OzChild

Annual Report 2019-20

Financials Only

CHILDREN AUSTRALIA INC.

ABN 90 680 959 928

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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Crowe Audit Australia
ABN 13 969 921 386
Level 17, 181 William Street
Melbourne VIC 3000 Australia
GPO Box 4324
Melbourne VIC 3001 Australia
Main +61 (03) 9258 6700
Fax +61 (03) 9258 6722
www.crowe.com.au

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 2020, 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

CROWE AUDIT AUSTRALIA

Antony Barnett

Partner

Melbourne

30 November 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
REVENUE			
Government grants and subsidies		40,172,917	34,057,211
Donations and fundraising activities		274,248	304,040
Investment income		780,975	1,845,384
Fees for service		1,279,465	3,003,336
Other income		405,876	143,183
TOTAL REVENUE	2(a)	**42,913,481**	**39,353,154**
EXPENSES			
Operational costs		43,444,786	37,735,171
Fundraising costs		101,349	63,399
Administration costs		1,927,179	2,372,930
Finance costs		313,751	10,209
Information technology costs		795,099	782,566
Property costs		89,645	57,092
TOTAL EXPENSES	2(b)	**46,671,809**	**41,021,367**
OPERATING DEFICIT FOR THE YEAR		**(3,758,328)**	**(1,668,213)**
ENDOWMENT FUNDS REVENUE			
Increment in endowment funds	2(a)	-	20,000
Fair value profit/(loss) on endowment investment properties	2(a)	-	75,000
ENDOWMENT SURPLUS		**-**	**95,000**
OPERATING AND ENDOWMENT DEFICIT FOR THE YEAR		**(3,758,328)**	**(1,573,213)**
TOTAL NON OPERATING REVENUE		**-**	**-**
TOTAL NON OPERATING EXPENSES		**-**	**-**
NON OPERATING DEFICIT FOR THE YEAR		**-**	**-**
NET DEFICIT FOR THE YEAR		**(3,758,328)**	**(1,573,213)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Fair value movements on available-for-sale financial assets - managed funds		(1,097,466)	283,512
Items that will not be reclassified to profit or loss			
(Loss) / Gain on revaluation of service properties		(300,000)	144,700
OTHER COMPREHENSIVE (DEFICIT) / SURPLUS		**(1,397,466)**	**428,212**
TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR		**(5,155,794)**	**(1,145,001)**

The surplus for the year includes a non-operating endowment fund surplus is nil (2019: Surplus of $95,000). 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.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	3 & 15	1,421,425	5,117,491
Receivables	4 & 16	1,406,321	1,829,187
Financial assets	5 & 16	192,882	189,489
Other assets	6	280,272	387,414
TOTAL CURRENT ASSETS		**3,300,900**	**7,523,581**
NON-CURRENT ASSETS			
Financial assets	5 & 16	14,809,673	19,009,479
Property, plant and equipment	7	9,312,995	9,942,154
Endowment property	7	1,100,000	1,100,000
Other assets	6	188,656	158,397
Right of Use Assets	14	6,397,514	-
TOTAL NON-CURRENT ASSETS		**31,808,838**	**30,210,030**
TOTAL ASSETS		**35,109,738**	**37,733,611**
CURRENT LIABILITIES			
Provisions	8	2,379,081	2,039,354
Other liabilities	10	2,415,735	7,163,313
Payables	9 & 16	4,337,508	4,056,376
Lease Liabilities	14	1,471,015	-
TOTAL CURRENT LIABILITIES		**10,603,339**	**13,259,043**
NON-CURRENT LIABILITIES			
Provisions	8	229,786	259,186
Lease Liabilities	14	5,217,025	-
TOTAL NON-CURRENT LIABILITIES		**5,446,811**	**259,186**
TOTAL LIABILITIES		**16,050,150**	**13,518,229**
NET ASSETS		**19,059,588**	**24,215,382**
EQUITY			
Endowment funds	11	18,137,255	18,136,400
Asset revaluation reserve	12	2,769,985	3,069,985
Financial asset valuation reserve	13	3,038,979	4,137,300
Accumulated surplus/(deficit)		(4,886,631)	(1,128,303)
TOTAL EQUITY		**19,059,588**	**24,215,382**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Endowment Funds	Asset Revaluation Reserve	Financial Asset Valuation Reserve	Accumulated Surplus (Deficit)	Total
	$	$	$	$	$
Balance at 30 June 2018	18,041,400	2,925,285	3,853,788	539,910	25,360,383
Operating Deficit	-	-	-	(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	-	-	-	-	-
Balance at 30 June 2019	**18,136,400**	**3,069,985**	**4,137,300**	**(1,128,303)**	**24,215,382**
Operating Deficit	-	-	-	(3,758,328)	(3,758,328)
Increment in endowment investment properties	-	-	-	-	-
Expenses related to sale of endowment properties	-	-	-	-	-
Investment income	-	-	-	-	-
Increment in endowment investment funds	-	-	-	-	-
Change in market value of managed funds	855	-	(1,098,321)	-	(1,097,466)
Loss on revaluation of service properties	-	(300,000)	-	-	(300,000)
Development Income	-	-	-	-	-
Development Expenses	-	-	-	-	-
Balance at 30 June 2020	**18,137,255**	**2,769,985**	**3,038,979**	**(4,886,631)**	**19,059,588**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Receipts from customers		39,062,038	36,043,224
Payments to suppliers, employees and others		(46,036,516)	(41,539,672)
Donations and fundraising		274,248	304,040
Interest, dividends and distributions received		780,975	3,003,336
Fee for service		1,279,465	1,845,384
Other income		405,876	163,183
ROU Interest and other interest paid		(313,751)	-
Net Cashflows from operating activities	19	**(4,547,665)**	**(180,505)**
Payments for property, plant and equipment		(810,713)	(4,995,510)
Payments for investments		(1,452,553)	(5,124,875)
Proceeds from investments		4,498,830	10,212,816
Net Cashflows from investing activities		**2,235,564**	**92,431**
Repayment of lease liability borrowings		**(1,383,965)**	**-**
Net Cashflows provided by financing activities		**(1,383,965)**	**-**
Net increase (decrease) in cash held		(3,696,066)	(88,074)
Cash at the beginning of the year		5,117,491	5,205,565
Cash at the end of the financial year	15(a)	**1,421,425**	**5,117,491**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 Children Australia Inc'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 30th of November 2020 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.

· **AASB 15 Revenue from Contracts with Customers**

Children Australia Inc. has adopted AASB 15 Revenue from Contracts with Customers from 1st July 2019.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an Association shall recognise revenue to depict the transfer of promised goods or services to customers at am amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transfer price.

Contracts with customers are presented in an Association's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Association's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

On adoption the impact of this standard has been assessed by Children Australia Inc. as immaterial as revenue arising from contracts with customers was being recognised in line with the accomplishment of performance obligations. There was no impact on opening accumulated reserves as at 1 July 2019 due to modified restrospective approach.

· **AASB 1058 Income of Not-for-Profit Entities**

Children Australia Inc. has adopted AASB 1058 Income of Not-for-Profit Entities from 1st July 2019.

The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the Association to further its objectives.

For transfers of financial assets to the Association which enables it to acquire or construct a recognisable non-financial asset, the Association must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

On adoption there was no impact on opening accumulated reserves as at 1 July 2019 due to modified retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

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

· **AASB16 Leases**

Children Australia Inc. has adopted AASB 16 Leases "modified retrospective approach" from 1st July 2019 replacing AASB 117 with no adjustment required to opening balance of retained earnings.

Under AASB 16, all leases are accounted under a single on-balance sheet model, similar to accounting for finance leases under the old standard. Other than short-term leases of less than twelve months and leases of low-value assets, there is a recognition of right-of-use (ROU) assets and corresponding lease liabilities in the replaced with a depreciation charge for the ROU assets and an interest expense on remaining lease liabilities (including finance costs). The impact of AASB 16 has resulted in an increase in lease liabilities by $7,203,955 and a corresponding right-to-use asset being brought to account on the balance sheet. Further detail with respect to the impact of the adoption of AASB 16 is provided in note 14 Lease Commitments.

(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 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:

Class	*Rate*
Buildings	3%
Motor vehicles	20%
Furniture and equipment	10% - 33%
Leasehold improvements	10% - 60%

(c) **Right of Use Assets**

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before commencement. Right of use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. Children Australia Inc. has elected not to recognise a right of use asset and corresponding lease liability for short term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(d) **Lease Liabilities**

A lease liability is recognised for leases within AASB16 scope either at the 1st of July 2019 or at the commencement date of the lease if signed after 1st July 2019. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Children Australia Inc. incremental borrowing rate. Lease payments are comprised of fixed payments less any lease incentives receivable, less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonable certain to occur, and any anticipated termination penalties.

(e) **Lease Terms**

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to Children Australia Inc. operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. Children Australia Inc. reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(f) **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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(g) **Revenue**

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

To determine when to recognised revenue, Children Australia Inc. follows a 5-step process:
1. Identify the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when / as performance obligations are satisfied.

Revenue from the sale of goods and services is recognised at a point in time when Children Australia Inc. has despatched goods or provided the services, as this corresponds to the satisfaction of the performance obligation under the contract and the customer obtains control of the asset.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

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.

(h) **Income tax**

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

(i) **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.

(j) **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 other than the Managed portfolio and Shares at amortised cost.

Subsequent measurement

Children Australia Inc.'s 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. ECL's 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 only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(k) **Financial instruments (cont'd)**

ii) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, Children Australia Inc's payables 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

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.

(l) **Fair Value**

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

Fair value is the price Children Australia Inc. 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.

(m) **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.

(n) **Provisions**

Provisions are recognised when Children Australia Inc. 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.

(o) **Cash and Cash Equivalents**

Cash is cash on hand or available on demand.

(p) **Comparative Figures**

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

(q) **Excess of current liabilities over current assets**

As at 30 June 2020, Children Australia Inc. has an excess of current liabilities over current assets of $7,302,439 (2019: $5,735,462). The main contributing factors include the requirements of Australian Accounting Standards (AAS) to classify annual and long service leave liabilities which have vested as current liabilities of $2,379,081 (2019: $2,039,354), notwithstanding they are not expected to be fully paid in the next 12 months. In addition, AAS under new standard AASB 15, require revenue to be deferred until all performance obligations under contracts have been met resulting in $1,846,783 (2019: $7,163,313) of revenue being deferred which will not result in a cash outflow. Furthermore , AAS under new standard AASB 16 , requires the recognition on a non-current Right of Use asset to be bought on balance , with the liability associated thereof to be split between its current and non-current components of $1,471,015 and $5,217,025 respectively (2019: both $nil).

Accordingly, at balance date, Children Australia Inc. would have a position of revised net current liabilities of $1,605,560 (2019: revised net current assets of $3,467,205).

Notwithstanding the above, and despite the loss of $3,758,328 made during the financial year under review (2019: $1,573,213), the Directors have prepared the accounts on the basis of going concern for the following reasons:
- Children Australia Inc. has positive net assets of $19,059,588 (2019: $24,215,382).
- It has access to investment funds classified as non-current financial assets of $14,809,673 (2019: $19,009,479).

There are no indications that the funding model from Government Departments would be adversely affected in a period of 12 months form the date of sign off of the audit report.

On this basis, the directors are confident that Children Australia Inc. can meet its debts and obligation as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(r) **Resoration provisions**

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

(s) **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.

(t) **Coronavirus (COVID-19) and Going Concern**

The impact of the Coronavirus (COVID-19) pandemic continues to impact both the communities and businesses throughout the world including Australia and the communities where Children Australia Inc. operates. From Children Australia Inc.'s perspective, COVID-19 has had an impact on how the organisation operates, however Children Australia Inc. has not seen a material impact on the levels of funding that Children Australia Inc. is receiving from both Federal and State funding sources. The services of Children Australia Inc. have continued to be defined as essential service in all States and Territories that it operates in under the various stages of restriction relevant to each jurisdiction.

With approximately 94% of Children Australia Inc.'s revenue from both Federal and State funding, Children Australia Inc.'s management has prepared the financial report on the basis that Children Australia Inc. is a going concern i.e., there are reasonable grounds to believe that Children Australia Inc. will be able to pay its debts and meet its financial obligations as and when they become due and payable. In addition, Children Australia Inc. has been able to secure approximately $5,000,000 of government funding during the COVID19 pandemic period to provide Family Service programs in Victoria.

In determining the appropriateness of the going concern principle the Directors have considered Children Australia Inc.'s cashflow forecasts as at the date of this report and the level of fixed outgoings for the forthcoming period and is satisfied that the company has sufficient resources available to meet these outgoings for a period of at least twelve months from the date of this report.

Children Australia Inc. Board, Executive and Leadership team have been proactive and have implemented a series of action plans to address the COVID-19 threat by implementing a range of initiatives including the following:

Financial

- Review of the 2020/21 annual budget and Children Australia Inc. longer term forecasts including cashflow forecasts.
- Ongoing focus on debtor management in conjunction with an ongoing review of the adequacy of the provision for doubtful debts and any additional credit losses under AASB 9.
- Deferral of non-essential capital expenditure/projects
- Continued focus on identification of opportunities from a Government funding perspective.
- Focus on employee retention and hiring plans.

Operational

- Children Australia Inc. has been proactive with respect to COVID-19 from an operational perspective and immediately established an internal COVID taskforce to monitor the progress of the pandemic and Government announcements in the States and Territories relevant to Children Australia Inc. operations. Other specialist response groups include the COVID Recovery Working Group and the COVID Response Team.
- Children Australia Inc. commenced the implementation of established Business Continuity Plans, progressing to a working from home model from late March 2020.
- The Executive Leadership Team have maintained an increased frequency of formal meetings to ensure connectedness and continuity in managing the organisation remotely.
- Operational Service Delivery has continued with the continuity of support to children, young people and families being achieved in all jurisdictions utilising Children Australia Inc. Client Visit Assessment tool. Additionally, where exposure risk is high, delivery of service utilising a telehealth model has been implemented.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
NOTE 2: OPERATING SURPLUS (DEFICIT)	$	$
(a) Revenue		
Operating activities		
- government grants and subsidies	40,172,917	34,057,211
- donations and fundraising activities	274,248	304,040
- fees for service	1,279,465	3,003,336
- other income	405,876	143,183
- investment income	780,975	1,845,384
	42,913,481	**39,353,154**
Non-operating activities		
- DP endowment funds	-	20,000
- increment in value of endowment properties	-	75,000
	-	**95,000**
(b) Expenses		
Operating activities		
- salaries and wages	29,809,455	25,843,971
- general operating expenses	13,317,851	13,286,477
- rental expense and operating leases	415,209	1,447,106
- finance costs	313,751	10,209
- depreciation expense	1,051,987	376,512
- amortisation expense	1,674,491	-
- property costs	89,065	57,092
	46,671,809	**41,021,367**

NOTE 3: CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand (non interest bearing)	26,517	100,060
Cash at bank (interest bearing)	1,394,908	5,017,431
	1,421,425	**5,117,491**

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 (j).

NOTE 4: RECEIVABLES

	2020	2019
Current		
Trade debtors	464,196	950,183
Sundry debtors	636,038	73,937
Distributions and interest receivable	300,236	795,010
Books	5,851	10,057
	1,406,321	**1,829,187**

No interest is payable on receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 a follows:

		2020 $	2019 $
Financial Assets under AASB 9			
Financial assets at amortised cost			
Cash and cash equivalents		1,421,425	5,117,491
Cash and cash equivalents - Managed Portfolios	*	345,518	872,039
Term Deposits		192,882	189,489
Trade receivables and other receivables		1,406,321	1,829,187
Total financial assets at amortised cost		**3,366,146**	**8,008,206**
Financial assets at fair value through other comprehensive income			
Managed Portfolios- not held for trading	*	14,444,155	18,117,441
Shares - at fair value	*	20,000	20,000
Total Financial assets at fair value through other comprehensive income		**14,464,155**	**18,137,441**
* Financial assets per the financial statements		**14,809,673**	**19,009,480**
Financial Liabilities			
Financial liabilities measured at amortised cost			
Payables		4,337,508	4,056,376
Total financial liabilities		**4,337,508**	**4,056,376**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020 $	2019 $
NOTE 6:	**OTHER ASSETS**		
	Current		
	Current prepayments	280,272	387,414
		280,272	387,414
	Non-Current		
	Security deposits	188,656	158,397
		188,656	158,397

NOTE 7: **PROPERTY, PLANT AND EQUIPMENT AND ENDOWMENT PROPERTY**

		2020 $	2019 $
a)	**Service property, plant and equipment**		
	Land at independent valuation - Note (i)	1,910,000	2,095,689
	Buildings at independent valuation - Note (i)	2,410,000	2,524,311
	Total service properties	4,320,000	4,620,000
	Motor vehicles at cost	40,913	48,023
	less accumulated depreciation	(40,913)	(45,723)
		-	2,300
	Furniture and equipment at cost	4,447,316	3,805,672
	less accumulated depreciation	(2,550,976)	(1,881,542)
		1,896,340	1,924,130
	Leasehold improvements	3,829,505	3,642,826
	less accumulated amortisation	(732,850)	(247,102)
		3,096,655	3,395,724
	Total administration property, plant and equipment	**9,312,995**	**9,942,154**
b)	Ellis Estate land and buildings at independent valuation - Note (i)	354,139	354,139
	Emerald Hill land and buildings at independent valuation - Note (i)	745,861	745,861
	Total endowment properties	**1,100,000**	**1,100,000**

(i) Land and buildings were valued by Teska Carson as at 30 June 2020 based on open market values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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.

2020 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	2,095,689	-	114,311	-	-	-	-	-	(300,000)	1,910,000
Buildings	2,524,311	-	(114,311)	-	-	-	-	-	-	2,410,000
Endowment properties	1,100,000	-	-	-	-	-	-	-	-	1,100,000
Service Property, furniture & equipment	1,924,130	-	74,068	638,691	(41,437)	(31,774)	-	(667,338)	-	1,896,340
Leasehold improvements	3,331,224	-	(74,068)	203,795	(44,384)	-	-	(384,412)	-	3,032,155
Leasehold improvements - make good	64,500	-	-	-	-	-	-	-	-	64,500
Motor vehicles	2,300	-	-	-	(2,063)	-	-	(237)	-	-
TOTAL	**11,042,154**	**-**	**-**	**842,486**	**(87,884)**	**(31,774)**	**-**	**(1,051,987)**	**(300,000)**	**10,412,995**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Right of Use Assets

(d) Movements in Carrying Amounts

Movement in the carrying amounts for each class of right of use asssets between the beginning and the end of the current financial year.

2020 Class of Asset	Opening balance $	On transition to AASB 16 $	Reclassify $	Additions $	Disposals $	Transfers $	Reclassification to non current assets held for sale $	Depreciation / Amortisation Expense $	Revaluation $	Closing balance $
ROU - Property	-	6,648,353	-	564,096	-	-	-	(1,354,593)	-	5,857,856
ROU - Motor Vehicles	-	555,602	-	303,954	-	-	-	(319,898)	-	539,658
TOTAL	**-**	**7,203,955**	**-**	**868,050**	**-**	**-**	**-**	**(1,674,491)**	**-**	**6,397,514**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

		2020 $	2019 $
NOTE 8:	**PROVISIONS**		
	Current		
	Employee benefits	2,379,081	1,974,854
	Provision for lease make good	-	64,500
		2,379,081	**2,039,354**
	Non-Current		
	Employee benefits	229,786	259,186
		229,786	**259,186**
	Total Provisions	**2,608,867**	**2,298,540**

		2020 $	2019 $
NOTE 9:	**PAYABLES**		
	Trade payables	2,989,167	2,825,558
	Sundry payables and accrued expenses	1,348,341	1,230,818
		4,337,508	**4,056,376**

		2020 $	2019 $
NOTE 10:	**OTHER LIABILITY**		
	Deferred Income	1,846,783	7,163,313
	Amounts Refundable to DHHS	568,952	-
		2,415,735	**7,163,313**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: **ENDOWMENT FUNDS**

	2020 $	2019 $
General Endowment	179,398	179,398
Emerald Hill Endowment	10,628,518	10,611,175
Ellis Estate Endowment	6,972,640	6,988,552
Yallum Endowment	30,148	30,606
J.C. Butler Scholarship	7,800	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	80,000
	18,137,255	**18,136,400**

Movement in Endowment Funds

	2020 $	2019 $
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	10,611,175	10,560,322
Increment in investment properties	17,343	50,853
Balance at the end of the year	**10,628,518**	**10,611,175**
Ellis Estate Endowment		
Balance at start of the year	6,988,552	6,964,405
Increment in investment properties	(15,912)	24,147
Balance at the end of the year	**6,972,640**	**6,988,552**
Yallum Endowment		
Balance at the start of the year	30,606	30,606
Interest income	(458)	-
Balance at the end of the year	**30,148**	**30,606**
J.C. Butler Scholarship		
Balance at the start of the year	7,918	7,918
Interest income	(118)	-
Balance at the end of the year	**7,800**	**7,918**
McNaughton Trust		
Balance at the start of the year	114,851	114,851
Interest income	-	-
Balance at the end of the year	**114,851**	**114,851**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: **ENDOWMENT FUNDS (continued)**

Movement in Endowment Funds (continued)

	2020 $	2019 $
Gregory Trust		
Balance at the start of the year	1,000	1,000
Balance at the end of the year	**1,000**	**1,000**
Murison Trust		
Balance at the start of the year	22,900	22,900
Balance at the end of the year	**22,900**	**22,900**
Edith and Maurice Feitel Trust		
Balance at the start of the year	100,000	100,000
Balance at the end of the year	**100,000**	**100,000**
David Pincus Endowment		
Balance at the start of the year	80,000	60,000
Additional Endowment Contribution	-	20,000
Balance at the end of the year	**80,000**	**80,000**

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**

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

	2020 $	2019 $
Payable		
- not later than one year	-	1,769,080
- later than one year but not later than five years	-	3,285,574
	-	**5,054,654**

(b) Children Australia Inc. has adopted AASB 16 Leases from 1 July 2019 replacing AASB 117

Under AASB 16, all leases are accounted under a single on-balance sheet model, similar to accounting for finance leases under the old standard. Other than short-term leases of less than twelve months and leases of low-value assets, there is a recognition of right-of-use (ROU) assets and corresponding lease liabilities in the statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the ROU assets and an interest expense on remaining lease liabilities (including finance costs).

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

(c) Transition

Children Australia Inc. has elected to apply the “modified retrospective approach” when transitioning to the new AASB 16 Leases standard. Under this approach, Children Australia Inc. has not restated comparative reporting periods.

On transition to AASB 16 the weighted average incremental borrowing rates applied to lease liabilities under AASB 16 were on average 4.29% for motor vehicles and 4.30% for offices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: **OPERATING LEASE COMMITMENTS (continued)**

(d) Reconciliation of prior year operating lease commitments note:

	$
Total operating lease commitments disclosed 30 June 2019.	5,054,654
Discounted using the incremental borrowing rate at 1 July 2019	(1,314,128)
Other adjustments relating to lease extensions	3,463,429
Total leases recognised at 1 July 2019	7,203,955

(e) Impact on Statement of Financial Position upon transition to AASB16 on 1 July 2019 is as follows:

Impact on Statement of Financial Position	
Increase in new right of use assets	6,397,514
Increase in new lease liabilities	(6,688,040)
Net impact on statement of financial position	(290,526)
Lease Liabilities	
Current	1,471,015
Non-Current	5,217,025
	6,688,040

(f) The following practical expedients have been applied, as permitted by the standard:

Application of a single incremental borrowing rate for a portfolio of leases with reasonable similar characteristics except in instances where the implicit interest rate is known.

Excluding direct costs from the measurement of the right-of-use asset at the date of initial application;

Operating leases with a term of less than 12 months from the date of initial application are treated as short-term leases.

(g) Impact of AASB 16 adoption on earnings

Adoption of the new standard results in the expense front-loaded into the earlier years of the lease and lower in later years due to the interest charged on the capital outstanding as compared to straight-lined lease expense under AASB 117.

Deficit for the year is not materially changed this financial year. The impact for 2020 is:

Impact on Statement of Profit or Loss on Adopting AASB 16

Decrease in operating leases expenses	(1,690,590)
Increase in interest expense	306,625
Increase in amortisation expense	1,674,491
Increase in net deficit	290,526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: CASH FLOW INFORMATION

(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:

		2020 $	2019 $
Cash and Cash Equivalents	Note 3	1,421,425	5,117,491
		1,421,425	**5,117,491**

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) ***Financial Risk Management Policies***

Children Australia Inc.'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.

	2020 $	2019 $
Financial Assets		
Cash and cash equivalents	1,421,425	5,117,491
Term Deposits-held to maturity	192,882	189,489
Managed Portfolios- available for sale	14,809,673	19,009,479
Receivables	1,406,321	1,829,187
	17,830,301	**26,145,646**
Financial Liabilities		
Trade Payables	4,337,508	4,056,376
	4,337,508	**4,056,376**

(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.

NOTE 17: RELATED PARTY TRANSACTIONS

Board member, Catherine Dunlop is a partner at Maddocks Lawyers. Maddocks Lawyers were paid $10,999 for legal services in the 2020 financial year.

Board member, Dr Sandra Heriot is the owner and principal consultant of Sandra Heriot Consulting. Sandra Heriot was engaged to conduct an evaluation of OzChild's FFT program in Tuggerah. Sandra Heriot Consulting provided services to the value of $18,975. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION

	2020 $	2019 $
Total Compensation	1,195,610	1,225,287

NOTE 19: NOTE TO STATEMENT OF CASHFLOWS

	2020	2019
Operating Deficit	**(5,155,794)**	**(1,668,213)**
Net Operating (Deficit) for the year	**(3,758,328)**	**(1,668,213)**
Non-cash flows in deficit		
Loss on disposal Property, Plant and Equipment	87,884	3,300
Depreciation	1,051,987	376,512
Amortisation	1,674,491	-
Loss on disposal of investments	55,790	-
Other	274	34,345
Changes in assets and liabilities		
Decrease / (increase) in debtors	422,866	(957,699)
Decrease / (increase) in prepayments and other assets	73,490	(78,717)
Increase in payables	281,132	2,138,939
Increase in provisions for employee entitlements	310,327	434,181
(Decrease) in income in advance	(4,747,578)	(463,153)
Cashflow (used in) from operating activities	**(4,547,665)**	**(180,505)**

NOTE 20 EVENTS AFTER THE REPORTING PERIOD

The Coronavirus (COVID-19) was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had an impact on the Australian and local economy. As at the date of preparation of these financial statements the impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is rapidly changing developing. The speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Given the dynamic and evolving nature of COVID-19, and limited recent experience of the economic and financial impacts of such a pandemic on the preparation of these financial statements, changes to the estimates and judgements that have been applied in the measurement of assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Children Australia Inc., the results of those operations, or the state of affairs of Children Australia Inc. in subsequent financial years.

NOTE 21 ECONOMIC DEPENDENCE

Children Australia Inc. is dependent 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 principal place of business of Children Australia Inc. 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 Children Australia Inc. declare that:

1. The attached financial statements and notes of Children Australia Inc., 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 2020 and of its performance for the financial year ended on that date; and

    b. complying with Australian Accounting Standards Reduced Disclosure Requirements (including the Australian Accounting 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.

Helen Max	
…..	…..
President: Helen Maxwell-Wright	Treasurer: Michael Wootten

Dated this 30th day of November 2020

Crowe Audit Australia
ABN 13 969 921 386
Level 17, 181 William Street
Melbourne VIC 3000 Australia
GPO Box 4324
Melbourne VIC 3001 Australia
Main +61 (03) 9258 6700
Fax +61 (03) 9258 6722
www.crowe.com.au

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 2020, 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 Board of Management Declaration.

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 2020 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 (including Independence Standards)* (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.

Emphasis of Matter – Subsequent Event Re: COVID-19

We draw attention to Note 1 (t) and Note 20 of the financial statements, which describes the effects of the Coronavirus (COVID-19) pandemic which continues to impact both communities and businesses throughout the world including Australia and the community where the Association operates. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Committee for the Financial Report

The committee of the association is responsible for the 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.

Crowe Audit Australia

CROWE AUDIT AUSTRALIA

Antony Barnett

Partner

Melbourne

30 November 2020