

**CHILDREN AUSTRALIA INC.**

**ABN 90 680 959 928**

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**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE, 2014**

	Note	2014 \$	2013 \$
<b>OPERATING REVENUE</b>			
Government grants and subsidies		13,206,292	11,495,937
Donations and fundraising activities		352,906	378,201
Investment income		1,425,510	1,085,683
Fees for service		2,598,468	2,478,278
Other income		1,061,177	511,517
<b>TOTAL OPERATING REVENUE</b>	2(a)	<b>18,644,353</b>	<b>15,949,616</b>
<b>OPERATING EXPENSES</b>			
Operational costs		16,058,255	14,439,175
Bad Debts		5,737	-
Fundraising costs		154,429	203,572
Administration costs		2,515,269	2,850,603
Finance costs		6,615	6,851
Information technology costs		544,516	408,201
Property costs		27,573	21,328
<b>TOTAL OPERATING EXPENSES</b>	2(b)	<b>19,312,394</b>	<b>17,929,730</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(668,041)</b>	<b>(1,980,114)</b>
<b>ENDOWMENT FUNDS REVENUE</b>			
Investment income (loss)	2(a)	1,560	100,000
Fair value gain (loss) on endowment investment properties	2(a)	(300,000)	1,487
<b>ENDOWMENT SURPLUS/ (DEFICIT)</b>		<b>(298,440)</b>	<b>101,487</b>
<b>OPERATING AND ENDOWMENT SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(966,481)</b>	<b>(1,878,627)</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		881,488	1,118,162
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of service properties		11,000	78,500
Net surplus of assets over liabilities on Wresacare Merger		246,489	-
<b>OTHER COMPREHENSIVE SURPLUS/(DEFICIT)</b>		<b>1,138,977</b>	<b>1,196,662</b>
<b>TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>172,495</b>	<b>(681,965)</b>

The deficit for the year includes non - operating endowment funds deficit of (\$298,440) (2013: Surplus of \$101,487).  
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.

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.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE, 2014**

	Note	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3 & 14	112,246	524,367
Receivables	4	921,106	928,879
Financial assets	5 & 15	3,634,013	-
Inventories		20,464	20,676
Other assets	6	416,050	115,863
Non current assets held for sale	19	970,000	1,999,905
<b>TOTAL CURRENT ASSETS</b>		<b>6,073,879</b>	<b>6,541,132</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	5 & 15	16,118,320	13,038,641
Property, plant and equipment	7	2,707,796	2,488,156
Endowment property	7	1,825,000	3,095,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,651,116</b>	<b>18,621,797</b>
<b>TOTAL ASSETS</b>		<b>26,724,995</b>	<b>25,162,929</b>
<b>CURRENT LIABILITIES</b>			
Financial Liabilities	14 & 15	7,266	11,786
Provisions	8	4,388,584	3,622,179
Payables	9	1,607,305	971,087
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,003,155</b>	<b>4,605,052</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	8	241,894	250,427
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>241,894</b>	<b>250,427</b>
<b>TOTAL LIABILITIES</b>		<b>6,245,049</b>	<b>4,855,479</b>
<b>NET ASSETS</b>		<b>20,479,946</b>	<b>20,307,450</b>
<b>EQUITY</b>			
Endowment funds	10	17,748,281	18,046,721
Asset revaluation reserve	11	952,633	941,633
Financial asset valuation reserve	12	2,373,656	1,492,168
Accumulated surplus		(594,624)	(173,072)
<b>TOTAL EQUITY</b>		<b>20,479,946</b>	<b>20,307,450</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

	Endowment Funds \$	Asset Revaluation Reserve \$	Financial Asset Valuation Reserve \$	Accumulated Surplus \$	Total \$
<b>Balance at 30 June 2012</b>	<b>17,945,234</b>	<b>863,133</b>	<b>374,006</b>	<b>1,807,042</b>	<b>20,989,415</b>
Operating Profit (Loss)	-	-	-	(1,878,627)	(1,878,627)
Increment in endowment investment properties	100,000	50,000	-	(100,000)	50,000
Investment income	1,487	-	-	(1,487)	-
Change in market value of managed funds	-	-	1,118,162	-	1,118,162
Gain on revaluation of service properties	-	28,500	-	-	28,500
Transfer impairment of general investments	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>18,046,721</b>	<b>941,633</b>	<b>1,492,168</b>	<b>(173,072)</b>	<b>20,307,450</b>
Operating Profit (Loss)	-	-	-	(966,481)	(966,481)
Wresacare Accumulated Surplus	-	-	-	246,489	246,489
Increment in endowment investment properties	(300,000)	-	-	300,000	-
Investment income	1,560	-	-	(1,560)	-
Change in market value of managed funds	-	-	881,488	-	881,488
Gain on revaluation of service properties	-	11,000	-	-	11,000
<b>Balance at 30 June 2014</b>	<b>17,748,281</b>	<b>952,633</b>	<b>2,373,656</b>	<b>(594,624)</b>	<b>20,479,945</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

	Note	2014 \$	2013 \$
<b>Cash Flows from Operating Activities</b>			
Grants received		13,206,292	11,495,937
Investment and rental income		413,946	417,865
Fundraising income		352,906	378,201
Interest and dividends received		1,013,769	816,516
Fees for service		2,598,468	2,478,278
Other receipts		411,082	511,517
Payments to suppliers and employees		(17,898,627)	(16,776,685)
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>97,836</b>	<b>(678,371)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(128,598)	(274,733)
Proceeds from disposal of plant and equipment		50,773	-
Proceeds from sale of property		2,385,000	-
Proceeds from deposit on sale of property		67,388	265,000
Proceeds from/ (Transfers to) term deposits		(2,880,000)	308,376
<b>Net Cash Provided by/ (Used in) Investing Activities</b>		<b>(505,437)</b>	<b>298,643</b>
<b>Cash Flows from Financing Activities</b>			
Repayments of borrowings		-	(747,443)
Loans to other entities		-	(156,550)
<b>Net Cash Provided by/ (Used in) Financing Activities</b>		<b>-</b>	<b>(903,993)</b>
Net increase (decrease) in cash and cash equivalents held		(407,601)	(1,283,721)
Cash and cash equivalents at the beginning of the year		512,581	1,796,302
<b>Cash and Cash Equivalents at the End of the Year</b>	14(a)	<b>104,980</b>	<b>512,581</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014**

**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 Act 1981.

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 and the Associations Incorporation Reform Act 2012. The Financial Statements are presented in Australian dollars which is the Association's functional and presentation currency.

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 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.

**(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. Endowment properties have been acquired from bequests. The properties are carried at fair value, determined annually by an independent valuer. Changes to fair values of the investment and 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'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, 2014**

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

This year, 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 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 transactions costs. Financial instruments are classified and measured as set out below.

***Classification and Subsequent Measurement***

***(i) Receivables***

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.

***(ii) 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.

***(iii) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

***(iv) Financial Liabilities***

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

***Fair Value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

**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) **Impairment - Other Assets**

At each reporting date Children Australia 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.

(j) **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.

(k) **Cash and cash equivalents**

Cash is cash on hand or available on demand.

(l) **Comparative Figures**

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

**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.

The financial report was authorised for issue on

October 2014 by the Board of Directors.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**
**NOTE 2: OPERATING SURPLUS**

	2014 \$	2013 \$
(a) Revenue		
Operating activities		
- government grants and subsidies	13,206,292	11,495,937
- donations and fundraising activities	352,906	378,201
- rent from trust properties	413,947	417,865
- fees for service	2,598,468	2,478,278
- interest	273,164	248,970
- dividends and distributions	738,399	418,848
- other income	1,061,177	511,517
	<b>18,644,353</b>	<b>15,949,616</b>
Non-operating activities		
- investment income / (loss)	1,560	1,487
- increment in value of endowment properties	(300,000)	100,000
	<b>(298,440)</b>	<b>101,487</b>
(b) Expenses		
Operating activities		
- salaries and wages	11,664,035	10,131,900
- general operating expenses	6,076,859	6,059,721
- bad debts	5,737	-
- rental expense and operating Leases	1,297,389	1,522,619
- finance costs	6,615	6,851
- depreciation expense	234,186	187,311
- property costs	27,573	21,328
	<b>19,312,394</b>	<b>17,929,730</b>

**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash on hand (Non interest bearing)	32,729	48,988
Cash at bank (Interest bearing)	79,517	475,379
	<b>112,246</b>	<b>524,367</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, 2014**
**NOTE 4: RECEIVABLES****Current**

	2014 \$	2013 \$
Trade debtors	509,050	430,816
Sundry debtors	178,185	249,846
Distributions receivable	124,330	124,976
CCVL Loan	95,800	109,500
Security deposits	13,741	13,741
	<b>921,106</b>	<b>928,879</b>

No interest is payable on receivables.

**NOTE 5: FINANCIAL ASSETS****Current**

- Term deposits - Emerald Hill	2,116,271	1,627,243
- Term deposits - Ellis Estate	518,413	398,699
- Term deposits - General endowment	225,875	173,567
- Term deposits - Operating	650,553	629,032
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - Murison Trust	22,901	22,901
	<b>3,634,013</b>	<b>2,951,442</b>

**Non-Current****Available-for-sale financial assets**

- Managed portfolios - Endowment Fund	23,979	19,391
- Managed portfolios - General	234,367	189,532
- Managed portfolios - Emerald Hill	11,918,166	9,638,169
- Managed portfolios - Ellis Estate	3,921,808	3,171,549
- Shares - at cost	20,000	20,000
	<b>16,118,320</b>	<b>13,038,641</b>

**19,752,333****15,990,083**

Investments earn interest/distributions at a weighted average rate of 3.70% (2013 3.99%).  
The unrealised capital movement from managed portfolios is not included in this rate.

**NOTE 6: OTHER ASSETS**

## Prepayments

**416,050****115,863**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**
**NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY**

	2014 \$	2013 \$
<b>a) Administration property, plant and equipment</b>		
Land at independent valuation (2013) - Note (i)	1,000,000	
Land at independent valuation (2012) - Note (i)		1,000,000
Buildings at independent valuation (2013) - Note (i)	1,320,000	
Buildings at independent valuation (2012) - Note (i)		1,000,000
Total administration properties	2,320,000	2,000,000
Motor vehicles at cost	130,722	180,589
less accumulated depreciation	89,972	108,711
	40,750	71,878
Furniture and equipment at cost	1,178,817	1,051,540
less accumulated depreciation	935,877	756,179
	242,940	295,361
Leasehold improvements	159,512	159,512
less accumulated amortisation	119,906	103,095
	39,606	56,417
Leasehold improvements	64,500	64,500
<b>Total administration property, plant and equipment</b>	<b>2,707,796</b>	<b>2,488,156</b>
<b>b) Endowment property</b>		
Ellis Estate land and buildings at independent valuation - Note (i)	796,760	1,478,144
Emerald Hill land and buildings at independent valuation - Note (i)	1,028,240	1,616,856
<b>Total endowment properties</b>	<b>1,825,000</b>	<b>3,095,000</b>

The two endowment properties in metropolitan Melbourne are leased to external parties. One property in Western Region is fully leased to external parties. The other two properties are both self occupied and partially leased to external parties.

- (i) Melbourne based land and buildings were independently valued by Teska Carson as at 30 June 2014 based on open market values.

CHILDREN AUSTRALIA INC.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE, 2014**

**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.

2014 Class of Asset	Opening balance \$	Depreciation write-back \$	Write off \$	Additions \$	Disposals \$	Transfers \$	Reclassification to non current assets held for sale	Depreciation / Amortisation Expense \$	Revaluation \$	Closing balance \$
Land	1,000,000	-	-	-	-			-		1,000,000
Buildings	1,000,000	30,000	-	339,000				(30,000)	(19,000)	1,320,000
Endowment properties	3,095,000	-	-				(970,000)	-	(300,000)	1,825,000
Service Property, furniture & equipment	295,361	-	-	114,305	-			(166,726)	-	242,940
Leasehold improvements	56,417	-	-		-			(16,811)	-	39,606
Leasehold improvements - make good	64,500	-	-	-	-			-	-	64,500
Motor vehicles	71,878	-	-	50,930	(61,409)			(20,649)		40,750
<b>TOTAL</b>	<b>5,583,156</b>	<b>30,000</b>	<b>-</b>	<b>504,235</b>	<b>(61,409)</b>	<b>-</b>	<b>(970,000)</b>	<b>(234,186)</b>	<b>(319,000)</b>	<b>4,532,796</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

	2014 \$	2013 \$
<b>NOTE 8: PROVISIONS</b>		
<b>Current</b>		
Employee benefits	1,139,171	874,759
Unexpended grants	3,249,413	2,747,420
	<b>4,388,584</b>	<b>3,622,179</b>
<b>Non-Current</b>		
Employee benefits	177,394	185,927
Provision for lease make good	64,500	64,500
	<b>241,894</b>	<b>250,427</b>
<b>Total Provisions</b>	<b>4,630,478</b>	<b>3,872,606</b>
Balance at the start of the year	3,872,606	3,531,890
Additional Provisions	1,424,329	880,160
Amounts used	(666,457)	(539,444)
	<b>4,630,478</b>	<b>3,872,606</b>
<b>NOTE 9: PAYABLES</b>		
Trade payables	491,393	14,849
Sundry payables and accrued expenses	1,048,524	691,238
Deposits received	67,388	265,000
	<b>1,607,305</b>	<b>971,087</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

	2014 \$	2013 \$
<b>NOTE 10: ENDOWMENT FUNDS</b>		
General endowment	179,398	179,398
Emerald Hill endowment	10,295,990	10,399,606
Ellis Estate endowment	7,001,361	7,197,745
Yallum endowment	26,043	24,803
J.C. Butler scholarship	6,738	6,418
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
	<b>17,748,281</b>	<b>18,046,721</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	10,399,606	10,349,606
Increment/(decrement) in investment properties	(103,616)	50,000
Balance at the end of the year	<b>10,295,990</b>	<b>10,399,606</b>
<b>Ellis Estate endowment</b>		
Balance at start of the year	7,197,745	7,147,745
Increment/(decrement) in investment properties	(196,384)	50,000
Balance at the end of the year	<b>7,001,361</b>	<b>7,197,745</b>
<b>Yallum endowment</b>		
Balance at the start of the year	24,803	23,621
Interest income	1,240	1,182
Balance at the end of the year	<b>26,043</b>	<b>24,803</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**

	2014 \$	2013 \$
<b>NOTE 10: ENDOWMENT FUNDS (continued)</b>		
<b>Movement in Endowment Funds (continued)</b>		
<b>J.C. Butler scholarship</b>		
Balance at the start of the year	6,418	6,112
Interest income	320	306
Balance at the end of the year	<b>6,738</b>	<b>6,418</b>

**Edith and Maurice Feitel trust**

Balance at the start of the year	100,000	100,000
Balance at the end of the year	<b>100,000</b>	<b>100,000</b>

The income from but not the capital of endowment funds can be used for the operations of Children Australia Inc.

**NOTE 11: ASSET REVALUATION RESERVE**

The asset revaluation reserve records revaluations of land and buildings.

**NOTE 12: FINANCIAL ASSET VALUATION RESERVE**

The financial asset valuation reserve records the change in market value of managed funds.

**NOTE 13: OPERATING LEASE COMMITMENTS**

Operating leases relating to the motor vehicle fleet and office rentals.

Payable		
- not later than one year	852,079	978,300
- later than one year but not later than five years	450,758	540,425
	<b>1,302,837</b>	<b>1,518,725</b>

**Level 3, 150 Albert Rd South Melbourne**

The property is a lease with an 11 month term with no further options, this term expires on 31 May 2015.

The reinstatement costs in the future are estimated to be \$25,000 .

**356-358 Highett Rd, Highett**

The property is a lease with a three year term, this expires on 30 April 2017. There are two 3 year options to renew the lease.

The reinstatement costs in the future are estimated to be \$2,000.

**Level 2 and Level 3, 454-472 Nepean Hwy, Frankston**

The property is a lease with a 3 year term, this expires on 28 February 2017. There is a further 3 year option. 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, 2014**

**NOTE 13: OPERATING LEASE COMMITMENTS (continued)**

**47 Princes Hwy, Dandenong**

The property is a lease with a 3 year term and expires on 28 February 2016. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. There is a further 3 year option. The reinstatement costs in the future are estimated to be \$10,000.

**79 Liebig St, Warrnambool**

The property is a lease with a 5 year term and expires on 30 April 2015. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by a fixed 3%. A further term option is for two terms each of 5 years. There are no reinstatement costs.

**19 Jamieson Street, Warrnambool**

The property is a lease with a 3 year term that expires on 30 April 2016, with a further 3 year option. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**195 Lava Street, Warrnambool**

The property is a lease with a 3 year term that expires on 18 June 2015, with a further 3 year option. 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 3 year term that expires on 31 August 2015, with a further 3 year option. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**1 Lurline Street, Cranbourne**

The property is a lease with a 3 year term that expires on 31 October 2015, with a further 3 year option. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**38 Bakewell Street, Cranbourne**

The property is a lease with a 3 year term that expires on 28 February 2016, with two further terms of 3 years each. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.

**126 Princess Highway, Pakenham**

The property is a lease with a 3 year term that expires on 31 May 2015, with a further 3 year option. Contingent rental provisions within the lease agreement require that the minimum payments shall increase annually by CPI. There are no reinstatement costs.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**
**NOTE 14: CASH FLOW INFORMATION**

		2014 \$	2013 \$
<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	112,246	524,367
Bank overdrafts		<u>(7,266)</u>	<u>(11,786)</u>
		<u>104,980</u>	<u>512,581</u>
<b>(b) Bank Overdraft Facilities</b>			
Bank overdraft facility			
- Used		-	-
- Unused		220,000	220,000

**NOTE 15: 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.

	2014	2013
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	112,246	524,367
Term Deposits-held to maturity	3,634,013	2,951,442
Managed Portfolios- available for sale	16,118,320	13,038,641
Receivables	921,106	928,879
	<u>20,785,685</u>	<u>17,443,329</u>
<b>Financial Liabilities</b>		
Bank Overdrafts	7,266	11,786
Trade Payables	1,607,305	971,087
	<u>1,614,571</u>	<u>982,873</u>

**(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 Directors 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 6 months, this therefore approximates fair value.

**NOTE 16: RELATED PARTY TRANSACTIONS**

All Board of Directors acted in an honorary capacity.

**NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION**

	2014 \$	2013 \$
Total Compensation	<u>840,889</u>	<u>924,031</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE, 2014**
**NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

In the opinion of the Board of Directors, the association did not have any contingencies as at 30 June 2014 (30 June 2013: None).

**NOTE 19 Non current asset classified as held for sale**

Balance at beginning of the year	1,999,905	-
Asset Sales	(1,999,905)	-
Reclassification from property, plant and equipment	970,000	1,999,905
	<hr/>	<hr/>
Balance at end of the year	<b>970,000</b>	<b>1,999,905</b>
	<hr/>	<hr/>

**NOTE 20 ASSOCIATION DETAILS****The registered office of the association is:**

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

## **CHILDREN AUSTRALIA INC.**

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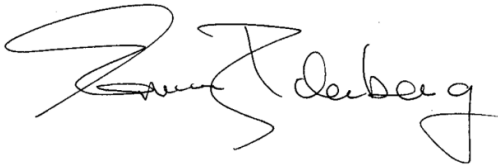
### **STATEMENT BY MEMBERS OF THE BOARD**

In the opinion of the board,

1. The accompanying financial report presents a true and fair view of the financial position of Children Australia Inc. as at 30 June 2014 and its performance for the year then ended in accordance with Australian accounting standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board and the Associations Incorporation Reform Act 2012 (Victoria).
2. As at the date of this statement there are reasonable grounds to believe that Children Australia Inc. will be able to pay its debts as and when they fall due.

These statements are made in accordance with a resolution of the board and is signed for and on behalf of the board.

Dated at South Melbourne this 31<sup>st</sup> day of October 2014.



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President: Erica Frydenberg



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Treasurer: Jason Henham



**Hayes Knight Audit**  
chartered accountants · your partners in success

Hayes Knight Audit Pty Ltd

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Registered Audit Company 291969

## **Children Australia Inc.**

ABN: 90 680 959 928

# **Independent Audit Report to the Members of Children Australia Inc.**

### ***Report on the Financial Report***

We have audited the accompanying financial report of Children Australia Inc., which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by members of the Board.

### ***Board's Responsibility for the Financial Report***

The Board of Directors is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Associations Incorporation Reform Act 2012*, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

An independent Member of the Hayes Knight Group and Morison International.

Liability limited by a scheme approved under Professional Standards Legislation.

Associated Offices : Adelaide | Auckland | Brisbane | Darwin | Melbourne | Perth | Sydney

**Children Australia Inc.**

ABN: 90 680 959 928

**Independent Audit Report to the Members of Children Australia Inc.**

***Opinion***

In our opinion, the financial report presents fairly, in all material respects, the financial position of Children Australia Inc. as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Associations Incorporation Reform Act 2012*.

*Hayes Knight Audit*

**Hayes Knight Audit Pty Ltd**  
Melbourne



**Geoff S. Parker**  
Director

Dated this 31 day of OCTOBER 2014

