holding funds in the functional currency of the country.

***Interest rate risk***

The Company is exposed to interest rate risk on the available-for-sale financial assets. These assets consist of managed funds and fixed interest securities. The company does not borrow or lend directly.

***Other market price risk***

Equity price risk arises from available-for-sale equity securities. The investment portfolio of the Company is managed by an external fund manager and funds are invested in accordance with the investment mandate approved by the Board of Directors. The investment portfolio is regularly reviewed by the Audit and Risk Committee.

**Notes to the financial statements**  
**Year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>6. Personnel expenses</b>		
Salaries and wages	4,658,772	4,366,834
Other associated personnel expenses	165,126	73,263
Contributions to defined contribution superannuation funds	435,447	410,916
Increase in liability for leave	78,239	114,102
	<u>5,337,584</u>	<u>4,965,115</u>
<b>7. Other Australian Grants</b>		
<p>During the year \$2,046,646 (2015:\$2,435,261) of grants were received from the Department of Immigration &amp; Border Protection and of this and previous years deferred revenue an amount of \$848,086 (2015:\$1,459,626) was recorded as income and the remainder treated as deferred revenue as the funds were not utilised during the period.</p>		
<b>8. Overseas Grants</b>		
<p>The Company receives grants from, or sourced by, other ChildFund Alliance members and other multilateral donors. During the year the company received and recognised income of \$9,002,901 (2015: \$8,211,190).</p>		
<b>9. Investment income</b>		
<b>Recognised in profit or loss</b>		
Income from available-for-sale financial assets	192,298	173,874
Interest on bank deposits	136,693	249,727
	<u>328,991</u>	<u>423,601</u>
<b>Recognised in other comprehensive income</b>		
Net change in fair value of available- for- sale financial assets	(128,916)	63,732
	<u>(128,916)</u>	<u>63,732</u>
<b>10. Other income</b>		
Fundraising grant – ChildFund International	409,556	334,411
Foreign exchange gains	112,604	562,203
Other	78,365	126,299
	<u>600,525</u>	<u>1,022,913</u>
<b>11. Funds to international programs</b>		
Asia & Pacific	24,025,313	23,849,926
Africa	10,392,605	11,003,345
Latin America	2,559,445	2,906,621
	<u>36,977,363</u>	<u>37,759,892</u>

**Notes to the financial statements**  
**Year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>12. Administration expenses</b>		
Administration staff salaries and other associated personnel expenses (part of personnel expenses set out in note 6)	2,291,829	2,161,010
Depreciation	89,274	114,653
Amortisation*	109,643	-
Other administration expenses	116,805	357,926
	<u>2,607,551</u>	<u>2,633,589</u>

\*Total amortisation costs of \$365,477 (Refer note 17a) for the marketing software solution has been apportioned among fundraising, program support and administration expenses. The amount allocated to administration is \$109,643.

**13. Auditors remuneration**

**Audit services:**

Auditors of the Company

*KPMG Australia:*

- audit of financial statements 44,000 40,500

*Overseas KPMG firms:*

- audit and review of financial statements 37,031 35,251

*Overseas other audit firms:*

- audit and review of financial statements 22,705 16,043

103,736 91,794

**Other services:**

*Overseas other audit firms:*

- other services - 4,550

- 4,550

**14. Cash and cash equivalents**

Cash at bank (held in AUD)	292,519	209,612
Cash at bank (held in USD)	1,389,525	5,630,879
Cash deposits (held in AUD)	4,542,115	7,046,544
Cash at bank, branch offices & Others (held in various currencies)	932,007	1,093,715
	<u>7,156,166</u>	<u>13,980,750</u>
Cash and cash equivalents in statement of cash flows		

The Company's exposure to currency risk, interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 23.

*Cash at bank deposits*

The weighted average interest rate on cash at bank in AUD at 30 June 2016 was 0.05% (2015: 0.01%). 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 2016 is 2.1% (2015: 2.6%).

**Notes to the financial statements**  
**Year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>15. Trade and other receivables</b>		
Sundry debtors	549,343	738,967
Prepayments	176,545	156,639
	<u>725,888</u>	<u>895,606</u>
<b>16. Investments</b>		
<b>Current</b>		
Term deposits	<u>4,711,901</u>	<u>500,000</u>
<b>Non-current</b>		
Available-for-sale financial assets, at fair value	<u>2,834,104</u>	<u>2,815,416</u>

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

An unrealised loss of \$128,916 (2015: unrealised gain \$63,732) 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.

The Company's exposure to credit, currency and interest rate risks relating to investments is disclosed in note 23.

**Notes to the financial statements**  
**Year ended 30 June 2016**

**17. Property, plant, and equipment**

	<b>Buildings</b>	<b>Furniture, fittings and office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
Balance at 1 July 2014	1,182,042	552,759	1,734,801
Acquisitions	-	7,518	7,518
Disposals/Write-offs	-	(4,411)	(4,411)
Balance at 30 June 2015	<u>1,182,042</u>	<u>555,866</u>	<u>1,737,908</u>
Balance at 1 July 2015	1,182,042	555,866	1,737,908
Acquisitions	-	17,823	17,823
Disposal	-	(6,586)	(6,586)
Balance at 30 June 2016	<u>1,182,042</u>	<u>567,103</u>	<u>1,749,145</u>
<b>Depreciation</b>			
Balance at 1 July 2014	359,443	367,169	726,612
Depreciation charge for the year	31,638	83,015	114,653
Disposals	-	(4,411)	(4,411)
Balance at 30 June 2015	<u>391,081</u>	<u>445,773</u>	<u>836,854</u>
Balance at 1 July 2015	391,081	445,773	836,854
Depreciation charge for the year	31,638	57,636	89,274
Disposals	-	(6,586)	(6,586)
Balance at 30 June 2016	<u>422,719</u>	<u>496,823</u>	<u>919,542</u>
<b>Carrying amounts</b>			
At 1 July 2014	<u>822,599</u>	<u>185,590</u>	<u>1,008,189</u>
At 30 June 2015	<u>790,961</u>	<u>110,093</u>	<u>901,054</u>
At 1 July 2015	<u>790,961</u>	<u>110,093</u>	<u>901,054</u>
At 30 June 2016	<u>759,323</u>	<u>70,280</u>	<u>829,603</u>

**Notes to the financial statements**  
**Year ended 30 June 2016**

**17(a). Intangibles**

	<b>Total</b>
	<b>\$</b>
<b>Cost</b>	
Balance at 1 July 2014	-
Acquisitions	2,063,507
Balance at 30 June 2015	<u>2,063,507</u>
Balance at 1 July 2015	2,063,507
Acquisitions	129,355
Balance at 30 June 2016	<u>2,192,862</u>
<b>Amortisation</b>	
Balance at 1 July 2014	-
Amortisation charge for the year	-
Balance at 30 June 2015	<u>-</u>
Balance at 1 July 2015	-
Amortisation charge for the year	365,477
Balance at 30 June 2016	<u>365,477</u>
<b>Carrying amounts</b>	
At 1 July 2014	<u>-</u>
At 30 June 2015	<u>2,063,507</u>
At 1 July 2015	<u>2,063,507</u>
At 30 June 2016	<u>1,827,385</u>

Intangibles, which is a marketing and donation processing software solution, which was included with Property, Plant and Equipment in the prior year has now been presented as Intangibles. The comparatives are reclassified accordingly.



**Notes to the financial statements**  
**Year ended 30 June 2016**

	2016 \$	2015 \$
<b>18. Creditors</b>		
<b>Trade and other payables</b>		
Accounts payable	2,280,010	2,222,462
Unremitted funds	7,368,917	8,074,229
Revenue received in advance	548,737	1,234,877
Unspent government grants	2,529,956	1,902,485
	<u>12,727,620</u>	<u>13,434,053</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. Employee benefits**

***Current liabilities***

Liability for annual leave	219,283	188,883
Liability for long service leave	253,321	183,716
	<u>472,604</u>	<u>372,599</u>

***Non-current liabilities***

Liability for annual leave	128,314	125,922
Liability for long service leave	160,031	184,188
	<u>288,345</u>	<u>310,110</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 2016**

**21. Members' liability**

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2016 there were 12 members (2015: 12 members).

**22. Operating leases**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non- cancellable operating lease rentals are payable as follows:		
Less than one year	9,140	29,677
Between one and five years	3,956	13,096
	<u>13,096</u>	<u>42,773</u>

There are no operating lease commitments beyond 5 years.

**Notes to the financial statements**  
**Year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>23. Financial instruments</b>		
<b>Credit risk</b>		
<b>Exposure to credit risk</b>		
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the end of each reporting period was:		
Available-for-sale financial assets	2,834,104	2,815,416
Held to maturity financial assets	4,711,901	500,000
Trade and other receivables	549,343	738,967
Cash and cash equivalents	7,156,166	13,980,750
	<u>15,251,514</u>	<u>18,035,133</u>

The Company's maximum exposure to credit risk for trade receivables at the end of each reporting period by geographical region was:

Australia	438,807	475,645
Asia-Pacific	110,536	263,322
	<u>549,343</u>	<u>738,967</u>

As the Company is not engaged in any trading activities, the company does not have customers. Receivables are usually GST receivable from the ATO, grants receivable from the Department of Foreign Affairs and Trade, and other overseas grants approved but not yet received. Of the carrying amount as at 30 June 2016, GST receivable accounted for \$240,054 (2015: \$226,994).

**Impairment losses**

The Company is not engaged in trading and receivables are recognised only when the other party has approved the payment and advised the Company. Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of receivables.

**Liquidity risk**

The Company has no borrowings and finance lease liability. The following are the contractual maturities of financial liabilities:

<b>30 June 2016</b>	<b>Carrying amount</b>	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	9,648,927	9,648,927	-	-	-
Unspent grants	2,529,956	2,529,956	-	-	-
Total	<u>12,178,883</u>	<u>12,178,883</u>	-	-	-

<b>30 June 2015</b>	<b>Carrying amount</b>	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	10,296,690	10,296,175	-	-	-
Unspent grants	1,902,485	1,902,485	-	-	-
Total	<u>12,199,175</u>	<u>12,199,175</u>	-	-	-

The contractual cash flow of the financial liabilities is equal to the carrying amount.

**Notes to the financial statements**  
**Year ended 30 June 2016**

**23. Financial instruments (continued)**

**Currency risk**

**Exposure to currency risk**

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts.

	USD	VND	PGK
<b>30 June 2016</b>			
Trade receivables	63,697	37,039	235,956
Trade payables	(506,840)	(13,046,581)	(302,728)
Cash and cash equivalents	4,943,646	2,751,787	175,199
<b>Gross statement of financial position exposure</b>	<u>4,500,503</u>	<u>(10,257,755)</u>	<u>108,427</u>
<b>30 June 2015</b>			
Trade receivables	50,843	108,218	420,119
Trade payables	(460,980)	(14,912,214)	(184,531)
Cash and cash equivalents	4,592,900	2,627,997	981,022
<b>Gross statement of financial position exposure</b>	<u>4,182,763</u>	<u>(12,175,999)</u>	<u>1,216,610</u>

The end of each reporting period spot rates applied were:

	2016	2015
AUD exchange rates		
USD 1	0.7428	0.7693
VND 10,000	0.6130	0.5995
PGK 1	0.4356	0.5348

**Interest rate risk**

**Profile**

At the end of each reporting period the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2016	2015
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	<u>7,211,901</u>	<u>7,000,000</u>
<b>Variable rate instruments</b>		
Financial assets	<u>7,490,270</u>	<u>10,296,166</u>

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates would change the Company's equity and surplus by \$48,367 (2015: \$72,528). This analysis is based on cash balances held in Australia as at 30 June 2016.

**Notes to the financial statements**  
**Year ended 30 June 2016**

**24. 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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,215,230	1,228,784

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 \$409,556 (2015: \$334,411) to ChildFund Australia to be used for sponsor acquisition.

During the year, sponsorship, gifts, donations and grants totalling \$19,139,464 (2015: \$21,575,783) 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 \$8,214,610 (2015: \$8,126,064) 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.

**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 Deloitte Touche Tohmatsu, PNG.

During the year, the Company remitted to the Papua New Guinea project office sponsorship, gifts and donations totalling \$1,869,484 (2015: \$1,139,101) and Department of Foreign Affairs and Trade project amounts totalling \$813,000 (2015: \$1,041,797). At year-end, the net assets of the Papua New Guinea project office were \$165,077 (2015: \$212,651).

**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 \$5,052,724 (2015: \$4,670,137) and Department of Foreign Affairs and

**Notes to the financial statements**  
**Year ended 30 June 2016**

**24. Related parties (continued)**

Trade project amounts totalling \$1,163,333 (2015: \$1,250,000). At the end of year, the net assets of the Vietnam project office were \$3,463,258 (2015: \$3,339,109).

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 \$3,961,612 (2015: \$3,663,658) and Department of Foreign Affairs and Trade funds totalling \$700,000 (2015: \$500,000). At the end of year, the net assets of the Cambodia project office were \$1,371,649 (2015: \$1,983,978).

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 \$1,263,469 (2015: \$1,322,871) and Department of Foreign Affairs and Trade funds totalling \$1,266,473 (2015: \$1,127,010). At the end of year, the net assets of the Laos project office were \$159,118 (2015: \$150,314).

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.

During the year, the Company remitted to the Myanmar project office donations totalling \$368,674 (2015: \$785,356) and Department of Foreign Affairs and Trade funds totalling \$616,918 (2015: \$609,370). At the end of year, the net assets of the Myanmar project office were \$48,091 (2015: \$25,240).

**25. Notes to the statement of cash flows**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(Deficit)/surplus for the year	(2,314,177)	1,730,677
Depreciation	89,274	114,653
Amortisation	365,477	-
Investment income	(192,298)	(173,874)
Interest income	(106,901)	(220,409)
<b>Operating (loss)/profit before changes in working capital and provisions</b>	<b>(2,158,625)</b>	<b>1,451,047</b>
Decrease/(increase) in trade and other receivables	169,718	(260,495)
(Decrease)/increase in trade and other payables	(706,433)	4,343,159
Increase in employee benefits provisions	78,240	114,102
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,617,100)</b>	<b>5,647,813</b>

**Notes to the financial statements**  
**Year ended 30 June 2016**

**26. Table of cash movements for designated purposes**

	Cash available 1 July 2015	Cash raised during the year	Cash disbursed during year	Cash available 30 June 2016
ANCP*	496,979	7,540,805	7,355,051	682,733
Total for all other purposes	<u>13,483,771</u>	<u>42,746,855</u>	<u>49,757,193</u>	<u>6,473,433</u>
Total	<u>13,980,750</u>	<u>50,287,660</u>	<u>57,112,244</u>	<u>7,156,166</u>

\*ANCP: Australian NGO Cooperation Program

**Notes to the financial statements**  
**Year ended 30 June 2016**

**27. 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**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Gross revenue from public activities	31,107,727	33,231,152
Less: Public fundraising costs	(8,795,089)	(6,783,345)
Net public funds	<u>22,312,638</u>	<u>26,447,807</u>
Gross Government, overseas, multilateral & corporate grants	17,308,780	17,609,764
Less: Government, multilateral & corporate fundraising costs	(118,062)	(122,119)
Net Government, overseas, multilateral & corporate funds	<u>17,190,718</u>	<u>17,487,645</u>
Other revenue	<u>929,516</u>	<u>1,446,514</u>
Net funds raised	<u>40,432,872</u>	<u>45,381,966</u>
Overseas project disbursements	36,977,363	37,759,892
Program support costs	2,547,575	2,537,662
Community education costs	614,560	720,146
Total funds disbursed towards the objectives of the Company	<u>40,139,498</u>	<u>41,017,700</u>
Accountability and administration expenses	<u>2,607,551</u>	<u>2,633,589</u>
Operating (deficit)/surplus	<u>(2,314,177)</u>	<u>1,730,677</u>
<b>Percentages</b>		
Total cost of public fundraising/gross public fundraising income	28.3%	20.4%
Surplus from public fundraising/gross public fundraising income	71.7%	79.6%
Funds disbursed towards objectives/total expenditure	77.7%	81.1%
Funds disbursed towards objectives/total revenue received	81.3%	78.4%



## 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 32 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 2016 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.



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Mary Latham  
Director



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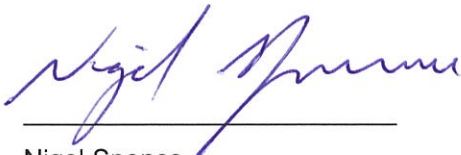
Justine Richardson  
Director

Dated at Sydney this 14<sup>th</sup> day of September 2016

## **Declaration by Chief Executive Officer in respect of fundraising appeals**

I, Nigel Spence, 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 2016;
- (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 2016;
- (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 2016; and
- (d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.



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Nigel Spence  
Chief Executive Officer

Dated at Sydney this 14<sup>th</sup> day of September 2016



## Independent auditor's report to the members of ChildFund Australia

### Report on the financial report

We have audited the accompanying financial report of ChildFund Australia (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

This audit report has been prepared for the members of the Company pursuant to the Corporations Act 2001, the Australian Charities and Not-for-profits Commission Act 2012 (ACNC), Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations (collectively the Acts and Regulations) and the Head Agreement between the Commonwealth of Australia and the Company ("the Head Agreement").

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.



### **Independent auditor's report to the members of ChildFund Australia (continued)**

In addition, our audit report has also been prepared for the members of the Company to meet the requirements of Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and the requirements set out in clause 9-1 of the Head Agreement. Accordingly, we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the Corporations Act 2001 and the ACNC. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year-end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year-end financial report preparation.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* and the Australian Charities and Not-for-profits Commission Act 2012.

#### *Audit opinion pursuant to the Corporations Act 2001 and the Australian Charities and Not-for profits Commission Act 2012*

In our opinion the financial report of ChildFund Australia is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the and the Australian Charities and Not-for profits Commission Regulation 2013.



**Independent auditor's report to the members of ChildFund Australia (continued)**

*Audit opinion pursuant to the Head Agreement between the Commonwealth of Australia and ChildFund Australia*

In our opinion, the financial report of ChildFund Australia meets:

- (a) the financial reporting requirement set out in the ACFID Code of Conduct for Non Government Development Organisations.

*Audit opinion pursuant to the Charitable Fundraising Act (NSW) 1991*

In our opinion:

- (a) the financial report gives a true and fair view of ChildFund Australia's financial result of fundraising appeal activities for the financial year ended 30 June 2016;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2015 to 30 June 2016 in accordance with the Charitable Fundraising Act (NSW) 1991 and Regulations;
- (c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2015 to 30 June 2016 has been properly accounted for and applied in accordance with the Charitable Fundraising Act (NSW) 1991 and Regulations; and
- (d) there are reasonable grounds to believe that ChildFund Australia will be able to pay its debts as and when they fall due.

*KPMG*

KPMG

Brett Mitchell  
Partner

Sydney

14 September 2016