

CHILDREN AUSTRALIA INC.

ABN 90 680 959 928

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE, 2016

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2016**

	Note	2016 \$	2015 \$
OPERATING REVENUE			
Government grants and subsidies		14,419,095	14,070,457
Donations and fundraising activities		353,799	301,067
Investment income		1,168,229	1,223,265
Fees for service		2,131,484	2,349,855
Other income		184,732	315,854
TOTAL OPERATING REVENUE	2(a)	18,257,339	18,260,498
OPERATING EXPENSES			
Operational costs		15,516,016	15,969,132
Fundraising costs		135,052	116,556
Administration costs		1,910,653	1,996,695
Finance costs		12,728	8,076
Information technology costs		521,570	543,459
Property costs		883	5,310
TOTAL OPERATING EXPENSES	2(b)	18,096,902	18,639,228
OPERATING SURPLUS (DEFICIT) FOR THE YEAR		160,437	(378,730)
ENDOWMENT FUNDS REVENUE			
Investment income	2(a)	1,721	1,639
Expenses related to sale of endowment properties	2(a)	(2,150)	(75,898)
Fair value profit/(loss) on endowment investment properties	2(a)	125,000	(24,000)
ENDOWMENT SURPLUS (DEFICIT)		124,571	(98,259)
OPERATING AND ENDOWMENT SURPLUS (DEFICIT) FOR THE YEAR		285,008	(476,989)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Fair value movements on available-for-sale financial assets - managed funds		(263,018)	448,399
Items that will not be reclassified to profit or loss			
Gain on revaluation of service properties		1,463,000	130,000
OTHER COMPREHENSIVE SURPLUS		1,199,982	578,399
TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR		1,484,990	101,410

The surplus for the year includes a non-operating endowment fund surplus of \$124,571 (2015: Deficit of \$98,259). The income from the endowment funds is available to be applied in accordance with the directions of each endowment towards the services provided by Children Australia Inc.

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3 & 14	2,379,059	3,130,131
Receivables	4 & 15	787,456	519,488
Financial assets	5 & 15	1,622,901	1,082,901
Other assets	6	161,556	67,640
Non current assets held for sale	19	-	-
TOTAL CURRENT ASSETS		4,950,972	4,800,160
NON-CURRENT ASSETS			
Financial assets	5 & 15	18,052,064	18,414,672
Property, plant and equipment	7	4,128,624	2,689,670
Endowment property	7	820,000	695,000
TOTAL NON-CURRENT ASSETS		23,000,688	21,799,342
TOTAL ASSETS		27,951,660	26,599,502
CURRENT LIABILITIES			
Provisions	8	4,521,198	4,627,596
Payables	9 & 15	1,131,073	1,163,658
TOTAL CURRENT LIABILITIES		5,652,271	5,791,254
NON-CURRENT LIABILITIES			
Provisions	8	233,044	226,892
TOTAL NON-CURRENT LIABILITIES		233,044	226,892
TOTAL LIABILITIES		5,885,315	6,018,146
NET ASSETS		22,066,346	20,581,356
EQUITY			
Endowment funds	10	17,774,593	17,650,022
Asset revaluation reserve	11	2,545,633	1,082,633
Financial asset valuation reserve	12	2,559,037	2,822,055
Accumulated surplus/(deficit)		(812,916)	(973,354)
TOTAL EQUITY		22,066,346	20,581,356

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2016

	Endowment Funds	Asset Revaluation Reserve	Financial Asset Valuation Reserve	Accumulated Surplus (Deficit)	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2014	17,748,281	952,633	2,373,656	(594,624)	20,479,946
Operating Loss				(378,730)	(378,730)
Decrement in endowment investment properties	(24,000)	-	-	-	(24,000)
Expenses related to sale of endowment properties	(75,898)	-	-	-	(75,898)
Investment income	1,639	-	-	-	1,639
Change in market value of managed funds	-	-	448,399	-	448,399
Gain on revaluation of service properties	-	130,000	-	-	130,000
Balance at 30 June 2015	17,650,022	1,082,633	2,822,055	(973,354)	20,581,356
Operating Profit	-	-	-	160,437	160,437
Increment in endowment investment properties	125,000	-	-	-	125,000
Expenses related to sale of endowment properties	(2,150)	-	-	-	(2,150)
Investment income	1,721	-	-	-	1,721
Change in market value of managed funds	-	-	(263,018)	-	(263,018)
Gain on revaluation of service properties	-	1,463,000	-	-	1,463,000
Balance at 30 June 2016	17,774,593	2,545,633	2,559,037	(812,916)	22,066,346

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2016

	Note	2016 \$	2015 \$
Cash Flows from Operating Activities			
Grants received		14,419,095	14,070,457
Investment and rental income		55,873	113,321
Fundraising income		353,799	301,067
Interest received		92,092	68,936
Investment income received		1,066,235	1,027,081
Fees for service		2,131,484	2,349,855
Other receipts		184,732	315,854
Payments to suppliers and employees		(18,342,935)	(17,814,824)
Net Cash Provided by/used in Operating Activities		(39,625)	431,747
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(171,447)	(60,072)
Proceeds from disposal of plant and equipment		-	26,364
Proceeds from sale of property		-	2,076,000
Proceeds from/transfers to term deposits		(540,000)	2,551,112
Transfer of funds to investment portfolio		-	(2,000,000)
Net Cash Provided by/used in Investing Activities		(711,447)	2,593,404
Net increase (decrease) in cash and cash equivalents held		(751,072)	3,025,151
Cash and cash equivalents at the beginning of the year		3,130,131	104,980
Cash and Cash Equivalents at the End of the Year	14(a)	2,379,059	3,130,131

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2016

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 26th of September by the Board of Directors

(a) Property, plant and equipment and endowment properties

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

Endowment properties have been acquired for long term investment purposes. Changes to fair values of the investment 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 Inc.'s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(d) Revenue

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

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

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

Rental income is recognised when due and receivable.

Donations and fundraising revenue is recognised when received.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016**

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

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

(e) Inventories

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

(f) Income tax

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

(g) Goods and Services Tax (GST)

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

(h) Financial instruments

Initial Recognition and Measurement

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

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

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

Classification and Subsequent Measurement

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

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

(ii) Loans and Receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale investments

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

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

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

(v) Financial Liabilities

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

Impairment - Financial Assets

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

Derecognition

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

(i) **Fair Value**

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

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

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

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

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

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

(j) **Impairment - Other Assets**

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

(k) **Provisions**

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

(l) **Cash and Cash Equivalents**

Cash is cash on hand or available on demand.

(m) **Comparative Figures**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

(o) **Critical Accounting Estimates and Judgments**

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

	2016 \$	2015 \$
NOTE 2: OPERATING SURPLUS		
(a) Revenue		
Operating activities		
- government grants and subsidies	14,419,095	14,070,457
- donations and fundraising activities	353,799	301,067
- rent from properties	55,873	113,321
- fees for service	2,131,484	2,349,855
- interest	90,333	130,320
- dividends and distributions	1,022,023	979,624
- other income	184,732	315,854
	18,257,339	18,260,498
Non-operating activities		
- investment income/(loss)	1,721	1,639
- expenses related to sale of endowment properties	(2,150)	(75,898)
- increment (decrement) in value of endowment properties	125,000	(24,000)
	124,571	(98,259)
(b) Expenses		
Operating activities		
- salaries and wages	12,116,625	11,781,203
- general operating expenses	4,910,858	5,625,339
- rental expense and operating leases	860,767	984,352
- finance costs	12,278	8,076
- depreciation expense	195,491	234,948
- property costs	883	5,310
	18,096,902	18,639,228
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash on hand (non interest bearing)	83,332	75,536
Cash at bank (interest bearing)	2,295,727	3,054,594
	2,379,059	3,130,131

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, 2016

	2016 \$	2015 \$
NOTE 4: RECEIVABLES		
Current		
Trade debtors	410,661	191,555
Sundry debtors	1,669	130,728
Distributions and interest receivable	361,685	185,714
Security deposits	13,441	11,491
	787,456	519,488
No interest is payable on receivables.		
NOTE 5: FINANCIAL ASSETS		
Current		
- Term deposits - Operating	1,500,000	960,000
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - Murison Trust	22,901	22,901
	1,622,901	1,082,901
Non-Current		
Available-for-sale financial assets		
- Managed portfolios - Endowment Fund	26,859	27,399
- Managed portfolios - General	262,520	267,799
- Managed portfolios - Emerald Hill	13,349,787	13,618,238
- Managed portfolios - Ellis Estate	4,392,898	4,481,236
- Shares - at cost	20,000	20,000
	18,052,064	18,414,672
	19,674,965	19,497,573
Investments earn interest/distributions at a weighted average rate of 5.0% (2015 5.2%). The unrealised capital movement from managed portfolios is not included in this rate.		
NOTE 6: OTHER ASSETS		
Prepayments	161,556	67,640

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

NOTE 7: PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY

	2016 \$	2015 \$
a) Service property, plant and equipment		
Land at independent valuation (2016) - Note (ii)	1,000,000	
Land at independent valuation (2015) - Note (ii)		1,000,000
Buildings at independent valuation (2016) - Note (ii)	2,850,000	
Buildings at independent valuation (2015) - Note (ii)		1,420,000
Total service properties	3,850,000	2,420,000
Motor vehicles at cost	48,023	40,913
less accumulated depreciation	(41,462)	(40,913)
	6,561	-
Furniture and equipment at cost	1,400,868	1,245,617
less accumulated depreciation	(1,236,192)	(1,102,741)
	164,676	142,876
Leasehold improvements	278,031	268,945
less accumulated amortisation	(170,644)	(142,151)
	107,387	126,794
Total administration property, plant and equipment	4,128,624	2,689,670
b) Ellis Estate land and buildings at independent valuation - Note (i)	263,995	223,745
Emerald Hill land and buildings at independent valuation - Note (i)	556,005	471,255
Total endowment properties	820,000	695,000

- (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 independently valued by qualified property valuers as at 30 June 2016 based on open market values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016
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.

2016 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	1,420,000	33,000	-	-	-	-	-	(33,000)	1,430,000	2,850,000
Endowment properties	695,000	-	-	-	-	-	-	-	125,000	820,000
Service Property, furniture & equipment	142,876	-	-	155,251	-	-	-	(133,451)	-	164,676
Leasehold improvements	62,294	-	-	9,086	-	-	-	(28,493)	-	42,887
Leasehold improvements - make good	64,500	-	-	-	-	-	-	-	-	64,500
Motor vehicles	(0)	-	-	7,110	-	-	-	(549)	-	6,561
TOTAL	3,384,670	33,000	-	171,447	-	-	-	(195,493)	1,555,000	4,948,624

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

	2016 \$	2015 \$
NOTE 8: PROVISIONS		
Current		
Employee benefits	1,167,987	1,110,230
Unexpended grants	3,353,211	3,517,366
	<u>4,521,198</u>	<u>4,627,596</u>
Non-Current		
Employee benefits	168,544	162,392
Provision for lease make good	64,500	64,500
	<u>233,044</u>	<u>226,892</u>
Total Provisions	<u>4,754,242</u>	<u>4,854,488</u>
Balance at the start of the year	4,854,488	4,630,478
Additional provisions	723,136	1,054,106
Amounts used	(823,382)	(830,096)
	<u>4,754,242</u>	<u>4,854,488</u>
NOTE 9: PAYABLES		
Trade payables	457,404	328,762
Sundry payables and accrued expenses	673,669	834,896
	<u>1,131,073</u>	<u>1,163,658</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

	2016 \$	2015 \$
NOTE 10: ENDOWMENT FUNDS		
General endowment	179,398	179,398
Emerald Hill endowment	10,421,710	10,338,172
Ellis Estate endowment	6,898,593	6,859,281
Yallum endowment	28,712	27,345
J.C. Butler scholarship	7,429	7,075
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
	17,774,593	17,650,022
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	10,338,172	10,295,990
Increment/(decrement) in investment properties	83,538	42,182
Balance at the end of the year	10,421,710	10,338,172
Ellis Estate endowment		
Balance at start of the year	6,859,281	7,001,361
Increment/(decrement) in investment properties	39,312	(142,080)
Balance at the end of the year	6,898,593	6,859,281
Yallum endowment		
Balance at the start of the year	27,345	26,043
Interest income	1,367	1,302
Balance at the end of the year	28,712	27,345

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

	2016 \$	2015 \$
NOTE 10: ENDOWMENT FUNDS (continued)		
Movement in Endowment Funds (continued)		
J.C. Butler scholarship		
Balance at the start of the year	7,075	6,738
Interest income	354	337
	<u>7,429</u>	<u>7,075</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	606,567	597,939
- later than one year but not later than five years	560,254	460,500
	<u>1,166,821</u>	<u>1,058,439</u>
Level 3, 150 Albert Rd South Melbourne		
The property is a lease with a three year term with no further options. This term expires on 30 June 2018		
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, with two three year options. This term expires on 28 February 2017.		
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 three year term, with one further three year option. This term expires on 28 February 2017. 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, 2016
NOTE 13: OPERATING LEASE COMMITMENTS (continued)
Level 1, 47 Princes Hwy, Dandenong

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

19 Jamieson Street, Warrnambool

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

4 Gawler Street, Portland

The property is a lease with a three year term, with one further three year option. This term expires on 31 August 2016. 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

		2016 \$	2015 \$
(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	Note 3	2,379,059	3,130,131
		<u>2,379,059</u>	<u>3,130,131</u>
(b) Bank Overdraft Facilities			
Bank overdraft facility			
- Used		-	-
- Unused		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.

	2016	2015
Financial Assets	\$	\$
Cash and cash equivalents	2,379,059	3,130,131
Term Deposits-held to maturity	1,622,901	1,082,901
Managed Portfolios- available for sale	18,052,064	18,414,672
Receivables	787,456	519,488
	<u>22,841,480</u>	<u>23,147,192</u>
Financial Liabilities		
Trade Payables	1,131,073	1,163,658
	<u>1,131,073</u>	<u>1,163,658</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016
NOTE 15: FINANCIAL RISK MANAGEMENT (continued)
(b) Net Fair Values

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

In determining the fair values of the unlisted available for sale financial assets, the Board of 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 six months. This therefore approximates fair value.

NOTE 16: RELATED PARTY TRANSACTIONS

Board member, Catherine Dunlop is a partner at Maddocks Lawyers. Maddocks Lawyers were paid \$15,037 for legal services in the 2016 financial year.

Board member, Michael Hayja is a partnership executive at Perpetual. Perpetual gave a grant of \$109,810 to Children Australia Inc. for the education support worker initiative.

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

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 \$	2015 \$
Total Compensation	925,451	1,175,568

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 2016 (30 June 2015: None).

NOTE 19: NON CURRENT ASSET CLASSIFIED AS HELD FOR SALE

Balance at beginning of the year	-	970,000
Asset Sales	-	(970,000)
Reclassification from property, plant and equipment	-	
Balance at end of the year	-	-

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

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

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

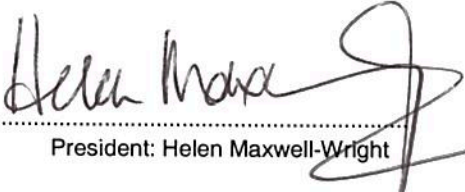

Children Australia Inc.
 Level 3, 150 Albert Road
 SOUTH MELBOURNE VIC 3205

Directors' Declaration

The directors of the association declare that:

1. The consolidated financial statements and notes of Children Australia Inc., as set out on pages 1 to 16, are in accordance with the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Notforprofits Commission Act 2012*, including:
 - a) complying with Australian Accounting Standards Reduced Disclosure Requirements (including Australian Accounting Interpretations), the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Notforprofits Commission Act 2012*; and
 - b) giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the association and consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the association will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors/Committee and subsection 60.15(2) of the *Australian Charities and Notforprofits Commission Regulation 2013*.

Director:  Director: 
President: Helen Maxwell-Wright Treasurer: Michael Wootten

Dated this 26th day of September 2016

Children Australia Inc.

Auditor's Independence Declaration under Subsection 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Members of Children Australia Inc.

As lead auditor for the audit of the financial statements of Children Australia Inc. for the financial year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Nexia Melbourne Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this 26th day of September 2016

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Children Australia Inc.

Independent Auditor's 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 2016, 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 ended on that date, a summary of significant accounting policies, other explanatory notes and the Board of Management declaration.

Board of Management's Responsibility for the Financial Report

The board members of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the financial report and 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls 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 the board members, 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 accounting bodies and the *Australian Charities and Not-for-profits Commission Act 2012*.

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Children Australia Inc.

Independent Auditor's 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 2016 and of its performance and cash flows for the year ended on that date in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012*.

A handwritten signature of Nexia.

Nexia Melbourne Audit Pty Ltd
Melbourne

A handwritten signature of Geoff S. Parker.

Geoff S. Parker
Director

Dated this 26th day of September 2016