



# Annual Report

2018/19

**Financials Only**



**CHILDREN AUSTRALIA INC.**

**ABN 90 680 959 928**

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**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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The Board of Management  
Children Australia Inc.  
Level 3, 150 Albert Road  
South Melbourne  
VIC 3205

Dear Board Members,

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the directors of Children Australia Inc..

As lead audit partner for the audit of the financial statements of Children Australia Inc. for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i) The auditor independence requirements as set out in Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii) Any applicable code of professional conduct in relation to the audit.



**CROWE AUDIT AUSTRALIA**



**ANTONY BARNETT**

Partner

10 December 2019

Melbourne

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.*

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>OPERATING REVENUE</b>			
Government grants and subsidies		34,057,211	26,624,764
Donations and fundraising activities		304,040	391,674
Investment income		1,845,384	1,349,570
Fees for service		3,003,336	2,405,607
Other income		143,183	226,672
<b>TOTAL OPERATING REVENUE</b>	2(a)	<b>39,353,154</b>	<b>30,998,287</b>
<b>OPERATING EXPENSES</b>			
Operational costs		37,735,171	28,684,716
Fundraising costs		63,399	90,906
Administration costs		2,372,930	1,619,932
Finance costs		10,209	12,678
Information technology costs		782,566	627,836
Property costs		57,092	31,780
<b>TOTAL OPERATING EXPENSES</b>	2(b)	<b>41,021,367</b>	<b>31,067,848</b>
<b>OPERATING SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1,668,213)</b>	<b>(69,561)</b>
<b>ENDOWMENT FUNDS REVENUE</b>			
Increment in endowment funds	2(a)	20,000	20,000
Fair value profit/(loss) on endowment investment properties	2(a)	75,000	50,000
<b>ENDOWMENT SURPLUS</b>		<b>95,000</b>	<b>70,000</b>
<b>OPERATING AND ENDOWMENT SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1,573,213)</b>	<b>439</b>
<b>OTHER NON OPERATING REVENUE</b>			
Development Income		-	-
<b>TOTAL NON OPERATING REVENUE</b>		<b>-</b>	<b>-</b>
<b>OTHER NON OPERATING EXPENSES</b>			
Development Expenses		-	-
<b>TOTAL NON OPERATING EXPENSES</b>		<b>-</b>	<b>-</b>
<b>NON OPERATING DEFICIT FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1,573,213)</b>	<b>439</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		283,512	426,802
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of service properties		144,700	195,853
<b>OTHER COMPREHENSIVE SURPLUS</b>		<b>428,212</b>	<b>622,655</b>
<b>TOTAL COMPREHENSIVE SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>(1,145,001)</b>	<b>623,094</b>

The surplus for the year includes a non-operating endowment fund surplus of \$95,000 (2018: Surplus of \$70,000). 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.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3 & 15	5,117,491	5,205,565
Receivables	4 & 16	1,829,187	991,250
Financial assets	5 & 16	189,489	5,165,660
Other assets	6	387,414	308,697
<b>TOTAL CURRENT ASSETS</b>		<b>7,523,581</b>	<b>11,671,172</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	5 & 16	19,009,479	18,837,382
Property, plant and equipment	7	9,942,154	5,196,456
Endowment property	7	1,100,000	1,025,000
Other assets	6	158,397	38,635
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,210,030</b>	<b>25,097,473</b>
<b>TOTAL ASSETS</b>		<b>37,733,611</b>	<b>36,768,645</b>
<b>CURRENT LIABILITIES</b>			
Provisions	8	2,039,354	1,586,864
Other liabilities - Deferred Income	10	7,163,313	7,626,467
Payables	9 & 16	4,056,376	1,917,437
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,259,043</b>	<b>11,130,768</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	8	259,186	277,494
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>259,186</b>	<b>277,494</b>
<b>TOTAL LIABILITIES</b>		<b>13,518,229</b>	<b>11,408,262</b>
<b>NET ASSETS</b>		<b>24,215,382</b>	<b>25,360,383</b>
<b>EQUITY</b>			
Endowment funds	11	18,136,400	18,041,400
Asset revaluation reserve	12	3,069,985	2,925,285
Financial asset valuation reserve	13	4,137,300	3,853,788
Accumulated surplus/(deficit)		(1,128,303)	539,910
<b>TOTAL EQUITY</b>		<b>24,215,382</b>	<b>25,360,383</b>



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Endowment Funds \$	Asset Revaluation Reserve \$	Financial Asset Valuation Reserve \$	Accumulated Surplus (Deficit) \$	Total \$
<b>Balance at 30 June 2017</b>	17,971,400	2,729,432	3,426,986	609,471	24,737,289
Operating Profit	-	-	-	(69,561)	(69,561)
Increment in endowment investment properties	50,000	-	-	-	50,000
Investment income	-	-	-	-	-
Increment in endowment investment funds	20,000	-	-	-	20,000
Change in market value of managed funds	-	-	426,802	-	426,802
Gain on revaluation of service properties	-	195,853	-	-	195,853
Development Income	-	-	-	-	-
Development Expenses	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>18,041,400</b>	<b>2,925,285</b>	<b>3,853,788</b>	<b>539,910</b>	<b>25,360,383</b>
Operating Profit	-	-	-	(1,668,213)	(1,668,213)
Increment in endowment investment properties	75,000	-	-	-	75,000
Expenses related to sale of endowment properties	-	-	-	-	-
Investment income	-	-	-	-	-
Increment in endowment investment funds	20,000	-	-	-	20,000
Change in market value of managed funds	-	-	283,512	-	283,512
Gain on revaluation of service properties	-	144,700	-	-	144,700
Development Income	-	-	-	-	-
Development Expenses	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>18,136,400</b>	<b>3,069,985</b>	<b>4,137,300</b>	<b>(1,128,303)</b>	<b>24,215,382</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Receipts from customers</b>		36,043,224	31,036,888
Payments to suppliers , employees and others		(41,539,672)	(30,485,961)
Donations and fundraising		304,040	391,674
Interest, dividends and distributions received		1,845,384	1,349,570
Fee for service		3,003,336	2,405,607
Other income		163,183	246,672
<b>Net Cashflows from operating activities</b>		<b>(180,505)</b>	<b>4,944,450</b>
Payments for property, plant and equipment		(4,995,510)	(529,657)
Payments for investments		(5,124,875)	(7,837,655)
Proceeds from investments		10,212,816	5,479,702
<b>Net Cashflows from investing activities</b>		<b>92,431</b>	<b>(2,887,610)</b>
Net increase (decrease) in cash held		(88,074)	2,056,840
Cash at the beginning of the year		5,205,565	3,148,725
<b>Cash at the end of the financial year</b>	15(a)	<b>5,117,491</b>	<b>5,205,565</b>

The accompanying notes form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 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.

The financial report was authorised for issue on the 9th of December 2019 by the Board of Management.

#### (a) New or amended Accounting Standards and Interpretations adopted

Children Australia Inc. has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of Children Australia Inc. The following Accounting Standards and Interpretations are most relevant to the company:

#### **AASB 9 Financial Instruments**

In the current year, the Children Australia Inc. has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 July 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. The standard introduced new classification and measurement models for financial assets.

#### **Changes to classification and measurement**

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.
- A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.
- All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

#### **Impact of adoption**

The directors of the Company reviewed and assessed the existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the financial assets as regards their classification and measurement.

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

#### **Impairment of financial assets**

In relation to the impairment of 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 Company 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. Specifically, AASB 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Trade receivables, and
- Term deposits and managed funds portfolio.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) New or amended Accounting Standards and Interpretations adopted (cont'd)**

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

**(b) 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	10% - 33%
Leasehold improvements	10% - 60%

**(c) 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.

**(d) 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.

**(e) 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Inventories**

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

**(g) Income tax**

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

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

Revenues, expenses and assets from ordinary activities are recognised net of the amount of 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 the acquisition of the asset or part of the item of the expenses from ordinary activities. Receivables and payables are stated with the amount of GST included.

**(i) Financial instruments**

***Initial Recognition and Measurement***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

Children Australia Inc.'s financial assets include cash and cash equivalents, accounts receivable, term deposits and equity investments.

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Companies business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. On this basis, Children Australia Inc. has measured all financial assets at amortised cost.

Children Australia Inc. initially measures a financial asset at its fair value plus transactions costs.

**Subsequent measurement**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Impairment of financial assets**

Children Australia Inc. recognises an allowance for expected credit losses (ECLs) for all fee for service receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Children Australia Inc. expects to receive, discounted at an approximation of the original effective interest rate.

For fee for service receivables and other receivables, Children Australia Inc. applied a simplified approach in calculating ECLs.

Therefore, Children Australia Inc. does not track changes in credit risk, but instead recognised a loss allowance based on lifetime ECLs at each reporting date. Children Australia Inc. has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Children Australia Inc. considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, Children Australia Inc. may also consider a financial asset to be in default when internal or external information indicates that Children Australia Inc. is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Children Australia Inc.'s financial liabilities include trade payables, related party payables and loans and borrowings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Financial instruments (cont'd)

##### ii) Financial liabilities (cont'd)

##### Subsequent measurement

After initial recognition, Children Australia Inc's payables and loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### (j) 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.

#### (k) 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.

#### (l) 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.

#### (m) Cash and Cash Equivalents

Cash is cash on hand or available on demand.

#### (n) Comparative Figures

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

Children Australia Inc. noted that the security deposits are non-current in nature and have adjusted the comparative security deposit to non-current.

#### (o) Excess of current liabilities over current assets

At the financial year end there was an excess of current liabilities over current assets of \$5,735,461. This deficit includes \$7,163,313 of deferred income that will not result in a cash outflow and therefore Children Australia Inc. has an excess of adjusted current assets over current liabilities (excluding deferred income). On this basis the Board is satisfied that Children Australia Inc. will continue as a going concern and therefore they will realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report. Accordingly the financial statements have been prepared on the basis of that of a Going Concern.

#### (p) 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.

As per Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>NOTE 2: OPERATING SURPLUS ( DEFICIT)</b>		
(a) Revenue		
Operating activities		
- government grants and subsidies	34,057,211	26,624,764
- donations and fundraising activities	304,040	391,674
- fees for service	3,003,336	2,405,607
- other income	143,183	226,672
- investment income	1,845,385	1,349,570
	<b>39,353,155</b>	<b>30,998,287</b>
Non-operating activities		
- DP endowment funds	20,000	20,000
- increment in value of endowment properties	75,000	50,000
	<b>95,000</b>	<b>70,000</b>
(b) Expenses		
Operating activities		
- salaries and wages	25,843,971	19,562,004
- general operating expenses	13,286,477	10,384,351
- rental expense and operating leases	1,447,106	847,549
- finance costs	10,209	12,678
- depreciation expense	376,512	229,486
- property costs	57,092	31,780
	<b>41,021,367</b>	<b>31,067,848</b>
<b>NOTE 3: CASH AND CASH EQUIVALENTS</b>		
Cash on hand (non interest bearing)	100,060	81,455
Cash at bank (interest bearing)	5,017,431	5,124,110
	<b>5,117,491</b>	<b>5,205,565</b>
Cash is on hand or available on demand.		
Interest rates are variable and reflect current market rates.		
Cash that forms part of the investment portfolio is classified as a non-current asset in accordance with accounting policy note 1 (i).		
<b>NOTE 4: RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	950,183	444,137
Provision for expected credit loss	-	-
Sundry debtors	73,937	76,349
Distributions and interest receivable	795,010	465,561
Books	10,058	5,203
	<b>1,829,187</b>	<b>991,250</b>
No interest is payable on receivables.		

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**
**NOTE 5: FINANCIAL ASSETS**

The Company's financial instruments consist mainly of deposits with banks, short-term and long-term investments, receivables and payables, and loan liabilities. The carrying amounts for each category of financial instruments is as follows:

Financial Assets under AASB 139**Loans and receivables**

Cash and cash equivalents	-	5,205,565
Trade receivables	-	991,250
<b>Total loans and receivables</b>	<b>-</b>	<b>6,196,815</b>

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

- Term deposits - Operating	-	5,000,000
- Term deposits - Edith & Maurice Feitel Fund	-	102,608
- Term deposits - DP	-	40,000
- Term deposits - Murison Trust	-	23,051
	<b>-</b>	<b>5,165,659</b>

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

- Managed portfolios - Endowment Fund	-	28,028
- Managed portfolios - General	-	273,953
- Managed portfolios - Emerald Hill	-	13,931,186
- Managed portfolios - Ellis Estate	-	4,584,215
- Shares - at fair value	-	20,000
	<b>-</b>	<b>18,837,382</b>
	<b>-</b>	<b>24,003,041</b>

**Financial assets at fair value through profit or loss**Financial Assets under AASB 9**Financial assets at amortised cost**

Cash and cash equivalents	5,117,491	-
Cash and cash equivalents - Managed Portfolios	872,039	-
Term Deposits	189,489	-
Trade receivables and other receivables	1,829,187	-
<b>Total financial assets at amortised cost</b>	<b>8,008,206</b>	<b>-</b>

**Financial assets at fair value through other comprehensive income**

Managed Portfolios- not held for trading	18,117,441	-
Shares - at fair value	20,000	-

**Total Financial assets at fair value through other comprehensive income**

	<b>18,137,441</b>	<b>-</b>
--	-------------------	----------

\* Financial assets per the financial statements

19,009,480

Financial Liabilities**Financial liabilities measured at amortised cost**

Payables	4,056,376	-
<b>Total financial liabilities</b>	<b>4,056,376</b>	<b>-</b>

Investments earn interest/distributions at a weighted average rate of 6.52% (2018 4.7%).  
The unrealised capital movement from managed portfolios is not included in this rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>NOTE 6: OTHER ASSETS</b>		
<b>Current</b>		
Current prepayments	387,414	308,697
	<u>387,414</u>	<u>308,697</u>
<b>Non-Current</b>		
Security deposits	158,397	38,635
	<u>158,397</u>	<u>38,635</u>
<b>NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY</b>		
<b>a) Service property, plant and equipment</b>		
Land at independent valuation (2019) - Note (ii)	2,095,689	
Land at independent valuation (2018) - Note (ii)		<u>2,065,689</u>
Buildings at independent valuation (2019) - Note (ii)	2,524,311	
Buildings at independent valuation (2018) - Note (ii)		<u>2,424,311</u>
Total service properties	<u>4,620,000</u>	<u>4,490,000</u>
Motor vehicles at cost	48,023	48,023
less accumulated depreciation	(45,723)	(44,303)
	<u>2,300</u>	<u>3,720</u>
Furniture and equipment at cost	3,805,672	2,085,611
less accumulated depreciation	(1,881,542)	(1,529,358)
	<u>1,924,130</u>	<u>556,253</u>
Leasehold improvements	3,642,826	370,677
less accumulated amortisation	(247,102)	(224,194)
	<u>3,395,724</u>	<u>146,483</u>
<b>Total administration property, plant and equipment</b>	<u><b>9,942,154</b></u>	<u><b>5,196,456</b></u>
<b>b) Ellis Estate land and buildings at independent valuation - Note (i)</b>	354,139	329,992
<b>Emerald Hill land and buildings at independent valuation - Note (i)</b>	<u>745,861</u>	<u>695,008</u>
<b>Total endowment properties</b>	<u><b>1,100,000</b></u>	<u><b>1,025,000</b></u>

(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 2019 based on open market values.



CHILDREN AUSTRALIA INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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.

2019	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	2,065,689	-	-	-	-	-	-	-	30,000	2,095,689
	Buildings	2,424,311	14,700	-	-	-	-	-	(14,700)	100,000	2,524,311
	Endowment properties	1,025,000	-	-	-	-	-	-	-	75,000	1,100,000
	Service Property, furniture & equipment	556,253	-	-	1,723,361	(3,300)	-	-	(352,184)	-	1,924,130
	Leasehold improvements	81,983	-	-	3,272,149	-	-	-	(22,908)	-	3,331,224
	Leasehold improvements - make good	64,500	-	-	-	-	-	-	-	-	64,500
	Motor vehicles	3,720	-	-	-	-	-	-	(1,420)	-	2,300
<b>TOTAL</b>		<b>6,221,456</b>	<b>14,700</b>	<b>-</b>	<b>4,995,510</b>	<b>(3,300)</b>	<b>-</b>	<b>-</b>	<b>(391,212)</b>	<b>205,000</b>	<b>11,042,154</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>NOTE 8: PROVISIONS</b>		
<b>Current</b>		
Employee benefits	1,974,854	1,586,864
Provision for lease make good	64,500	-
	<b>2,039,354</b>	<b>1,586,864</b>
<b>Non-Current</b>		
Employee benefits	259,186	212,994
Provision for lease make good	-	64,500
	<b>259,186</b>	<b>277,494</b>
<b>Total Provisions</b>	<b>2,298,540</b>	<b>1,864,358</b>
Balance at the start of the year	1,864,358	1,597,103
Additional provisions	1,648,147	1,402,443
Amounts used	(1,213,965)	(1,135,188)
	<b>2,298,540</b>	<b>1,864,358</b>
<b>NOTE 9: PAYABLES</b>		
Trade payables	2,825,558	976,461
Sundry payables and accrued expenses	1,230,818	940,975
	<b>4,056,376</b>	<b>1,917,436</b>
<b>NOTE 10: OTHER LIABILITY - Deferred Income</b>		
Deferred Income	7,163,313	7,626,467
	<b>7,163,313</b>	<b>7,626,467</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>NOTE 11: ENDOWMENT FUNDS</b>		
General Endowment	179,398	179,398
Emerald Hill Endowment	10,611,175	10,560,322
Ellis Estate Endowment	6,988,552	6,964,405
Yallum Endowment	30,606	30,606
J.C. Butler Scholarship	7,918	7,918
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	80,000	60,000
	<b>18,136,400</b>	<b>18,041,400</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	10,560,322	10,526,810
Increment in investment properties	50,853	33,512
Balance at the end of the year	<b>10,611,175</b>	<b>10,560,322</b>
<b>Ellis Estate Endowment</b>		
Balance at start of the year	6,964,405	6,948,494
Increment in investment properties	24,147	15,911
Balance at the end of the year	<b>6,988,552</b>	<b>6,964,405</b>
<b>Yallum Endowment</b>		
Balance at the start of the year	30,606	30,148
Interest income	-	458
Balance at the end of the year	<b>30,606</b>	<b>30,606</b>
<b>J.C. Butler Scholarship</b>		
Balance at the start of the year	7,918	7,800
Interest income	-	118
Balance at the end of the year	<b>7,918</b>	<b>7,918</b>
<b>McNaughton Trust</b>		
Balance at the start of the year	114,851	114,851
Interest income	-	-
Balance at the end of the year	<b>114,851</b>	<b>7,918</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>NOTE 11: ENDOWMENT FUNDS (continued)</b>		
<b>Movement in Endowment Funds (continued)</b>		
<b>Gregory Trust</b>		
Balance at the start of the year	1,000	1,000
Balance at the end of the year	<u>1,000</u>	<u>1,000</u>
<b>Murison Trust</b>		
Balance at the start of the year	22,900	22,900
Balance at the end of the year	<u>22,900</u>	<u>22,900</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>
<b>David Pincus Endowment</b>		
Balance at the start of the year	60,000	40,000
Additional Endowment Contribution	<u>20,000</u>	<u>20,000</u>
Balance at the end of the year	<u>80,000</u>	<u>60,000</u>

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

**NOTE 12: ASSET REVALUATION RESERVE**

The asset revaluation reserve records revaluations of land and buildings.

**NOTE 13: FINANCIAL ASSET VALUATION RESERVE**

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

**NOTE 14: OPERATING LEASE COMMITMENTS**

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

Payable		
- not later than one year	1,769,080	1,006,204
- later than one year but not later than five years	<u>3,285,574</u>	<u>1,207,941</u>
	<u>5,054,654</u>	<u>2,214,145</u>

The financial impact of the adoption of AASB 16 "Leases" has been assessed by the entity and will be accounted for in the 2020 Financial year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**
**NOTE 15: CASH FLOW INFORMATION**

		2019 \$	2018 \$
<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	5,117,491	5,205,565
		<u>5,117,491</u>	<u>5,205,565</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.

**Financial Assets**

Cash and cash equivalents	5,117,491	5,205,565
Term Deposits-held to maturity	189,489	5,165,659
Managed Portfolios- available for sale	19,009,480	18,837,382
Receivables	<u>1,829,187</u>	<u>991,250</u>
	<b>26,145,647</b>	<b>30,199,856</b>

**Financial Liabilities**

Trade Payables	<u>4,056,376</u>	<u>1,917,436</u>
	<b>4,056,376</b>	<b>1,917,436</b>

**(b) Net Fair Values**

For equities held in managed portfolios their fair value is based on closing quoted bid prices at the end of the reporting period.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**
**NOTE 17: RELATED PARTY TRANSACTIONS**

Board member, Catherine Dunlop is a partner at Maddocks Lawyers. Maddocks Lawyers were paid \$3,265 for legal services in the 2019 financial year.

Board member, Dr Sandra Heriot is the owner and principal consultant of Sandra Heriot Consulting. Sandra Heriot Consulting was engaged to conduct an evaluation of OzChild's FFT program in Tuggerah. Sandra Heriot Consulting provided services to the value of \$45,375. Additionally, Dr Sandra Heriot was sub-contracted by a Children Australia Inc partner agency to review residential care in the ACT. The partner Agency funds Children Australia Inc for programs in the ACT. No remuneration was paid by Children Australia Inc. for this service.

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

**NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION**

	2019 \$	2018 \$
Total Compensation	1,225,287	961,549

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

<b>Operating Deficit</b>	<b>(1,668,213)</b>	<b>(69,561)</b>
<b>Net Operating Deficit for the year</b>	<b>(1,668,213)</b>	<b>(69,561)</b>
<b>Non-cash flows in deficit</b>		
Loss on disposal Property, Plant and Equipment	3,300	-
Depreciation	376,512	229,523
Other	34,345	-
Investment income	-	-
<b>Changes in assets and liabilities</b>		
(Increase) decrease in debtors	(957,699)	(114,729)
(Increase) decrease in other assets	(78,717)	(67,268)
(Increase) decrease in financial assets	-	20,000
Increase(decrease) in payables	2,138,939	152,436
Increase(decrease) in provisions	434,182	267,255
Increase(decrease) in income in advance	(463,153)	4,526,793
<b>Cashflow (used in) / provided by from operating activities</b>	<b>(180,504)</b>	<b>4,944,450</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: Economic Dependence**

Children Australia Inc. is dependant on a number of Government agencies for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe that these Government agencies will not continue to support Children Australia Inc.

**NOTE 22: ASSOCIATION DETAILS**

**The registered office and principle place of business 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 attached financial statements and notes of Children Australia Inc., as set out on pages 2 to 18, are in accordance with the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012* including;
  - a. giving a true and fair view of the company's financial position as at 30 June 2019 and performance for the financial year ended on that date; and
  - b. complying with Australian Accounting Standards Reduced Disclosure Requirements (including the Australian Account Interpretations), the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-Profits Commission Act 2012*;
2. 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 made pursuant to subsection 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.



.....  
President: Helen Maxwell-Wright  
Dated this 10th day of December 2019



.....  
Treasurer: Michael Wootten



# 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 2019, 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 is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of Children Australia Incorporated (the association) as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – *Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

## 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.

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.*

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## Responsibilities of Management and the Committee for the Financial Report

The committee of the association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

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.

The committee of the association is responsible for overseeing the entity's financial reporting process.

## 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.

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

- 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.
- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Entity'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 Entity to cease to continue as a going concern.
- 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 committee of the association 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 the audit.

A handwritten signature in blue ink that reads "Crowe Audit Australia".

**CROWE AUDIT AUSTRALIA**

A handwritten signature in blue ink, appearing to be "Antony Barnett".

**ANTONY BARNETT**

Partner

10 December 2019

Melbourne