

**CHILDREN AUSTRALIA INC.**

**ABN 90 680 959 928**

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**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE, 2017**

CHILDREN AUSTRALIA INC.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE, 2017**

	Note	2017 \$	Restated 2016 \$
<b>OPERATING REVENUE</b>			
Government grants and subsidies		17,483,648	14,352,840
Donations and fundraising activities		166,877	353,799
Investment income		1,212,076	1,168,229
Fees for service		2,490,534	2,131,484
Other income		287,703	184,732
<b>TOTAL OPERATING REVENUE</b>	2(a)	<b>21,640,838</b>	<b>18,191,084</b>
<b>OPERATING EXPENSES</b>			
Operational costs		19,187,883	15,516,016
Fundraising costs		162,830	135,052
Administration costs		2,187,124	1,910,653
Finance costs		8,853	12,728
Information technology costs		538,334	521,570
Property costs		26,249	883
<b>TOTAL OPERATING EXPENSES</b>	2(b)	<b>22,111,273</b>	<b>18,096,902</b>
<b>OPERATING SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(470,435)</b>	<b>94,182</b>
<b>ENDOWMENT FUNDS REVENUE</b>			
Investment income	2(a)	1,807	1,721
Increment in endowment funds	2(a)	40,000	-
Expenses related to sale of endowment properties	2(a)	-	(2,150)
Fair value profit/(loss) on endowment investment properties	2(a)	155,000	125,000
<b>ENDOWMENT SURPLUS</b>		<b>196,807</b>	<b>124,571</b>
<b>OPERATING AND ENDOWMENT SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(273,628)</b>	<b>218,753</b>
<b>OTHER NON OPERATING REVENUE</b>			
Development Income		243,898	-
<b>TOTAL NON OPERATING REVENUE</b>		<b>243,898</b>	<b>-</b>
<b>OTHER NON OPERATING EXPENSES</b>			
Development Expenses		1,172,120	-
<b>TOTAL NON OPERATING EXPENSES</b>		<b>1,172,120</b>	<b>-</b>
<b>NON OPERATING DEFICIT FOR THE YEAR</b>		<b>(928,222)</b>	<b>-</b>
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1,201,850)</b>	<b>218,753</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value movements on available-for-sale financial assets - managed funds		867,950	(263,018)
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of service properties		183,800	1,463,000
<b>OTHER COMPREHENSIVE SURPLUS</b>		<b>1,051,750</b>	<b>1,199,982</b>
<b>TOTAL COMPREHENSIVE SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(150,100)</b>	<b>1,418,735</b>

The surplus for the year includes a non-operating endowment fund surplus of 196,807 (2016: Surplus of \$124,571). The income from the endowment funds is available to be applied in accordance with the directions of each endowment towards the services provided by Children Australia Inc.

This statement also shows Other Comprehensive Income which includes unrealised gains and losses on market based investments and service properties.

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE, 2017

	Note	2017 \$	Restated 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3 & 15	3,148,725	2,379,059
Receivables	4 & 16	915,187	787,456
Financial assets	5 & 16	2,642,901	1,622,901
Other assets	6	241,429	161,556
<b>TOTAL CURRENT ASSETS</b>		<b>6,948,242</b>	<b>4,950,972</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	5 & 16	18,516,917	18,052,064
Property, plant and equipment	7	4,758,876	4,128,624
Endowment property	7	975,000	820,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,250,793</b>	<b>23,000,688</b>
<b>TOTAL ASSETS</b>		<b>31,199,035</b>	<b>27,951,660</b>
<b>CURRENT LIABILITIES</b>			
Provisions	8	1,320,383	1,167,987
Other	10	3,099,643	532,169
Payables	9 & 16	1,765,000	1,131,073
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,185,026</b>	<b>2,831,229</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	8	276,720	233,044
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>276,720</b>	<b>233,044</b>
<b>TOTAL LIABILITIES</b>		<b>6,461,746</b>	<b>3,064,273</b>
<b>NET ASSETS</b>		<b>24,737,288</b>	<b>24,887,388</b>
<b>EQUITY</b>			
Endowment funds	11	17,971,400	17,774,593
Asset revaluation reserve	12	2,729,433	2,545,633
Financial asset valuation reserve	13	3,426,987	2,559,037
Accumulated surplus/(deficit)		609,469	2,008,125
<b>TOTAL EQUITY</b>		<b>24,737,288</b>	<b>24,887,388</b>

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE, 2017**

	Endowment Funds	Asset Revaluation Reserve	Financial Asset Valuation Reserve	Accumulated Surplus (Deficit)	Total
	\$	\$	\$	\$	\$
<b>Balance at 30 June 2015</b>	17,650,022	1,082,633	2,822,055	1,913,944	<b>23,468,654</b>
Operating Profit	-	-	-	94,182	94,182
Increment in endowment investment properties	125,000	-	-	-	125,000
Expenses related to sale of endowment properties	(2,150)	-	-	-	(2,150)
Investment income	1,721	-	-	-	1,721
Change in market value of managed funds	-	-	(263,018)	-	(263,018)
Gain on revaluation of service properties	-	1,463,000	-	-	1,463,000
<b>Balance at 30 June 2016</b>	<b>17,774,593</b>	<b>2,545,633</b>	<b>2,559,037</b>	<b>2,008,126</b>	<b>24,887,388</b>
Operating Profit	-	-	-	(470,435)	(470,435)
Increment in endowment investment properties	155,000	-	-	-	155,000
Investment income	1,807	-	-	-	1,807
Increment in endowment investment funds	40,000	-	-	-	40,000
Change in market value of managed funds	-	-	867,950	-	867,950
Gain on revaluation of service properties	-	183,800	-	-	183,800
Development Income	-	-	-	243,898	243,898
Development Expenses	-	-	-	(1,172,120)	(1,172,120)
<b>Balance at 30 June 2017</b>	<b>17,971,400</b>	<b>2,729,433</b>	<b>3,426,987</b>	<b>609,469</b>	<b>24,737,288</b>

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**

	Note	2017 \$	2016 \$
<b>Receipts from customers</b>		20,167,289	14,419,095
Payments to suppliers , employees and others		(22,354,040)	(18,506,629)
Donations and fundraising		166,877	353,799
Interest, dividends and distributions received		1,213,883	1,214,200
Fee for service		2,490,534	2,131,484
Other income		287,703	184,732
<b>Net Cashflows from operating activities</b>	19	<b>1,972,246</b>	<b>(203,319)</b>
Payments for property, plant and equipment		(625,678)	(171,447)
Payments for investments		(6,142,829)	(540,000)
Proceeds from investments		5,565,927	163,694
<b>Net Cashflows from investing activities</b>		<b>(1,202,580)</b>	<b>(547,753)</b>
Net increase (decrease) in cash held		769,666	(751,072)
Cash at the beginning of the year		2,379,059	3,130,131
<b>Cash at the end of the financial year</b>	15(a)	<b>3,148,725</b>	<b>2,379,059</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements cover Children Australia Inc. as an individual entity. Children Australia Inc. is a Not-For-Profit Association incorporated in Victoria under the Associations Incorporation Reform Act 2012

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board, the Associations Incorporation Reform Act 2012 and the Australian Charities and Not-For-Profits Commission Act 2012. The Financial Statements are presented in Australian dollars which is the Association's functional and presentation currency.

The amounts presented in the financial statements have been rounded to the nearest dollar.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting for government grants, subsidies, donations and fundraising were reviewed and aligned to recognise these in accordance with AASB1004 Contributions or AASB118 Revenue as applicable as at 30 June 2017. An adjustment was made to increase the opening accumulated surplus by \$2,887,298 as at 1 July 2015 to \$1,913,944, reduce revenue for the year ended 30 June 2017 by \$751,944 (2016 \$66,255) to \$21,460,838 (2016 \$18,191,084) and reduce deferred income by \$2,030,873 as at 30 June 2017 to \$3,099,643 (2016 \$532,169)

The financial report was authorised for issue on 19 October 2017 by the Board of Management

**(a) Property, plant and equipment and endowment properties**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Endowment properties have been acquired for long term investment purposes. Changes to fair values of the investment in endowment properties are recorded in the statement of profit or loss and other comprehensive income. All tenant leases are on an arm's length basis.

The depreciable amount of all other fixed assets are depreciated over the useful lives of the assets to the association commencing from the time the asset is held ready for use, using the straight line basis. Leasehold improvements are depreciated over the unexpired period of the lease.

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

<u>Class</u>	<u>Rate</u>
Buildings	3%
Motor vehicles	20%
Furniture and equipment	20% - 33%
Leasehold improvements	25% - 60%

**(b) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(c) Employee benefits**

Provision is made for Children Australia Inc.'s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(d) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Grant revenue is recognised in the statement of profit and loss and other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

Rental income is recognised when due and receivable.

Donations and fundraising revenue is recognised when received.

Interest revenue is recognised using the effective interest rate method taking into account the interest rates applicable.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**

Dividends and franking credit rebates are recognised when the right to receive the dividend has been established.

Unspent client funds and brokerage have been recognised as revenue as has a provision for the offsetting expenditure.

**(e) Inventories**

Inventories are valued at the lower of cost and net realisable value.

**(f) Income tax**

Children Australia Inc. is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

**(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST is not recoverable.

**(h) Financial instruments**

***Initial Recognition and Measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the association becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.. Financial instruments are classified and measured as set out below.

***Classification and Subsequent Measurement***

**(i) *Financial assets at fair value through profit or loss***

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

**(ii) *Loans and Receivables***

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**(iii) *Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

**(iv) *Available-for-sale investments***

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

**(v) *Financial Liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment - Financial Assets**

At each reporting date, the association assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the asset is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the statement of profit and loss and other comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit and loss and other comprehensive income.

(i) **Fair Value**

Children Australia Inc. measures some of its assets at fair value on a recurring basis.

Fair value is the price the association would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at reporting date (i.e. the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use, or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(j) **Impairment - Other Assets**

At each reporting date Children Australia Inc. reviews the carrying value of its assets to determine whether there is any indication that those assets have been impaired. Any excess of an asset's carrying value over its recoverable amount is recognised in the statement of profit and loss and other comprehensive income.

(k) **Provisions**

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) **Cash and Cash Equivalents**

Cash is cash on hand or available on demand.

(m) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**
(o) **Critical Accounting Estimates and Judgments**

The Board evaluates the estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current data.

<b>NOTE 2: OPERATING SURPLUS ( DEFICIT)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
(a) Revenue		
Operating activities		
- government grants and subsidies	17,483,648	14,352,840
- donations and fundraising activities	166,877	353,799
- rent from properties	52,142	55,873
- fees for service	2,490,534	2,131,484
- interest	92,411	90,333
- dividends and distributions	1,067,523	1,022,023
- other income	287,703	184,732
	<b>21,640,838</b>	<b>18,191,084</b>
Non-operating activities		
- investment income/(loss)	1,807	1,721
- DP endowment funds	40,000	-
- expenses related to sale of endowment properties	-	(2,150)
- increment in value of endowment properties	155,000	125,000
	<b>196,807</b>	<b>124,571</b>
(b) Expenses		
Operating activities		
- salaries and wages	14,065,343	12,116,625
- general operating expenses	6,946,738	4,910,858
- rental expense and operating leases	896,256	860,767
- finance costs	8,853	12,278
- depreciation expense	167,834	195,491
- property costs	26,249	883
	<b>22,111,273</b>	<b>18,096,902</b>
<b>NOTE 3: CASH AND CASH EQUIVALENTS</b>		
Cash on hand (non interest bearing)	105,384	83,332
Cash at bank (interest bearing)	3,043,341	2,295,727
	<b>3,148,725</b>	<b>2,379,059</b>

Cash is on hand or available on demand.

Interest rates are variable and reflect current market rates.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**

	2017	2016
	\$	\$
<b>NOTE 4: RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	464,067	410,661
Sundry debtors	87,925	1,669
Distributions and interest receivable	342,074	361,685
Stock	7,902	-
Security deposits	13,219	13,441
	<b>915,187</b>	<b>787,456</b>
	<hr/> <hr/>	<hr/> <hr/>
No interest is payable on receivables.		
<b>NOTE 5: FINANCIAL ASSETS</b>		
<b>Current</b>		
- Term deposits - Operating	2,500,000	1,500,000
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - DP	20,000	-
- Term deposits - Murison Trust	22,901	22,901
	<b>2,642,901</b>	<b>1,622,901</b>
	<hr/>	<hr/>
<b>Non-Current</b>		
<b>Available-for-sale financial assets</b>		
- Managed portfolios - Endowment Fund	27,551	26,859
- Managed portfolios - General	269,287	262,520
- Managed portfolios - Emerald Hill	13,693,935	13,349,787
- Managed portfolios - Ellis Estate	4,506,144	4,392,898
- Shares - at cost	20,000	20,000
	<b>18,516,917</b>	<b>18,052,064</b>
	<hr/>	<hr/>
	<b>21,159,818</b>	<b>19,674,965</b>
	<hr/> <hr/>	<hr/> <hr/>
Investments earn interest/distributions at a weighted average rate of 5.0.% (2016 5.0%). The unrealised capital movement from managed portfolios is not included in this rate.		
<b>NOTE 6: OTHER ASSETS</b>		
Prepayments	<b>241,429</b>	<b>161,556</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**

<b>NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>a) Service property, plant and equipment</b>		
Land at independent valuation (2017) - Note (ii)	1,903,636	
Land at independent valuation (2016) - Note (ii)		1,000,000
Buildings at independent valuation (2017) - Note (ii)	2,335,000	
Buildings at independent valuation (2016) - Note (ii)		2,850,000
Total service properties	4,238,636	3,850,000
Motor vehicles at cost	48,023	48,023
less accumulated depreciation	(42,883)	(41,462)
	5,140	6,561
Furniture and equipment at cost	1,682,430	1,400,868
less accumulated depreciation	(1,337,354)	(1,236,192)
	345,076	164,676
Leasehold improvements	358,512	278,031
less accumulated amortisation	(188,488)	(170,644)
	170,024	107,387
<b>Total administration property, plant and equipment</b>	<b>4,758,876</b>	<b>4,128,624</b>
<b>b) Ellis Estate land and buildings at independent valuation - Note (i)</b>	<b>313,896</b>	<b>263,995</b>
<b>Emerald Hill land and buildings at independent valuation - Note (i)</b>	<b>661,104</b>	<b>556,005</b>
<b>Total endowment properties</b>	<b>975,000</b>	<b>820,000</b>

(i) One endowment property in the Western Region is self occupied and partially leased to external parties. The other property in the Western Region is partially leased to an external party.

(ii) Land and buildings were valued by Teska Carson as at 30 June 2017 based on open market values.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**
**PROPERTY, PLANT AND EQUIPMENT**

(c) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2017 Class of Asset	Opening balance \$	Depreciation write-back \$	Reclassify \$	Additions \$	Disposals \$	Transfers \$	Reclassification to non current assets held for sale \$	Depreciation / Amortisation Expense \$	Revaluation \$	Closing balance \$
Land	1,000,000	-	440,000	263,636	-	-	-	-	200,000	1,903,636
Buildings	2,850,000	58,800	(440,000)	-	-	-	-	(58,800)	(75,000)	2,335,000
Endowment properties	820,000	-	-	-	-	-	-	-	155,000	975,000
Service Property, furniture & equipment	164,676	-	-	281,562	-	-	-	(101,163)	-	345,076
Leasehold improvements	42,887	-	-	80,481	-	-	-	(17,843)	-	105,524
Leasehold improvements - make good	64,500	-	-	-	-	-	-	-	-	64,500
Motor vehicles	6,561	-	-	-	-	-	-	(1,420)	-	5,140
<b>TOTAL</b>	<b>4,948,624</b>	<b>58,800</b>	<b>-</b>	<b>625,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(179,227)</b>	<b>280,000</b>	<b>5,733,876</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2017**

	2017 \$	2016 \$
<b>NOTE 8: PROVISIONS</b>		
<b>Current</b>		
Employee benefits	1,320,383	1,167,987
	<b>1,320,383</b>	<b>1,167,987</b>
<b>Non-Current</b>		
Employee benefits	212,220	168,544
Provision for lease make good	64,500	64,500
	<b>276,720</b>	<b>233,044</b>
<b>Total Provisions</b>	<b>1,597,103</b>	<b>1,401,031</b>
Balance at the start of the year	1,401,031	1,337,122
Additional provisions	1,025,852	887,291
Amounts used	(829,780)	(823,382)
	<b>1,597,103</b>	<b>1,401,031</b>
<b>NOTE 9: PAYABLES</b>		
Trade payables	512,823	457,404
Sundry payables and accrued expenses	1,252,177	673,669
	<b>1,765,000</b>	<b>1,131,073</b>
<b>NOTE 10: OTHER LIABILITY</b>		
<b>Deferred Income</b>	3,099,643	532,169
	<b>3,099,643</b>	<b>532,169</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**

	2017 \$	2016 \$
<b>NOTE 11: ENDOWMENT FUNDS</b>		
General endowment	179,398	179,398
Emerald Hill endowment	10,526,810	10,421,710
Ellis Estate endowment	6,948,493	6,898,593
Yallum endowment	30,148	28,712
J.C. Butler scholarship	7,800	7,429
McNaughton trust	114,851	114,851
Gregory trust	1,000	1,000
Murison trust	22,900	22,900
Edith and Maurice Feitel trust	100,000	100,000
DP Endowment	40,000	
	<b>17,971,400</b>	<b>17,774,593</b>
<b>Movement in Endowment Funds</b>		
<b>General endowment</b>		
Balance at start of the year	179,398	179,398
Balance at the end of the year	<b>179,398</b>	<b>179,398</b>
<b>Emerald Hill endowment</b>		
Balance at start of the year	10,421,710	10,338,172
Increment/(decrement) in investment properties	105,100	83,538
Balance at the end of the year	<b>10,526,810</b>	<b>10,421,710</b>
<b>Ellis Estate endowment</b>		
Balance at start of the year	6,898,593	6,859,281
Increment/(decrement) in investment properties	49,900	39,312
Balance at the end of the year	<b>6,948,493</b>	<b>6,898,593</b>
<b>Yallum endowment</b>		
Balance at the start of the year	28,712	27,345
Interest income	1,436	1,367
Balance at the end of the year	<b>30,148</b>	<b>28,712</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**

	2017 \$	2016 \$
<b>NOTE 11: ENDOWMENT FUNDS (continued)</b>		
<b>Movement in Endowment Funds (continued)</b>		
<b>J.C. Butler scholarship</b>		
Balance at the start of the year	7,429	7,075
Interest income	371	354
Balance at the end of the year	<u>7,800</u>	<u>7,429</u>
<b>Edith and Maurice Feitel trust</b>		
Balance at the start of the year	100,000	100,000
Balance at the end of the year	<u>100,000</u>	<u>100,000</u>
The income from but not the capital of endowment funds can be used for the operations of Children Australia Inc.		
<b>NOTE 12: ASSET REVALUATION RESERVE</b>		
The asset revaluation reserve records revaluations of land and buildings.		
<b>NOTE 13: FINANCIAL ASSET VALUATION RESERVE</b>		
The financial asset valuation reserve records the change in market value of managed funds.		
<b>NOTE 14: OPERATING LEASE COMMITMENTS</b>		
Operating leases relating to the motor vehicle fleet and office rentals.		
Payable		
- not later than one year	680,208	606,567
- later than one year but not later than five years	345,924	560,254
	<u>1,026,132</u>	<u>1,166,821</u>
<b>Level 3, 150 Albert Rd South Melbourne</b>		
The property is a lease with a three year term with a further three year option. This term expires on 31 May 2018 The reinstatement costs in the future are estimated to be \$25,000.		
<b>356-358 Highett Rd, Highett</b>		
The property is a lease with a three year term, with two three year options. This term expires on 31 May 2020. The reinstatement costs in the future are estimated to be \$2,000.		
<b>Level 2 and Level 3, 454-472 Nepean Hwy, Frankston</b>		
The property is a lease with a two year term, with one further two year option. This term expires on 28 February 2019. Contingent provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. The reinstatement costs in the future are estimated to be \$10,000.		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**
**NOTE 14: OPERATING LEASE COMMITMENTS (continued)**
**Level 1, 47 Princes Hwy, Dandenong**

The property is a lease with a three year term, with one further three year option. This term expires on 28 February 2019. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. The reinstatement costs in the future are estimated to be \$10,000.

**19 Jamieson Street, Warrnambool**

The property is a lease with a three year term, with two further three year options. This term expires on 30 April 2019. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**4 Gawler Street, Portland**

The property is a lease with a three year term, with two further two year options. This term expires on 31 August 2018. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**NOTE 15: CASH FLOW INFORMATION**

		2017 \$	2016 \$
<b>(a) Cash Reconciliation</b>			
For the purposes of the cash flow statement, cash includes cash on hand and at bank Cash at the end of the year is shown in the balance sheet as:			
Cash and Cash Equivalents	Note 3	3,148,725	2,379,059
		<u>3,148,725</u>	<u>2,379,059</u>

**NOTE 16: FINANCIAL RISK MANAGEMENT**
**(a) Financial Risk Management Policies**

The association's financial instruments consist mainly of deposits with banks, long term investments that comprise of Australian fixed interest, shares and cash management accounts, accounts receivable and accounts payable.

	2017 \$	2016 \$
<b>Financial Assets</b>		
Cash and cash equivalents	3,148,725	2,379,059
Term Deposits-held to maturity	2,642,901	1,622,901
Managed Portfolios- available for sale	18,516,917	18,052,064
Receivables	915,187	787,456
	<u>25,223,730</u>	<u>22,841,480</u>
<b>Financial Liabilities</b>		
Trade Payables	1,765,000	1,131,073
	<u>1,765,000</u>	<u>1,131,073</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2017**
**NOTE 16: FINANCIAL RISK MANAGEMENT (continued)**
**(b) Net Fair Values**

For listed available-for-sale financial assets and financial assets at fair value through profit or loss the fair values have been based on closing quoted bid prices at the end of the reporting period.

In determining the fair values of the unlisted available for sale financial assets, the Board of Management have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.

Fair values of held-to-maturity term deposits generally reprice to a market interest rate every six months. This therefore approximates fair value.

**NOTE 17: RELATED PARTY TRANSACTIONS**

Board member, Catherine Dunlop is a partner at Maddocks Lawyers. Maddocks Lawyers were paid \$21,479 for legal services in the 2017 financial year.

Board member, Michael Hayja is a partnership executive at Perpetual. Perpetual gave a grant of \$121,939 to Children Australia Inc. for the therapeutic specialist worker initiative.

All members of the Board of Management acted in an honorary capacity.

**NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION**

	2017 \$	2016 \$
Total Compensation	997,915	925,451

**NOTE 19: NOTE TO STATEMENT OF CASHFLOWS**

<b>Operating Profit/(Deficit)</b>	<b>(470,435)</b>	94,182
<b>Non Operating Profit/(Deficit)</b>	<b>(928,222)</b>	-
<b>Net Operating Profit/(Deficit) for cashflow purposes</b>	<b>(1,398,657)</b>	-
<b>Non-cash flows in operating surplus</b>		
Depreciation	179,227	195,493
<b>Endowment operating surplus</b>		
Investment income	1,807	1,721
<b>Changes in assets and liabilities</b>		
(Increase) decrease in debtors	(127,731)	(267,968)
(Increase) decrease in other assets	(79,873)	(93,916)
Increase(decrease) in payables	633,927	(32,585)
Increase(decrease) in provisions	196,072	63,909
Increase(decrease) in income in advance	2,567,474	(164,155)
<b>Cashflow from operating activities</b>	<b>1,972,246</b>	<b>(203,319)</b>

**NOTE 20: EVENTS AFTER THE REPORTING PERIOD**

The Board of Management is not aware of any significant events since the end of the reporting period.

**NOTE 21: ASSOCIATION DETAILS**
**The registered office of the association is:**

Children Australia Inc.  
Level 3, 150 Albert Road  
SOUTH MELBOURNE, VIC, 3205

**Children Australia Inc.**

ABN: 90 680 959 928

**Board of Management Declaration**

The board of management of the association declare that:

- 1. The financial statements and notes of Children Australia Inc., as set out on pages 1 to 16, are in accordance with the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - a) complying with Australian Accounting Standards Reduced Disclosure Requirements (including Australian Accounting Interpretations), the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012*; and
  - b) giving a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the association.
  
- 2. In the directors' opinion, there are reasonable grounds to believe that the association will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Management



Director: .....  
President: Helen Maxwell-Wright



Director: .....  
Treasurer: Michael Wootten

Dated this 19<sup>th</sup> day of October 2017

# Independent Auditor's Report to the Members of Children Australia Incorporated

## Opinion

We have audited the financial report of Children Australia Incorporated. (the association), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the statement by members of the committee on the annual statements giving a true and fair view of the financial position of the association.

In our opinion, the accompanying financial report gives a true and fair view of the financial position of Children Australia Incorporated (the association) as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – *Reduced Disclosure Requirements* and the *Associations Incorporation Reform Act 2012*.

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the association in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Responsibilities of the Committee for the Financial Report

The committee of the association is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as the committee determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the committee either intend to liquidate the association or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.

*Crowe Horwath Melbourne*

### **CROWE HORWATH MELBOURNE**

*John J Gavens*

**John Gavens**

**Partner**

**Melbourne, Victoria**

**Dated this 19th day of October 2017**