

**CHILDREN AUSTRALIA INC.
ABN 90 680 959 928**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE, 2013**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2013**

	Note	2013 \$	2012 \$
OPERATING REVENUE			
Government grants and subsidies		11,495,937	9,129,883
Donations and fundraising activities		378,201	546,811
Investment income		1,085,683	1,423,817
Fees for service		2,478,278	2,727,275
Other income		511,517	309,966
TOTAL OPERATING REVENUE	2(a)	15,949,616	14,137,752
OPERATING EXPENSES			
Operational costs		14,439,175	11,740,393
Bad Debts		-	41,803
Fundraising costs		203,572	73,874
Administration costs		2,850,603	1,931,528
Finance costs		6,851	4,915
Information technology costs		408,201	372,754
Property costs		21,328	20,676
TOTAL OPERATING EXPENSES	2(b)	17,929,730	14,185,943
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		(1,980,114)	(48,191)
ENDOWMENT FUNDS REVENUE			
Fair value gain on endowment investment properties	2(a)	100,000	25,000
Investment income (loss)	2(a)	1,487	1,416
ENDOWMENT SURPLUS/ (DEFICIT)		101,487	26,416
OPERATING AND ENDOWMENT SURPLUS/(DEFICIT) FOR THE YEAR		(1,878,627)	(21,775)
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss			
Fair value movements on available-for-sale financial assets		1,118,162	(738,627)
Items that will not be reclassified to profit or loss			
Gain on revaluation of service properties		78,500	22,320
OTHER COMPREHENSIVE SURPLUS/(DEFICIT)		1,196,662	(716,307)
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		(681,965)	(738,082)

The surplus for the year includes non - operating endowment funds surplus/(deficit) of \$101,487 (2012: Surplus of \$26,416). 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.

CHILDREN AUSTRALIA INC.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	3	524,367	1,796,302
Receivables	4	928,879	970,791
Financial assets	5	2,951,442	3,259,818
Inventories		20,676	22,264
Other assets	6	115,863	159,164
Non current assets held for sale	20	1,999,905	-
TOTAL CURRENT ASSETS		6,541,132	6,208,339
NON-CURRENT ASSETS			
Financial assets	5	13,038,641	11,942,520
Property, plant and equipment	7	2,488,156	5,617,459
Endowment property	7	3,095,000	1,700,000
TOTAL NON-CURRENT ASSETS		18,621,797	19,259,979
TOTAL ASSETS		25,162,929	25,468,318
CURRENT LIABILITIES			
Financial Liabilities		11,786	-
Provisions	8	3,622,179	3,291,808
Payables	9	971,087	947,013
TOTAL CURRENT LIABILITIES		4,605,052	4,238,821
NON-CURRENT LIABILITIES			
Provisions	8	250,427	240,082
TOTAL NON-CURRENT LIABILITIES		250,427	240,082
TOTAL LIABILITIES		4,855,479	4,478,903
NET ASSETS		20,307,450	20,989,415
EQUITY			
Endowment funds	10	18,046,721	17,945,234
Asset revaluation reserve	11	941,633	863,133
Financial asset valuation reserve	12	1,492,168	374,006
Accumulated surplus		(173,071)	1,807,042
TOTAL EQUITY		20,307,450	20,989,415

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2013**

	Endowment Funds \$	Asset Revaluation Reserve \$	Financial Asset Valuation Reserve \$	Accumulated Surplus \$	Total \$
Balance at 30 June 2011	17,918,818	840,813	1,112,633	1,855,233	21,727,497
Operating Surplus	-	-	-	(21,775)	(21,775)
Increment in endowment investment properties	25,000	-	-	(25,000)	-
Investment income	1,416	-	-	(1,416)	-
Change in market value of managed funds	-	-	(738,627)	-	(738,627)
Gain on revaluation of service properties	-	22,320	-	-	22,320
Transfer impairment of general investments	-	-	-	-	-
Balance at 30 June 2012	17,945,234	863,133	374,006	1,807,042	20,989,415
Operating Surplus	-	-	-	(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
Balance at 30 June 2013	18,046,721	941,633	1,492,168	(173,071)	20,307,450

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2013**

	Note	2013 \$	2012 \$
Cash Flows from Operating Activities			
Grants received		11,495,937	9,129,883
Investment and rental income		417,865	130,919
Fundraising income		378,201	546,811
Interest and dividends received		816,516	1,516,088
Fees for service		2,478,278	2,727,275
Other receipts		511,517	309,966
Payments to suppliers and employees		<u>(16,776,685)</u>	<u>(14,235,739)</u>
Net Cash Provided by/(Used in) Operating Activities		(678,371)	125,203
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(274,733)	(3,567,572)
Proceeds from disposal of plant and equipment		-	94,773
Proceeds from deposit on sale of property		265,000	
Proceeds from maturity of term deposits		308,376	2,098,873
Investment in managed funds		-	(750,000)
Net Cash Provided by/ (Used in) Investing Activities		298,643	(2,123,926)
Cash Flows from Financing Activities			
Proceeds from borrowings			1,200,000
Repayments of borrowings		(747,443)	(452,557)
Loans to other entities		<u>(156,550)</u>	
Net Cash Provided by/ (Used in) Financing Activities		(903,993)	747,443
Net increase (decrease) in cash and cash equivalents held		(1,283,721)	(1,251,280)
Cash and cash equivalents at the beginning of the year		<u>1,796,302</u>	<u>3,047,582</u>
Cash and Cash Equivalents at the End of the Year	14(a)	512,581	1,796,302

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013**
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 on a using the effective interest rate method taking into account the interest rates applicable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

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, 2013**

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 profit or loss.

(l) 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 6th November 2013 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

NOTE 2: OPERATING SURPLUS	2013 \$	2012 \$
(a) Revenue		
Operating activities		
- government grants and subsidies	11,495,937	9,129,883
- donations and fundraising activities	378,201	546,811
- rent from trust properties	417,865	130,919
- fees for service	2,478,278	2,727,275
- interest	248,970	505,560
- dividends and distributions	418,848	787,338
- other income	511,517	309,966
	15,949,616	14,137,752
Non-operating activities		
- investment income / (loss)	1,487	1,416
- increment in value of endowment properties	100,000	25,000
	101,487	26,416
(b) Expenses		
Operating activities		
- salaries and wages	10,131,900	8,024,542
- general operating expenses	6,059,721	5,022,889
- bad debts	-	41,803
- rental expense and operating Leases	1,522,619	916,953
- finance costs	6,851	4,916
- depreciation expense	187,311	154,164
- trust property expenses	21,328	20,676
	17,929,730	14,185,943
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash on hand (Non interest bearing)	48,988	6,306
Cash at bank (Interest bearing)	475,379	1,789,996
	524,367	1,796,302
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, 2013**

NOTE 4: RECEIVABLES	2013 \$	2012 \$
Current		
Trade debtors	430,816	534,507
Sundry debtors	249,846	143,419
Distributions receivable	124,976	273,674
CCVL Loan	109,500	
Security deposits	13,741	19,191
	928,879	970,791
No interest is payable on receivables.		
NOTE 5: FINANCIAL ASSETS		
Current		
- Term deposits - Emerald Hill	1,627,243	1,801,145
- Term deposits - Ellis Estate	398,699	452,995
- Term deposits - General endowment	173,567	176,165
- Term deposits - Operating	629,032	706,612
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - Murison Trust	22,901	22,901
	2,951,442	3,259,818
Non-Current		
Available-for-sale financial assets		
- Managed portfolios - Endowment Fund	19,391	5,281
- Managed portfolios - General	189,532	170,756
- Managed portfolios - Emerald Hill	9,638,169	8,830,637
- Managed portfolios - Ellis Estate	3,171,549	2,915,846
- Shares - at cost	20,000	20,000
	13,038,641	11,942,520
	15,990,083	15,202,338
Investments earn interest/distributions at a weighted average rate of 3.99% (2012 7.1%). The unrealised capital movement from managed portfolios is not included in this rate.		
NOTE 6: OTHER ASSETS		
Prepayments	115,863	159,164

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013**

NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY	2013 \$	2012 \$
a) Administration property, plant and equipment		
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)	1,000,000	
Buildings at independent valuation (2012) - Note (i)		950,000
Total administration properties	2,000,000	1,950,000
Motor vehicles at cost	180,589	180,589
less accumulated depreciation	108,711	77,049
	<u>71,878</u>	<u>103,540</u>
Furniture and equipment at cost	1,051,540	843,569
less accumulated depreciation	756,179	646,036
	<u>295,361</u>	<u>197,533</u>
Leasehold improvements	159,512	92,750
less accumulated amortisation	103,095	86,089
	<u>56,417</u>	<u>6,661</u>
Leasehold improvements - make good	64,500	64,500
Western Region Properties	-	3,295,225
Total administration property, plant and equipment	2,488,156	5,617,459
b) Endowment property		
Ellis Estate land and buildings at independent valuation - Note (i)	1,478,144	550,000
Emerald Hill land and buildings at independent valuation - Note (i)	1,616,856	1,150,000
Total endowment properties	3,095,000	1,700,000

The three endowment properties in the western region are self-occupied and rent is charged internally to the programs which operate from those properties. The two endowment properties in metropolitan Melbourne are leased to external parties.

- (i) Melbourne based land and buildings were independently valued by Teska Carson as at 30 June 2013 based on open market values.

CHILDREN AUSTRALIA INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

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.

2013 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	950,000	28,500	-	-	-	-	(28,500)	(28,500)	50,000	1,000,000
Endowment properties	1,700,000	-	-	-	-	1,295,000	-	-	100,000	3,095,000
Service Property, furniture & equipment	197,533	-	-	207,971	-	-	(110,143)	(110,143)	-	295,361
Western Region Service Property	3,295,225	-	-	-	-	(1,295,320)	(1,999,905)	-	-	-
Leasehold improvements	6,661	-	-	66,762	-	-	(17,006)	(17,006)	-	56,417
Leasehold improvements - make good	64,500	-	-	-	-	-	-	-	-	64,500
Motor vehicles	103,540	-	-	-	-	-	(31,662)	(31,662)	-	71,878
TOTAL	7,317,459	28,500	-	274,733	-	(320)	(1,999,905)	(187,311)	150,000	5,583,156

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

	2013 \$	2012 \$
NOTE 8: PROVISIONS		
Current		
Employee benefits	874,759	589,339
Unexpended grants	<u>2,747,420</u>	<u>2,702,469</u>
	3,622,179	3,291,808
Non-Current		
Employee benefits	185,927	175,582
Provision for lease make good	<u>64,500</u>	<u>64,500</u>
	250,427	240,082
Total Provisions	3,872,606	3,531,890
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Balance at the start of the year	3,531,890	3,236,980
Additional Provisions	880,160	1,255,780
Amounts used	<u>(539,444)</u>	<u>(960,870)</u>
	3,872,606	3,531,890
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NOTE 9: PAYABLES		
Trade payables	14,849	5,876
CCVL loan	-	747,443
Sundry payables and accrued expenses	691,238	193,694
Deposits received	<u>265,000</u>	<u>-</u>
	971,087	947,013
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

	2013 \$	2012 \$
NOTE 10: ENDOWMENT FUNDS		
General endowment	179,398	179,398
Emerald Hill endowment	10,399,606	10,349,607
Ellis Estate endowment	7,197,745	7,147,745
Yallum endowment	24,803	23,621
J.C. Butler scholarship	6,418	6,112
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
	18,046,721	17,945,234
Movement in Endowment Funds		
General endowment		
Balance at start of the year	179,398	179,398
Balance at the end of the year	179,398	179,398
Emerald Hill endowment		
Balance at start of the year	10,349,606	10,324,606
Increment/(decrement) in investment properties	50,000	25,000
Balance at the end of the year	10,399,606	10,349,606
Ellis Estate endowment		
Balance at start of the year	7,147,745	7,147,745
Increment/(decrement) in investment properties	50,000	-
Balance at the end of the year	7,197,745	7,147,745
Yallum endowment		
Balance at the start of the year	23,621	22,496
Interest income	1,182	1,125
Balance at the end of the year	24,803	23,621

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

	2013 \$	2012 \$
NOTE 10: ENDOWMENT FUNDS (continued)		
Movement in Endowment Funds (continued)		
J.C. Butler scholarship		
Balance at the start of the year	6,112	5,821
Interest income	306	291
Balance at the end of the year	<u>6,418</u>	<u>6,112</u>
Edith and Maurice Feitel trust		
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.

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	978,300	839,509
- later than one year but not later than five years	540,425	535,824
	<u>1,518,725</u>	<u>1,375,333</u>

Level 3, 150 Albert Rd South Melbourne

The property is a lease with an 18 month term, this term expires in November 2013. The option to renew the lease was exercised and the lease was renewed for a further 18 months. The reinstatement costs in the future are estimated to be \$25,000.

356-358 Highett Rd, Highett

The property is a lease with a 2-year term. Currently there is no option to renew the lease. The reinstatement costs in the future are estimated to be \$2,000.

454-472 Nepean Hwy, Frankston

The property is a lease with a 1-year term, with 3 further 1 year options. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013

NOTE 13: OPERATING LEASE COMMITMENTS (continued)

47 Princes Hwy, Dandenong

The property is leased on a month to month basis. 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.

79 Liebig St, Warrnambool

The property is a lease with a 5 year term. 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 2 terms each of 5 years. There are no reinstatement costs.

19 Jamieson Street, Warrnambool

The property is a lease with a 3 year term 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 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 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 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 with 2 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 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.

NOTE 14: CASH FLOW INFORMATION

		2013 \$	2012 \$
(a) Cash Reconciliation			
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	3	524,367	1,796,302
Bank overdrafts		<u>(11,786)</u>	<u>1,796,302</u>
		<u>512,581</u>	<u>1,796,302</u>
(b) Bank Overdraft Facilities			
Bank overdraft facility			
- Used		-	-
- Unused		220,000	220,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013**
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 payable.

	2013	2012
Financial Assets	\$	\$
Cash and cash equivalents	524,367	1,796,302
Term Deposits-held to maturity	2,951,442	3,259,818
Managed Portfolios- available for sale	13,038,642	11,942,520
Receivables	928,879	970,791
	<u>17,443,330</u>	<u>17,969,431</u>
Financial Liabilities		
Bank Overdrafts	11,786	-
Trade Payables	971,087	199,570
	<u>982,873</u>	<u>199,570</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 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 ending of the reporting period.

Fair values of held-to-maturity term deposits generally reprice to a market interest rate every 6 months, and fair value therefore approximates fair value.

NOTE 16: RELATED PARTY TRANSACTIONS

All Board members acted in an honorary capacity. Oakton Services Pty Ltd was not paid in 2013 (2012: \$26,092). David Fraser (former treasurer) is an employee of Oakton Services Pty Ltd. These transactions were discounted from normal commercial terms and conditions

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

	2013	2012
	\$	\$
Total Compensation	<u>924,031</u>	<u>930,144</u>

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Board members, the association did not have any contingencies as at 30 June 2013 (30 June 2012: None).

NOTE 19: EVENTS AFTER BALANCE DATE

As of 01 July 13 OzChild and Disability services provider Wresacare merged. OzChild has taken over all Wresacare Services. These services include Valerie May House (a live in respite facility), in home respite, activity based respite and school holiday programs. All services are based in the southern region of Melbourne.

NOTE 20: Non current asset classified as held for sale

Balance at beginning of the year	-	-
Reclassification from property, plant and equipment	<u>1,999,905</u>	<u>-</u>
Balance at end of the year	<u>1,999,905</u>	<u>-</u>

During the year, a contract of sale was entered into for a property in Warrnambool. Settlement date on the property has been deferred from August 2013 until February 2014. Initial deposit of \$265,000 was received during the year and a subsequent deposit of \$700,000 was received on 16 August 2013.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2013**

NOTE 21 ASSOCIATION DETAILS

The registered office of the association is:
Children Australia Inc.
LVL 3, 150 Albert Road
SOUTH MELBOURNE VIC 3205

CHILDREN AUSTRALIA INC.

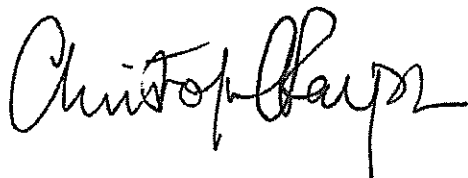
STATEMENT BY MEMBERS OF THE BOARD

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 2013 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 6th day of November 2013.



President: Christopher Ralph



Treasurer: Jason Henham



Hayes Knight Audit
chartered accountants · your partners in success

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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 2013, 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.

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 2013, 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 *6* day of *November* 2013

