

Annual Financial Statements

Year Ended 30 June 2021

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ChildFund Australia

(A Company limited by guarantee)

ABN 79 002 885 761

Directors' report

The directors present their report on the consolidated financial statements of ChildFund Australia ("the Group") for the Year Ended 30 June 2021 and the auditor's report thereon.

Directors

The directors in office during the financial year and up to as at the date of this report were:

Belinda Lucas (Chair)

Belinda has over twenty years' experience in international development. She is the gender and social inclusion advisor on two long term private sector development programs, and a Monitoring and Evaluation Advisor to DFAT and the Australian Human Rights Commission. Belinda is also a senior quality auditor for the Humanitarian Quality Assurance Initiative and long term DFAT accreditation assessor. Belinda is also a safeguarding specialist, having contributed to the development of PSEAH policy, guidance, training, and standards internationally over the last several years. Belinda was awarded a Cultural Diversity in Business Scholarship by the University of Sydney in 2020 and is currently undertaking a Global Executive MBA. Belinda joined the Board in November 2015 and was appointed Chair of ChildFund Australia Board in November 2021. Belinda is a member of the Program Review Committee and Audit, Risk and Nominations Committee.

Michael Pain (Deputy Chair)

Michael Pain retired from Accenture in 2015 as a Managing Director with Accenture Australia, having led major practice areas including Advanced Technology, Management Consulting, Strategy, Digital, and Analytics across various Asia Pacific regions. Michael co-led Accenture's corporate giving activities, helping to initiate Corporate Citizenship for Accenture in Australia. Currently Michael's activities include NFP Board membership, philanthropy, and ethical investment. Michael has a Bachelor of Science (Hons) from the University of Sydney and an MBA (Hons) from INSEAD in France. After a leave of absence living in Canada, Michael re-joined the Board in 2018 and is a member of the Communications & Marketing Committee, the Program Review Committee and the Audit Risk & Nominations Committee.

David Shortland

David is a governance advisor and communication counsel to boards and senior executives. He is a Board Advisor and facilitator for the Australian Institute of Company Directors (AICD) in Strategy, Risk, Board Effectiveness & Governance generally. He co-authored the first edition of AICD's Good Governance Principles and Guidance for Not-For-Profit Organisations. David is a Fellow of the National Heart Foundation of Australia, having been a director of the Heart Foundation (NSW). He joined the ChildFund Australia board in November 2014, was Deputy Chair from 2017 - 2020 and is a member of Audit, Risk and Nominations and Communication & Marketing Committees. David is a director of the international board of ChildFund Alliance.

Justine Richardson

Justine Richardson works with Senior Executives to address complex business issues and help businesses grow and improve their operations. She specialises in optimising business processes and internal controls, typically in companies undergoing substantial change. Justine joined the ChildFund Australia board in November 2014 and is Chair of the Audit, Risk and Nominations Committee.

Directors' report (continued)

Richard Moore

Richard Moore is a Manila-based, strategic analyst, specialising in Southeast Asian development. Richard writes and partners to elevate development issues in Australia's foreign policy and, in 2019, helped create the Asia-Pacific Development, Diplomacy, Defence Dialogue (AP4D). Richard is also a Director of the International Development Contractors Community. Previously, he was a Deputy Director General at AusAID and an Asian Development Bank Board member. Richard joined the ChildFund Board in November 2015 and is Chair of the Program Review Committee and member of the Communications and Marketing Committee.

Micaela Cronin

Micaela Cronin has held leadership and service delivery roles across the not-for profit sector, both in Australia and internationally. Micaela is currently the Director of the Workforce Innovation and Development Institute (WIDI) formerly the Future Social Service Institute in Melbourne. Previous to this role, she was the global CEO for Hagar International, working across Asia to tackle human trafficking and human rights abuses. A third-generation social worker, Micaela has completed an MBA and was awarded the Robyn Clark Memorial Award for service and leadership in the children, youth and family services sector. Micaela has extensive governance experience, having been President of both the Victorian Council of Social Services and the Australia Council of Social Services. Micaela joined the Board in February 2020 and is Chair of the Communications and Marketing Committee and a member of the Program Review Committee.

Annabelle Williams OAM

Annabelle is a Paralympic Gold Medallist, international motivational speaker, lawyer, brand ambassador, board director, TV reporter and sports commentator. Annabelle captained the Australian Paralympic Swim Team in 2008, and has competed in two Paralympic Games, breaking five world records and winning numerous medals for Australia. Annabelle was an M&A lawyer at Allens Linklaters in Sydney and in-house counsel for the Australian Olympic Committee. She is a committed advocate for the rights of athletes and, at the age of 24, was awarded the Medal of the Order of Australia for her service to sport. Annabelle holds a number of international board and advisory positions and recently graduated from the Stanford University Graduate School of Business. Annabelle joined the Board in November 2019.

Lisa Hresc

Lisa is an experienced media, brand, and digital marketing strategist. Lisa has held executive leadership roles in Brand, Marketing & Communications across media, broadcast and in the not-for-profit sector for over twenty years. Currently Lisa is the Director, Brand, Marketing & Communications for The Benevolent Society. Previously held positions as the Strategic Business Director for Lee Media & Co, and General Manager, Marketing & Communications ABC Commercial and Head Corporate Marketing for Australian Broadcasting Corporation. Lisa completed executive MBA in 2011. She is a member of Australian Institute of Company Directors. Lisa is also a Board member on the Glycaemic Index Foundation board. Lisa joined the Board in March 2021. Lisa is a member of the Communications and Marketing Committee.

Kobus Ehlers

Kobus Ehlers is an experienced leader in governance, risk and compliance with more than 20 years' experience working and leading teams in large multinational companies across a range of industries and markets including Australia, Africa and Asia. A Chartered Accountant by training, Kobus has a deep understanding of the challenges and opportunities that good governance brings to emerging economies. Kobus joined the Board in March 2021 and is a member of the Audit, Risk & Nominations Committee.

Directors’ report (continued)

Tureia Sample

Tureia is an experienced lawyer specialising in critical infrastructure, supply chain and governance projects particularly in the communications, transport, health and energy sectors. She is a partner at PwC, and previously held senior executive roles at SBS including Company Secretary and Director of Corporate Affairs. Prior to that she worked as a lawyer with Allens Linklaters (Sydney and Hong Kong). Tureia was born and grew up in Papua New Guinea and spent a number of years studying and working in Japan. Tureia joined the Board in June 2021 and is a member of the Program Review Committee, and Audit, Risk and Nominations Committee.

The following Directors were appointed during the financial year

- Lisa Hresc - Appointed 10th March 2021
- Kobus Ehlers- Appointed 10th March 2021
- Tureia Sample – Appointed 23rd June 2021

The following Directors resigned during the financial year

- Mary Latham - Resigned 30th November 2020
- Anita Parer - Resigned 30th November 2020
- Jo Brennan - Resigned 30th November 2020

Company Secretary

Adrian Graham

Directors’ meetings

The number of directors’ meetings and other committee meetings attended by each of the directors during the financial year were:

	Board Meetings		Audit, Risk & Nominations Committee		Program Review Committee		Communications and Marketing Committee	
	A	B	A	B	A	B	A	B
Belinda Lucas	6	6	4	4	4	3	0	0
Michael Pain	6	6	4	4	4	4	5	4
David Shortland	6	6	4	4	0	0	3	2
Justine Richardson	6	5	4	4	0	0	0	0
Richard Moore	6	6	0	0	4	4	5	5
Micaela Cronin	6	4	2	2	4	2	3	3
Annabelle Williams	6	4	0	0	0	0	0	0
Lisa Hresc	2	2	0	0	0	0	1	0
Kobus Ehlers	2	2	1	1	0	0	0	0
Mary Latham	3	3	2	2	2	2	3	3
Anita Parer	3	2	0	0	0	0	3	3
Jo Brennan	3	2	0	0	0	0	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 Group is an independent international development organisation that works to reduce poverty for children in the most disadvantaged communities. Our vision is a world without poverty where all children and young people can say: "I am safe. I am educated. I contribute. I have a future." The Group works in partnership to create community and systems change which enables children and young people, in all their diversity, to assert and realise their rights.

Principal activities

The principal activity of the Group 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 \$35,765,477 (2020: \$41,024,240).

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

Performance measurement

The Group 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.

Review and results of operations

Total comprehensive surplus for the year ended 30 June 2021 was \$3,791,297 (2020: \$3,464,879), which included gain on investments of \$241,905 (2020: loss of 127,018) and has been taken to equity. The total equity of the Group at 30 June 2021 totalled \$19,366,316 (2020: \$15,575,019).

Dividends

The Group'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 Group'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 Group 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 Group.

Significant changes in the state of affairs

The Coronavirus outbreak (COVID-19) impacted our ability to deliver programs to varying extents across our countries of operation and curtailed some fundraising activities during the financial year under review. In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

Likely developments

It is not foreseen that the Group will undertake any change in its general direction during the coming financial year. Further information about likely developments in the operations of the Group 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 Group.

Directors' report (continued)

Coronavirus COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. In the countries in which the Group operates,

governments have been taking stringent steps to help contain or delay the spread of the virus, which impacted our ability to deliver programs to varying extents across our countries of operation. Fundraising activities within Australia have also been impacted. There continues to be uncertainty around the longer-term impact on those country's economies in which we operate and the manner in which they respond to COVID-19.

For ChildFund Australia's 30 June 2021 financial statements, the impact of the Coronavirus outbreak does not have any effect on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, ChildFund Australia cannot reasonably estimate the impact these events will have on ChildFund Australia's financial position, results of operations or cash flows in the future. Based on the current available information, the Directors believe that the Group will remain a going concern.

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 item, transaction, or event of a material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years. The Group continues to manage and respond to the impact of Coronavirus COVID 19 in its program response and its operations.

Indemnification and insurance of officers**Indemnification**

The Group has agreed to indemnify the current directors of the Group and the former directors against all liabilities to another person (other than the Group 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 Group maintained an Association Liability insurance policy which included cover in respect of directors' and officers' liability and legal expenses 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 Group or in aggregate for all directors and officers. The premium paid for the Association Liability insurance policy was \$8,360 (2020: \$7,350).

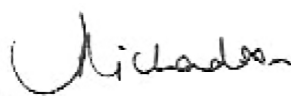
Lead auditor's independence declaration

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 2021.

Signed in accordance with a resolution of the directors:



Belinda Lucas
Director



Justine Richardson
Director

Dated at Sydney this 28th day of October 2021



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

To: the members 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 2021 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

Cameron Roan
Partner
Sydney

28 October 2021

Consolidated Statement of comprehensive income

Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue			
Monetary donations & gifts			
Child sponsorship donations		18,938,189	19,848,552
Other donations		4,677,666	5,166,182
		<u>23,615,855</u>	<u>25,014,734</u>
Legacies and bequests		316,131	689,539
Grants			
Department of Foreign Affairs and Trade	6	6,116,440	7,215,482
Other Australian	7	2,191,640	1,790,217
Overseas	8	15,141,171	16,294,040
		<u>23,449,251</u>	<u>25,299,739</u>
Investment income	9	270,640	260,246
Other income	10	2,913,662	1,821,098
Total revenue		<u>50,565,539</u>	<u>53,085,356</u>
Expenditure			
International Aid and Development Programs Expenditure			
International programs			
Funds to international programs	11	32,737,356	37,701,001
Program support costs		2,477,671	2,786,851
		<u>35,215,027</u>	<u>40,487,852</u>
Community education		550,450	536,388
Fundraising costs			
Public		7,728,619	5,718,250
Government, multilateral and private		99,191	124,169
Accountability and administration	12	2,638,798	2,702,959
Total expenditure		<u>46,232,085</u>	<u>49,569,618</u>
Surplus of revenue over expenditure		<u>4,333,454</u>	<u>3,515,738</u>
Other comprehensive income			
Net change in fair value of equity investments	9	241,905	(127,018)
Foreign operations – foreign currency translation		(784,062)	76,159
Total comprehensive surplus for the year		<u>3,791,297</u>	<u>3,464,879</u>

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

Consolidated Statement of financial position

As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Cash and cash equivalents	14	22,711,694	14,064,656
Trade and other receivables	15	2,857,847	2,283,089
Investments – financial assets	16	1,320,000	4,341,813
Total current assets		26,889,541	20,689,558
Investments – financial assets	16	3,834,196	3,142,972
Property, plant, and equipment	17	907,382	953,376
Intangibles	18	1,027,865	1,015,213
Right-of-use assets	19(a)	791,111	1,313,842
Total non-current assets		6,560,554	6,425,403
Total assets		33,450,095	27,114,961
Liabilities			
Trade and other payables	20	11,159,467	8,168,321
Provisions	21	950,465	930,060
Lease liabilities	19(b)	528,591	615,121
Total current liabilities		12,638,523	9,713,502
Provisions	21	1,103,171	1,003,180
Lease liabilities	19(b)	342,085	823,260
Total non-current liabilities		1,445,256	1,826,440
Total liabilities		14,083,779	11,539,942
Net assets		19,366,316	15,575,019
Equity			
Unrestricted reserves			
Retained surplus	22	8,082,113	5,769,325
Bequest reserve	22	500,000	500,000
Fair-value reserve	22	951,358	709,453
Unrestricted reserves		9,533,471	6,978,778
Restricted reserves	22	9,832,845	8,596,241
Total Equity		19,366,316	15,575,019

The Consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

Consolidated Statement of changes in equity

Year Ended 30 June 2021

	Retained surplus \$	Bequest Reserve \$	Fair value reserve \$	Restricted reserve \$	Total equity \$
Balance as at 1 July 2019	<u>2,813,360</u>	<u>500,000</u>	<u>836,471</u>	<u>7,960,309</u>	<u>12,110,140</u>
Total comprehensive income for the period					
Surplus of revenue over expenditure	3,515,738	-	-	-	3,515,738
Other comprehensive income					
Net change in fair value of equity investments at FVOCI	-	-	(127,018)	-	(127,018)
Transfers to restricted funds	(559,773)			559,773	-
Foreign operations – foreign currency translation	-	-	-	76,159	76,159
Balance as at 30 June 2020	<u>5,769,325</u>	<u>500,000</u>	<u>709,453</u>	<u>8,596,241</u>	<u>15,575,019</u>
Balance as at 1 July 2020	<u>5,769,325</u>	<u>500,000</u>	<u>709,453</u>	<u>8,596,241</u>	<u>15,575,019</u>
Total comprehensive income for the period					
Surplus of revenue over expenditure	4,333,454	-	-	-	4,333,454
Other comprehensive income					
Net change in fair value of equity investments at FVOCI	-	-	241,905	-	241,905
Transfers to restricted funds	(2,020,666)			2,020,666	-
Foreign operations – foreign currency translation	-	-	-	(784,062)	(784,062)
Balance as at 30 June 2021	<u>8,082,113</u>	<u>500,000</u>	<u>951,358</u>	<u>9,832,845</u>	<u>19,366,316</u>

The Consolidated 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.

Consolidated Statement of cash flows

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash received from DFAT	6	6,648,002	7,083,383
Cash receipts in the course of operations		46,281,874	46,428,687
Cash payments in the course of operations		(46,192,695)	(49,542,930)
Interest paid on lease liabilities		(60,604)	(55,507)
Net cash from operating activities	25	<u>6,676,577</u>	<u>3,913,633</u>
Cash flows from investing activities			
(Investment in)/proceeds from financial assets		(449,319)	7,546
Investments in bank term deposits		3,021,813	1,889,113
Acquisition of intangibles, property, plant & equipment		(337,240)	(138,700)
Proceeds from disposal of property, plant & equipment		1,373	29,648
Investment income received		186,647	130,583
Interest received		76,835	138,678
Net cash from investing activities		<u>2,500,109</u>	<u>2,056,868</u>
Cash flows from financing activities			
Proceeds from sub-leasing		56,259	34,377
Repayment of lease obligations		(585,907)	(560,925)
Net cash used in financing activities		<u>(529,648)</u>	<u>(526,548)</u>
Net increase in cash and cash equivalents		8,647,038	5,443,953
Cash and cash equivalents at 1 July		<u>14,064,656</u>	<u>8,620,703</u>
Cash and cash equivalents at 30 June	14	<u><u>22,711,694</u></u>	<u><u>14,064,656</u></u>

The Consolidated 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 2021

1. Reporting entity

ChildFund Australia and its consolidated entity (the “Group”) 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 its registered office is at Level 8, 162 Goulburn Street, Surry Hills NSW 2010. The mission of the Group is to work in partnership to create community and systems change which enables children and young people, in all their diversity, to assert and realise their rights.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the directors, the Group 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), ACNC and the ACFID Code of Conduct Guidance. The financial statements were approved by the Board of Directors on the 28th of October 2021.

(b) Functional and presentation currency

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

(c) 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.

(d) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has two subsidiaries: International Christian Aid Relief Enterprises Limited (ICARE) and ChildFund Papua New Guinea Inc. The Group operates in five overseas branches in Cambodia, Timor-Leste, Laos, Myanmar and Vietnam.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies

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

The Group is a signatory to the Australian Council for International Development (ACFID) Code of Conduct and the Group has presented its Consolidated Statement of Comprehensive Income in accordance with the Code of Conduct Implementation Guidance.

(a) Revenue recognition

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 1058
Child sponsorship, Global community, gifts and donations	The nature of revenue is such that it does not meet the requirements of AASB 15 as there is no enforceable contract nor there are any specific performance obligations. Revenue is recognised when the Group gains control of the contribution.	Revenue is recognised when the Group gains control of the contribution. Amounts received are recognised immediately in profit or loss.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Grants	Grant revenue reflects the status of the delivery of goods and services to date. Unexpended grants are recognised as liabilities (deferred revenue) to reflect the performance obligations to deliver further goods and services outlined in the grant agreement.	Grants from Government, multilateral and non-government organisations are recognised as revenue when (or as) the performance obligations are satisfied. Unexpended grants are recognised as liabilities to reflect the obligation to repay any unspent portion at the completion of the program.

(b) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(b) Leases (continued)

(i) As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities are also presented separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(b) Leases (continued)

(ii) As a Lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(c) Taxation

No income tax is payable as the Group 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.

(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.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(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 consolidated 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. Foreign exchange differences arising on consolidation are recognised in other comprehensive income.

(g) Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

(ii) Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

(iii) Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Equity instruments at FVOCI

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Group's debt instruments are subsequently measured at amortised cost and equity instruments at FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(g) Financial instruments (continued)

(iv) Subsequent measurement of financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets - Subsequent measurement and gains and losses

(a) Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income is recognised in profit or loss. The Group's receivables fall into this category of financial instruments.

Receivables comprise cash and cash equivalents, term deposits and trade and other receivables.

(b) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(h) Impairment

(i) Financial assets

AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has one type of financial assets (trade and other receivables) that are subject to AASB 9's expected credit loss model. Trade and other receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there has been no identification of any impairment loss as the balances are held with financial institutions with high credit rating.

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

(ii) Non-financial assets

The carrying amounts of the Group'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.

The carrying amounts of the Group'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.

Notes to the financial statements **Year Ended 30 June 2021**

3. Significant accounting policies (continued)

(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 Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each consolidated 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 for use on specific grant funded projects 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 of 9 years once available for use. Only direct labour and external consultant costs are capitalised.

(k) 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 Group 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 Group as the benefits are taken by the employees.

Notes to the financial statements
Year Ended 30 June 2021

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

Long term service benefits

The Group'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 Group's obligations.

Superannuation

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

(l) Provisions

A provision is recognised in the consolidated statement of financial position when the Group 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.

(m) Finance income

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

4. Determination of fair value

Investments in equity and debt securities

The fair value of investments in equity instruments is determined by reference to their last sale price at the end of each reporting period.

	2021	2020
	\$	\$
5. Personnel expenses		
Management and support staff (Australia)		
Salaries and wages	5,815,271	5,804,740
Superannuation	543,366	536,385
Other personnel expenses	92,860	149,775
Subtotal	6,451,497	6,490,900
Project staff in countries of operation		
Salaries and wages	5,818,101	6,769,237
Social protection expenses	246,905	330,899
Other personnel expenses	704,014	1,118,522
Subtotal	6,769,020	8,218,658
Total personnel expenses	13,220,517	14,709,558

Notes to the financial statements
Year Ended 30 June 2021

6. Department of Foreign Affairs and Trade Grants

	2021	2020
	\$	\$
Deferred DFAT Grants at the beginning of the year	995,732	1,127,831
DFAT Grants received during the year	6,648,002	7,083,383
DFAT Grants revenue recognised during the year	<u>(6,116,440)</u>	<u>(7,215,482)</u>
Deferred DFAT Grants at the end of the year	<u>1,527,294</u>	<u>995,732</u>

7. Other Australian Grants

	2021	2020
	\$	\$
Deferred Grants at the beginning of the year	855,260	1,234,436
Other Australian Grants received during the year	3,439,348	1,411,041
Other Australian Grants revenue recognised during the year	<u>(2,191,640)</u>	<u>(1,790,217)</u>
Deferred Grants at the end of the year	<u>2,102,968</u>	<u>855,260</u>

8. Overseas Grants

	2021	2020
	\$	\$
Deferred Grants at the beginning of the year	3,189,452	2,596,923
Overseas Grants received during the year	16,620,737	16,886,569
Overseas Grants revenue recognised during the year	<u>(15,141,171)</u>	<u>(16,294,040)</u>
Deferred Grants at the end of the year	<u>4,669,018</u>	<u>3,189,452</u>

9. Investment income

	2021	2020
	\$	\$
Recognised in comprehensive income		
Income from equity investments	186,647	130,583
Interest on term deposits	<u>83,993</u>	<u>129,663</u>
	<u>270,640</u>	<u>260,246</u>
Recognised in other comprehensive income		
Net change in fair value of equity investments	<u>241,905</u>	<u>(127,018)</u>
	<u>241,905</u>	<u>(127,018)</u>

Notes to the financial statements
Year Ended 30 June 2021

10. Other income

	2021	2020
	\$	\$
Fundraising grant – ChildFund International	1,661,135	983,444
Australian Government subsidy - Jobkeeper	1,162,500	549,000
Foreign exchange gains	-	72,649
Other	90,027	216,005
	<u>2,913,662</u>	<u>1,821,098</u>

11. Funds to international programs

	2021	2020
	\$	\$
Asia	17,726,951	22,312,592
Pacific	7,724,595	7,935,292
Africa	6,234,437	6,270,923
Latin America	1,051,373	1,182,194
	<u>32,737,356</u>	<u>37,701,001</u>

12. Accountability and administration

	2021	2020
	\$	\$
Personnel expenses (part of personnel expenses set out in note 5)	2,178,043	2,143,151
Depreciation - Property, plant and equipment *	83,096	80,823
Amortisation **	49,731	47,715
Depreciation – Right-of-use Assets *	92,491	92,491
Interest – Lease liabilities *	3,190	5,768
Other administration expenses	232,247	333,011
	<u>2,638,798</u>	<u>2,702,959</u>

* Depreciation – Property, plant and equipment, Depreciation – Right-of-use Assets and Interest – Lease liabilities incurred in ChildFund Australia Sydney office are recognised in Accountability and administration expenditure. Those costs incurred in ChildFund Australia country offices are recognised in Funds to international programs in the Consolidated statement of comprehensive income.

** Total amortisation costs of \$203,043 (Included in note 18) for the marketing software solution has been apportioned across fundraising, program support and accountability and administration expenditure.

Notes to the financial statements
Year Ended 30 June 2021

13. Auditors remuneration

	2021	2020
	\$	\$
Audit services:		
Auditors of the Group		
KPMG Australia:		
- audit of financial statements	52,920	58,505
Other audit firms Australia:		
- audit of financial statements	1,800	1,910
Overseas KPMG firms:		
- audit and review of financial statements	71,385	84,397
Overseas other audit firms:		
- audit and review of financial statements	7,396	8,188
	<u>133,501</u>	<u>153,000</u>
Other services:		
Overseas KPMG firms:		
- other services	5,940	31,184
Overseas other audit firms:		
- other services	81,839	36,430
	<u>87,779</u>	<u>67,614</u>

14. Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank (held in AUD)	6,841,881	2,805,375
Cash at bank (held in various currencies)	3,954,278	3,982,948
Cash term deposits (held in AUD and USD)	9,459,381	5,235,242
Cash at bank, branch offices & others (held in various currencies)	2,456,154	2,041,091
	<u>22,711,694</u>	<u>14,064,656</u>

Cash at bank

The weighted average interest rate on cash at bank in AUD at 30 June 2021 was 0.01% (2020: 0.01%). No interest is receivable on USD bank balance.

Cash term deposits

The deposits are fixed term deposits maturing within three months or less from the date of acquisition, and funds in "maxi saver" accounts. The weighted average interest rate on short term deposits as at 30 June 2021 is 0.13% (2020: 0.81%).

Notes to the financial statements
Year Ended 30 June 2021

15. Trade and other receivables

	2021	2020
	\$	\$
Sundry debtors	2,405,303	1,873,696
Lease receivable	53,607	102,710
Prepayments	398,937	306,683
	<u>2,857,847</u>	<u>2,283,089</u>

The future expected lease receipts arising from the subletting of ChildFund Australia Papua New Guinea office is recognised in Lease receivable.

16. Investments – financial assets

	2021	2020
	\$	\$
Current		
Term deposits – current	1,320,000	4,341,813
	<u>1,320,000</u>	<u>4,341,813</u>
Non-current		
Equity investments at FVOCI	3,834,196	3,142,972
	<u>3,834,196</u>	<u>3,142,972</u>
Total Investments	<u><u>5,154,196</u></u>	<u><u>7,484,784</u></u>

Term deposit current

The deposits are fixed term deposits maturing three months or more from the date of acquisition. The weighted average interest rate on these term deposits as at 30 June 2021 is 0.25% (2019: 0.36%).

Equity investments at FVOCI

Equity investments at FVOCI represents long term investments held by the Group for strategic purposes. An unrealised gain of \$241,905 (2020: loss of \$127,018) being the difference between the fair value of the equity investments at FVOCI at balance sheet date and carrying value was taken up in equity. The Group's Equity investments are managed by JB Were.

Notes to the financial statements
Year Ended 30 June 2021

17. Property, plant, and equipment

	Buildings	Furniture, fittings, and office equipment	Total
	\$	\$	\$
Cost			
Balance at 1 July 2020	1,182,042	1,802,521	2,984,563
Acquisitions	-	119,530	119,530
Disposals	-	(11,539)	(11,539)
Effect of movements in exchange rates	-	(154,018)	(154,018)
Balance at 30 June 2021	<u>1,182,042</u>	<u>1,756,494</u>	<u>2,938,536</u>
Depreciation			
Balance at 1 July 2020	549,274	1,481,913	2,031,187
Depreciation charge for the year	31,639	114,050	145,689
Disposals	-	(10,166)	(10,166)
Effect of movements in exchange rates	-	(135,556)	(135,556)
Balance at 30 June 2021	<u>580,913</u>	<u>1,450,241</u>	<u>2,031,154</u>
Carrying amounts			
At 1 July 2020	<u>632,768</u>	<u>320,608</u>	<u>953,376</u>
At 30 June 2021	<u>601,129</u>	<u>306,253</u>	<u>907,382</u>

18. Intangibles

	Total
	\$
Software	
Cost	
Balance at 1 July 2020	2,192,862
Acquisition	<u>217,710</u>
Balance at 30 June 2021	<u>2,410,572</u>
Amortisation	
Balance at 1 July 2020	1,177,649
Amortisation charge for the year	<u>205,058</u>
Balance at 30 June 2021	<u>1,382,707</u>
Carrying amounts	
At 1 July 2020	<u>1,015,213</u>
At 30 June 2021	<u>1,027,865</u>

Notes to the financial statements
Year Ended 30 June 2021

19. Leases

Leases as lessee (AASB16)

The Group leases a number of office properties and equipment under operating leases. The leases typically run for a period of two to five years. The leases generally provide the Group with an option to review at which time all terms are renegotiated. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

a) Right-of-use assets

Right-of-use assets are leased office properties and equipment that do not meet the definition of property owned by the Group and presented as property, plant and equipment (see Note 17).

	Property	Office equipment	Total
	\$	\$	\$
Cost			
Balance at 1 July 2020	1,794,605	74,847	1,869,452
Acquisitions	165,557	-	165,557
Effect on movements in exchange rate	(188,805)	-	(188,805)
Balance at 30 June 2021	<u>1,771,357</u>	<u>74,847</u>	<u>1,846,204</u>
Depreciation			
Balance at 1 July 2020	526,809	28,801	555,610
Depreciation	524,812	28,801	553,613
Effect on movements in exchange rate	(54,130)	-	(54,130)
Balance at 30 June 2021	<u>997,491</u>	<u>57,602</u>	<u>1,055,093</u>
Carrying amounts			
Balance at 1 July 2020	1,267,796	46,046	1,313,842
Balance at 30 June 2021	<u>773,866</u>	<u>17,245</u>	<u>791,111</u>

b) Lease liabilities

	Property	Office equipment	Total
	\$	\$	\$
Balance at 1 July 2020	1,391,802	46,579	1,438,381
Addition	165,557	-	165,557
Interest	59,315	1,289	60,604
Lease payments	(616,428)	(30,083)	(646,511)
Effect on movements in exchange rates	(147,355)	-	(147,355)
Balance at 30 June 2021	<u>852,891</u>	<u>17,785</u>	<u>870,676</u>

Notes to the financial statements
Year Ended 30 June 2021

19. Leases (continued)

b) Lease liabilities

Presented in the statement of financial position as follow:

	2021	2020
	\$	\$
Current	528,591	529,188
Non - current	342,085	909,193
	<u>870,676</u>	<u>1,438,381</u>

c) Amounts recognised in statement of comprehensive income

	2021	2020
	\$	\$
Interest on lease liabilities	60,604	55,507
Depreciation expenses	553,613	555,610
Expenditure relating to short-term leases	-	77,371
	<u>-</u>	<u>77,371</u>

d) Amounts recognised in statement of cash flows

	2021	2020
	\$	\$
Total Cash outflow for leases	<u>585,907</u>	<u>560,925</u>

e) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$263,365.

	2021	2020
	\$	\$
20. Trade and other payables		
Accounts payable	1,646,731	1,949,139
Unremitted funds	843,408	803,983
Donation revenue received in advance	370,048	374,755
Deferred grant revenue - DFAT	1,527,294	995,732
Deferred grant revenue – Other Australian Grants	2,102,968	855,260
Deferred grant revenue – Overseas Grants	4,669,018	3,189,452
	<u>11,159,467</u>	<u>8,168,321</u>

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

Notes to the financial statements
Year Ended 30 June 2021

21. Provisions	2021	2020
	\$	\$
Current liabilities		
Liability for annual leave	582,834	487,229
Liability for long service leave	367,631	442,831
	<u>950,465</u>	<u>930,060</u>
Non-current liabilities		
Liability for long service leave	1,103,171	1,003,180
	<u>1,103,171</u>	<u>1,003,180</u>

22. Share capital and reserves

Share capital

No share capital has been issued as the Group is a company limited by guarantee.

Unrestricted reserves

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

Retained Surplus

The retained surplus is general unrestricted funds for use at the discretion of the Directors in furtherance of the objective of the Group.

Bequest reserve

The bequest reserve is not restricted or designated for use in particular programs or 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 available to be allocated to other purposes at the discretion of the directors.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVOCI 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. The foreign currency translation difference on consolidation of foreign operations is included in restricted reserves. They are not available for use in other ChildFund Australia work.

23. Members' liability

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2021 there were 10 members (2020: 10 members).

Notes to the financial statements
Year Ended 30 June 2021

24. Related parties

Transactions with key management personnel

In addition to a salary, the Group 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 and the statement of financial positions are as follows:

	2021	2020
	\$	\$
Short - term employee benefits	1,130,722	884,383
Post-employment benefits	95,533	74,857
Long - term employee benefits	34,917	76,116
	1,261,172	1,035,356

Controlled Entities

International Christian Aid Relief Enterprises (ABN 16 002 516 485), established in Australia and 100% owned by ChildFund Australia.

Other related party transactions

ChildFund Australia is a member of the ChildFund Alliance – a global network of 12 organisations which assists more than 23 million children and families in 70 countries.

During the year ChildFund International, a member of the ChildFund Alliance, granted an amount of \$1,661,135 (2020: \$983,444) to ChildFund Australia to invest in sponsor acquisition.

During the year, sponsorship, gifts, donations and grants totalling \$10,252,401 (2020: \$10,315,805) 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 \$12,556,966 (2020: \$14,289,810) from ChildFund Alliance members for programs in ChildFund Australia managed country programs.

Overseas subsidiary and branches

The results of country offices are included in these consolidated financial statements.

i) Papua New Guinea

The Group's subsidiary – ChildFund PNG Inc, a locally registered NGO delivers the Group's principal activities. The subsidiary is under the control of the Group and prepares separate financial statements which are independently audited by KPMG PNG.

During the year, the funds from the Group to the Papua New Guinea country office totalled \$2,587,580 (2020: \$3,050,097). In-country grants to Papua New Guinea country office totalled \$2,233,328 (2020: \$1,672,337). At year-end, the net assets were \$74,691 (2020: \$102,430).

ii) Vietnam

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

Notes to the financial statements
Year Ended 30 June 2021

24. Related parties (continued)

Other related party transactions (continued)

During the year, the funds from the Group to the Vietnam country office totalled \$4,168,071 (2020: \$5,585,465). In-country grants to Vietnam country office totalled \$912,421 (2020: \$608,707). At year-end, the net assets were \$2,945,783 (2020: \$2,868,147).

iii) Cambodia

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

During the year, the funds from the Group to the Cambodia country office were \$2,805,224 (2020: \$3,189,760). In-country grants to Cambodia country office totalled \$2,703,435 (2020: \$3,280,262). At year-end, the net assets were \$2,867,584 (2020: \$1,842,545).

iv) Laos

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

During the year, the funds from the Group to the Laos country office totalled \$1,558,094 (2020: \$2,395,421). In-country grants to Laos' country office totalled \$598,000 (2020: \$1,057,394). At year-end, the net assets were \$182,655 (2020: \$237,561).

v) Myanmar

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

Ongoing political instability resulted in reduced program activities in Myanmar. During the year, the funds from the Group to the Myanmar country office totalled \$798,850 (2020: \$1,204,580). In-country grants to Myanmar country office totalled \$609,512 (2020: \$711,046). At year-end, the net assets were \$24,960 (2020: \$145,801).

vi) Timor Leste

The Group operates a country office in Timor Leste to assist in the Group's principal activities. The country office is under the control of the Group and prepares specific financial statements which are independently audited by Stantons International (Australia).

During the year, the funds from the Group to the Timor Leste country office totalled \$1,618,997 (2020: \$2,651,506). In-country grants to Timor Leste country office totalled \$235,878 (2020: \$184,795). At year-end, the net assets were \$1,270,396 (2020: \$1,305,203).

vii) ChildFund Sports for Development

During the year, the ChildFund Sports for Development Regional Program operated in Laos, Vietnam, Cambodia, Philippines, Fiji and Samoa. Total program funding amounted to \$1,595,405 (2020: \$2,012,924). Sports for Development program costs in Laos, Vietnam and Cambodia have also been included in each country's funding reported above.

Notes to the financial statements
Year Ended 30 June 2021

25. Notes to the statement of cash flows

	2021	2020
	\$	\$
Surplus for the year	4,333,454	3,515,738
Depreciation – Property, plant and equipment	145,689	156,533
Amortisation	205,058	203,043
Depreciation – Right-of-use Assets	553,613	555,610
Investment income	(186,647)	(130,583)
Gain on disposal – Property, plant and equipment	(1,373)	(21,220)
Interest income	(76,837)	(145,911)
Foreign Operations – Foreign currency translation	(784,062)	76,159
Operating gain before changes in working capital and provisions	4,188,895	4,209,369
(Increase) in trade and other receivables*	(623,860)	(278,615)
Increase/(decrease) in trade and other payables	2,991,146	(45,608)
Increase in employee benefits provisions	120,396	28,487
Net cash from operating activities	6,676,577	3,913,633

*Increase in trade and other receivables exclude lease receivable \$49,103. See Note 15.

26. Coronavirus COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. In the countries in which the Group operates, governments have been taking stringent steps to help contain or delay the spread of the virus, which impacted our ability to deliver programs to varying extents across our countries of operation.

Fundraising activities within Australia have also been impacted. There continues to be uncertainty around the longer-term impact on those country's economies in which we operate and the manner in which they respond to COVID-19.

For ChildFund Australia's 30 June 2021 financial statements, the impact of the Coronavirus outbreak do not have any effect on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, ChildFund Australia cannot reasonably estimate the impact these events will have on ChildFund Australia's financial position, results of operations or cash flows in the future. Based on the current available information, the Directors believe that the Group will remain a going concern.

27. 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 item, transaction, or event of a material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years. The Group continues to manage and respond to the impact of Coronavirus COVID 19 in its program response and its operations.

Notes to the financial statements
Year Ended 30 June 2021

28. 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

	2021	2020
	\$	\$
Gross revenue from public activities	23,931,986	25,704,273
Less: Public fundraising costs	(7,728,619)	(5,718,250)
Net public funds	<u>16,203,367</u>	<u>19,986,023</u>
Gross Government, overseas, multilateral & corporate grants	23,449,251	25,299,739
Less: Government, multilateral & corporate fundraising costs	(99,191)	(124,169)
Net Government, overseas, multilateral & corporate funds	<u>23,350,060</u>	<u>25,175,570</u>
Other revenue	<u>3,184,302</u>	<u>2,081,344</u>
Net funds raised	<u>42,737,729</u>	<u>47,242,937</u>
Overseas project disbursements	32,737,356	37,701,001
Program support costs	2,477,671	2,786,851
Community education costs	550,450	536,388
Total funds disbursed towards the objectives of the Company	<u>35,765,477</u>	<u>41,024,240</u>
Accountability and administration expenses	<u>2,638,798</u>	<u>2,702,959</u>
Operating surplus	<u>4,333,454</u>	<u>3,515,738</u>

Directors' declaration

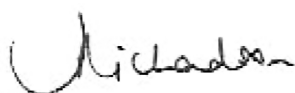
In the opinion of the directors of ChildFund Australia ("the Group"):

- (a) the Group 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 Regulation 2013, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2021 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
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Belinda Lucas
Director



Justine Richardson
Director

Dated at Sydney this 28th day of October 2021

Declaration by Chief Executive Officer in respect of fundraising appeals

I, Margaret Sheehan, 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 2021;
- (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 2021;
- (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 2021; and
- (d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.



Margaret Sheehan
Chief Executive Officer

Dated at Sydney this 28th day of October 2021



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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 Group").

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

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013*.
- comply with the presentation and disclosure requirement of the ACFID Code of Conduct.

The **Annual Financial Statements** comprises:

- Consolidated statement of financial position as at 30 June 2021
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.
- Declaration by the Chief Executive Officer in respect of fundraising appeals

The **Group** consists of ChildFund Australia (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

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 Group in accordance with 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 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 ChildFund Australia'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.

Our opinion on the Annual Financial Statements does not cover the Other Information and, accordingly, we do not express an audit opinion or 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:

- preparing the Annual Financial Statements that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the ACNC Act 2012.
- preparing the Annual Financial Statements in accordance with Sections 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- 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.
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Group and 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:

- 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
- 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.



Auditor's responsibilities for the audit of the Annual Financial Statements (continued)

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude 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 registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

In addition, we have:

- obtained an understanding of the internal control structure for fundraising appeal activities.
- 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.

Report on other legal and regulatory requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- the Annual Financial Statements give a true and fair view of the Group's financial result of the fundraising appeal activities for the financial year ended 30 June 2021;
- the Annual Financial Statements have been properly drawn up, and the associated records have been properly kept for the period from 1 July 2020 to 30 June 2021, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- money received as a result of Fundraising appeal activities conducted during the period from 1 July 2020 to 30 June 2021 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- there are reasonable grounds to believe that the Group and Company will be able to pay its debts as and when they fall due.



KPMG



Cameron Roan

Partner

Sydney

28 October 2021