

Annual Report

2020-21

Financials only



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CHILDREN AUSTRALIA INC.

ABN 90 680 959 928

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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The Board of Management
Children Australia Inc.
Level 4, 14-16 Mason Street
Dandenong VIC 3175

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



CROWE AUDIT AUSTRALIA



Antony Barnett

Partner

Melbourne

25 October 2021

Liability limited by a scheme approved under Professional Standards Legislation.

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

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

CHILDREN AUSTRALIA INC.

Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 \$	2020 \$
Revenue			
Government grants and subsidies		43,822,465	40,172,917
Donations and fundraising activities		896,938	274,248
Investment income		1,258,757	780,975
Fees for service		2,483,813	1,279,465
Other income		907,439	405,876
Total Revenue	2(a)	49,369,412	42,913,481
Expenses			
Operational costs		43,923,182	43,444,786
Fundraising costs		107,717	101,349
Administration costs		1,238,941	1,927,179
Finance costs		292,481	313,751
Information technology costs		744,369	795,099
Property costs		163,891	89,645
Total Expenses	2(b)	46,470,581	46,671,809
Net Operating Surplus/(Deficit) for the year		2,898,831	(3,758,328)
Non Operating Revenue			
Increment on revaluation of Investment properties	2(a),7(d)	210,000	-
Increment in endowment funds	2(a),7(d)	38,499	-
Non Operating Surplus		248,499	-
Net Surplus/(Deficit) for the year		3,147,330	(3,758,328)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Fair value movements on available-for-sale financial assets		1,684,948	(1,097,466)
Items that will not be reclassified to profit or loss			
Gain/(Loss) on revaluation of service properties		-	(300,000)
Other Comprehensive Surplus/(Deficit)		1,684,948	(1,397,466)
Total Comprehensive Surplus/(Deficit)		4,832,278	(5,155,794)

The surplus for the year includes a non-operating endowment fund surplus of \$38,499 (2020 Surplus of \$0) and market value movements of investment properties. 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 shows Other Comprehensive Income which includes realised and unrealised gains and losses on market-based investments and properties.

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

Statement of Financial Position

	Note	2021 \$	2020 \$
Current Assets			
Cash and cash equivalents	3,5,15	5,731,112	1,421,425
Receivables	4,5,16	893,399	1,406,321
Property available for Sale	7	1,460,000	-
Financial assets	5,16	353,304	192,882
Other assets	6	522,991	280,272
Total Current Assets		8,960,806	3,300,900
Non Current Assets			
Financial assets	5,16	17,026,948	14,809,673
Property, plant and equipment	7	4,501,716	4,992,995
Investment property	7	4,170,000	5,420,000
Other assets	6	193,818	188,656
Right of Use Assets	7(f)	5,596,665	6,397,514
Total Non Current Assets		31,489,147	31,808,838
Total Assets		40,449,953	35,109,738
Current Liabilities			
Provisions	8	2,845,180	2,379,081
Other liabilities	10	4,188,323	2,415,735
Payables	5,9,16	3,248,621	4,337,508
Right of Use Lease Liabilities	14	1,438,625	1,471,015
Total Current Liabilities		11,720,749	10,603,339
Non Current Liabilities			
Provisions	8	213,428	229,786
Right of Use Lease Liabilities	14	4,623,910	5,217,025
Total Non Current Liabilities		4,837,338	5,446,811
Total Liabilities		16,558,087	16,050,150
Net Assets		23,891,866	19,059,588
Equity			
Endowment funds	2(a),11	18,375,754	18,137,255
Asset revaluation reserve	12	-	2,769,985
Financial asset valuation reserve	13	-	3,038,979
Accumulated surplus/(deficit)		5,516,112	(4,886,631)
Total Equity		23,891,866	19,059,588

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	Endowment Funds	Asset Revaluation Reserve	Financial Asset Valuation Reserve	Accumulated Surplus (Deficit)	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2019	18,136,400	3,069,985	4,137,300	(1,128,303)	24,215,382
Operating Surplus/(Deficit)	-	-	-	(3,758,328)	(3,758,328)
Change in market value of managed funds	855	-	(1,098,321)	-	(1,097,466)
Gain on revaluation of service properties	-	(300,000)	-	-	(300,000)
Balance at 30 June 2020	18,137,255	2,769,985	3,038,979	(4,886,631)	19,059,588
Operating Surplus	-	-	-	3,147,330	3,147,330
Increment in endowment investment properties	200,000	-	-	(200,000)	-
Classification change to Investment properties	-	(2,769,985)	-	2,769,985	-
Increment in endowment investment funds	38,499	-	-	(38,499)	-
Change in market value of managed funds	-	-	1,684,948	-	1,684,948
Classification change to managed funds	-	-	(4,723,927)	4,723,927	-
Balance at 30 June 2021	18,375,754	-	-	5,516,112	23,891,866

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

Statement of Cash Flows

	Note	2021 \$	2020 \$
Receipts from customers		46,107,975	39,062,038
Payments to suppliers, employees and others		(44,425,835)	(46,036,516)
Donations and fundraising		896,938	274,248
Interest, dividends and distributions received		1,258,757	780,975
Fee for service		2,483,813	1,279,465
Other income		902,496	405,876
ROU Interest and other interest paid		(281,540)	(313,751)
Net Cashflows from operating activities	19	<u>6,942,604</u>	<u>(4,547,665)</u>
Payments for property, plant and equipment		(646,306)	(810,713)
Payments for investments		(16,559,300)	(1,452,553)
Proceeds from Disposal of investments		16,398,618	4,498,830
Net Cashflows from investing activities		<u>(806,988)</u>	<u>2,235,564</u>
Repayment of lease liability borrowings		(1,825,929)	(1,383,965)
Net Cashflows from financing activities		<u>(1,825,929)</u>	<u>(1,383,965)</u>
Net increase (decrease) in cash held		4,309,687	(3,696,066)
Cash at the beginning of the year		1,421,425	5,117,491
Cash at the end of the financial year	15	<u>5,731,112</u>	<u>1,421,425</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2021

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 25th of October 2021 by the Board of Management.

(a) New or amended Accounting Standards and Interpretations adopted

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

A number of new standards are effective for the annual period beginning after 1 July 2021 and earlier application is permitted: however, Children Australia Inc. has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on Children Australia Inc's financial statements:

- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts [AASB 4 and AASB 17]
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021
- AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities"

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(b) Property, plant and equipment and Investment properties

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

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

Investment properties which also include properties received from Endowments are held for long term investment purposes. A review of all properties has resulted in a disclosure adjustment in line with AASB140 resulting in a restatement of the prior year balances for Endowment and other properties. Changes to fair values of the investment in these properties are recorded in the statement of profit or loss and other comprehensive income and as per AASB140 and are not depreciated. The asset revaluation reserve that held previous OCI recorded changes to values for non-investment properties has been returned to accumulated surplus and deficit in equity. All tenant leases are on an arm's length basis.

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:

<u>Class</u>	<u>Rate</u>
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 reasonably certain to occur, and any anticipated termination penalties.

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(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.

(g) Revenue

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

To determine when to recognise 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 Revenue from contracts with customers, with revenue recognised as these performance obligations are met. Income from philanthropic and other sources where the conditions of AASB15 are not met are accounted for under AASB1058 Income of Not-For-Profit Entities and recognised at the point of control of the funds if considered a contribution by owners.

Rental income is recognised when due and receivable. Donations and fundraising revenue is recognised when received.

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(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

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, equity and non-equity instruments.

Initial recognition and measurement

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

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. The Managed Portfolio was measured at FVOCI until February 2021 at which time it was liquidated and then transferred to new managers and invested in non-equity instruments which subsequently were measured at FVTPL.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(j) (i) Financial Assets (continued)

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

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

Children Australia Inc's financial liabilities include trade payables only.

Initial recognition and measurement

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.

(k) 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.

(l) 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(m) 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 occur, 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.

(n) Cash and Cash Equivalents

Cash is cash on hand or available on demand.

(o) Comparative Figures

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

(p) Excess of current liabilities over current assets

As at 30 June 2021, Children Australia Inc. has an excess of current liabilities over current assets of \$2,759,943 (2020: \$7,302,439). The main contributing factors include the requirements of Australian Accounting Standards (AASB) to classify annual and long service leave liabilities which have vested as current liabilities of \$2,845,180 (2020: \$2,379,081), notwithstanding they are not expected to be fully paid in the next 12 months. In addition, AASB 15 requires revenue to be deferred until all performance obligations under contracts have been met resulting in \$2,780,814 (2020: \$1,846,783) of revenue being deferred which will not result in a cash outflow. Furthermore, AASB16 requires the recognition of a non-current Right of Use asset, with the associated liability to be split with a recognised current liability of \$1,438,625 (2019: \$1,471,015).

Accordingly, at balance date, Children Australia Inc. would have a revised position of an excess of current assets over liabilities of \$4,304,676 (2020: revised net current assets of \$1,605,560).

Notwithstanding the above, and taking into consideration the \$2,898,831 surplus made during the financial year under review (2020: \$3,758,328 loss), the Directors have prepared the accounts on the basis of a going concern for the following reasons:

Children Australia Inc. has positive net assets of \$23,891,866 (2020: \$19,059,588).

It has access to investment funds classified as non-current financial assets of \$17,026,948 (2020: \$14,809,673).

There are no indications that the funding model from Government Departments would be adversely affected in a period of 12 months from the date of signing 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 (continued)

For the year ended 30 June 2021

(q) Restoration 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.

(r) 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 with a discount rate of 1.491% based on the RBA's 10-year rate for semi-annual coupon bonds.

Children Australia Inc. has entered into leases of premises and vehicles as disclosed in note 14. Management has applied the implicit borrowing rates of the individual leases to the calculations and reasonably certain lease terms.

(s) Coronavirus (COVID-19) and Going Concern

The impact of the Coronavirus (COVID-19) pandemic continues to affect both the communities and businesses throughout the world including Australia and the locations 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 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 are 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2021

(s) Coronavirus (COVID-19) and Going Concern (continued)

The Board, Executive and Leadership team have continued to apply and refine the series of action plans developed in 2020 to address the COVID-19 threat including the following:

Financial

- Review of the 2021/22 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 well-being, 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 which have been applied to various locations as the impact of the State and Territory governments actions have occurred at differing times across 2020 and 2021 in response to virus outbreaks.

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.

(t) Redress Scheme

Children Australia Inc. is a member of the Australian Federal Government's Redress scheme for the survivors of Institutional Child Sexual Abuse. The scheme will operate for 10 years and provide support and financial redress to victims of sexual abuse within institutions. Children Australia Inc. welcomes and supports the National Redress Scheme, as recommended by the Royal Commission into Institutional Responses to Child Sexual Abuse, in acknowledging the harm caused and provide support to people who were sexually abused as children survivors while in the care of an institution.

CHILDREN AUSTRALIA INC.

Note 2: Operating Surplus/(Deficit)

	2021 \$	2020 \$
(a) Revenue		
Operating activities		
- government grants and subsidies	43,822,465	40,172,917
- donations and fundraising activities	896,938	274,248
- fees for service	2,483,813	1,279,465
- other income	907,439	405,876
- investment income	663,402	780,975
- market movement of investments	595,355	
	49,369,412	42,913,481
Non-operating activities		
- David Plncus endowment funds	38,499	-
- Investment property revaluation	10,000	-
- Endowment property revaluation	200,000	-
	248,499	-
(b) Expenses		
Operating activities		
- salaries and wages	29,344,019	29,809,455
- general operating expenses	13,488,255	13,317,851
- rental expense and operating leases	456,545	415,209
- finance costs	292,481	313,751
- depreciation expense	1,098,700	1,051,987
- amortisation expense	1,626,690	1,674,491
- property costs	163,891	89,065
	46,470,581	46,671,809

Note 3: Cash and Cash Equivalents

Cash on hand (non interest bearing)	92,203	26,517
Cash at bank (interest bearing)	5,638,909	1,394,908
	5,731,112	1,421,425

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

	2021	2020
	\$	\$
Current		
Trade debtors	496,227	464,196
Provision for expected credit loss	-	-
Sundry debtors	379,046	636,038
Distributions and interest receivable	-	300,236
Books	18,126	5,851
	893,399	1,406,321

Note 5: Financial Assets

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

Financial assets at amortised cost

Cash and cash equivalents	5,731,112	1,421,425
Cash and cash equivalents - Managed Portfolios *	-	345,518
Term Deposits	353,304	192,882
Trade receivables and other receivables	893,399	1,406,321
Total financial assets at amortised cost	6,977,815	3,366,146

Financial assets at fair value through other comprehensive income

Managed Portfolios - not held for trading *	-	14,444,155
Shares - at fair value *	20,000	20,000
Total Financial assets at fair value through other comprehensive income	20,000	14,464,155

Financial assets at fair value through profit and loss

Managed Portfolios *	17,006,948	-
Total Financial assets at fair value through Profit and Loss	17,006,948	14,464,155

* Financial assets per the financial statements	17,026,948	14,809,673
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Financial Liabilities**Financial liabilities measured at amortised cost**

Payables	3,248,621	4,337,508
Total financial liabilities	3,248,621	4,337,508

Note 6: Other Assets

	2021 \$	2020 \$
Current		
Current prepayments	522,991	280,272
	522,991	280,272
Non-Current		
Security deposits	193,818	188,656
	193,818	188,656

Note 7: Investment Property and Property, Plant and Equipment

(a) Investment property *		
Land at independent valuation	1,350,000	1,910,000
Buildings at independent valuation	1,520,000	2,410,000
Endowment properties at independent valuation	1,300,000	1,100,000
Total Investment properties	4,170,000	5,420,000
(b) Service property, plant and equipment		
Motor vehicles at cost	40,913	40,913
less accumulated depreciation	(40,913)	(40,913)
	-	-
Furniture and equipment at cost	4,913,158	4,447,316
less accumulated depreciation	(3,077,086)	(2,550,976)
	1,836,072	1,896,340
Leasehold improvements	3,796,483	3,829,505
less accumulated amortisation	(1,130,839)	(732,850)
	2,665,644	3,096,655
Total service property, plant and equipment	4,501,716	4,992,995

(c) Service Property Plant and Equipment	Opening balance	Reclassify	Additions	Disposals	Reclassification	Depreciation/ Amortisation Expense	Revaluation	Closing balance
	\$	\$	\$	\$	\$	\$	\$	\$
Furniture & equipment	1,896,340	(22,375)	633,345	(6,302)	-	(664,936)	-	1,836,072
Leasehold Improvements	3,032,155	-	12,961	(10,208)	-	(433,764)	-	2,601,144
Leasehold make good	64,500	-	-	-	-	-	-	64,500
TOTAL	4,992,995	(22,375)	646,306	(16,510)	-	(1,098,700)	-	4,501,716

(d) Investment property	Opening balance	Reclassify	Additions	Disposals	Reclassifications to current assets held for sale	Depreciation/ Amortisation Expense	Revaluation	Closing balance
	\$	\$	\$	\$	\$	\$	\$	\$
Land	1,910,000	-	-	-	(560,000)	-	-	1,350,000
Buildings	2,410,000	-	-	-	(900,000)	-	10,000	1,520,000
Endowment properties #	1,100,000	-	-	-	-	-	200,000	1,300,000
TOTAL	5,420,000	-	-	-	(1,460,000)	-	210,000	4,170,000

Ellis Estate land and buildings at independent valuation - Note 1(b)

418,139

Emerald Hill land and buildings at independent valuation - Note 1(b)

881,861

Total Endowment properties**1,300,000**

(e) Property Held for Sale	Opening balance	Reclassify	Additions	Disposals	Reclassifications to current assets held for sale	Depreciation/ Amortisation Expense	Revaluation	Closing balance
	\$	\$	\$	\$	\$	\$	\$	\$
Land	-	-	-	-	560,000	-	-	560,000
Buildings	-	-	-	-	900,000	-	-	900,000
TOTAL	-	-	-	-	1,460,000	-	-	1,460,000

(f) Right of Use Assets	Opening balance	Reclassify	Additions	Disposals	Reclassifications	Amortisation	Revaluation	Closing balance
	\$	\$	\$	\$	\$	\$	\$	\$
ROU - Property	5,857,856	-	820,005	-	-	(1,315,262)	-	5,362,599
ROU - Motor Vehicles	539,658	-	5,836	-	-	(311,428)	-	234,066
TOTAL	6,397,514	-	825,841	-	-	(1,626,690)	-	5,596,665

Note 8: Provisions

	2021	2020
	\$	\$
Current		
Employee benefits	2,845,180	2,379,081
	<u>2,845,180</u>	<u>2,379,081</u>
Non-Current		
Employee benefits	213,428	229,786
	<u>213,428</u>	<u>229,786</u>
Total Provisions	<u>3,058,608</u>	<u>2,608,867</u>

Note 9: Payables

Trade payables	1,849,003	2,989,167
Non Refundable deposit on held for sale properties	146,000	-
Sundry payables and accrued expenses	1,253,618	1,348,341
Total Payables	<u>3,248,621</u>	<u>4,337,508</u>

Note 10: Other Liability

Deferred Income	2,780,814	1,846,783
Amounts Refundable to DHHS	1,407,509	568,952
Total Other Liabilities	<u>4,188,323</u>	<u>2,415,735</u>

Note 11: Endowment Funds

	2021	2020
	\$	\$
General Endowment	179,398	179,398
Emerald Hill Endowment	10,764,518	10,628,518
Ellis Estate Endowment	7,036,640	6,972,640
Yallum Endowment	30,148	30,148
J.C. Butler Scholarship	7,800	7,800
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
David Pincus Endowment	118,499	80,000
	18,375,754	18,137,255

Movement in Endowment Funds

Emerald Hill Endowment

Balance at start of the year	10,628,518	10,611,175
Increment in investment properties	136,000	17,343
Balance at the end of the year	10,764,518	10,628,518

Ellis Estate Endowment

Balance at start of the year	6,972,640	6,988,552
Increment in investment properties	64,000	(15,912)
Balance at the end of the year	7,036,640	6,972,640

David Pincus Endowment

Balance at the start of the year	80,000	80,000
Additional Contribution Less Scholarships	38,499	-
Balance at the end of the year	118,499	80,000

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

Note 12: Asset Revaluation Reserve

The asset revaluation reserve that held previous OCI recorded changes to values for land and buildings classified as non-investment properties has been returned to accumulated surplus and deficit in equity after a reclassification of the land and buildings to be investment properties under AASB140.

Note 13: Financial Asset Valuation Reserve

The financial asset valuation reserve recorded the change in market value of managed funds. The financial asset valuation reserve was returned to Accumulated surplus/deficit after the transfer of Children Australia Inc's investment portfolio during February 2021 to new managers. A change in the underlying investments led to a subsequent reclassification for both the recognition and measurement of the portfolio as Fair Value through Profit and Loss (FVTPL).

CHILDREN AUSTRALIA INC.

Note 14: Right of Use Lease Commitments

Children Australia Inc. adopted AASB 16 Leases from 1 July 2019 replacing AASB 117 for Leases relating to the motor vehicle fleet and office rentals. 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.

Right of Use Lease Liabilities Payable

- not later than one year	1,438,625
- later than one year	4,623,910
	<u>6,062,535</u>

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

Note 15: Cashflow Information

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:

		2021	2020
		\$	\$
Cash and Cash Equivalents	Note 3	<u>5,731,112</u>	<u>1,421,425</u>
		<u>5,731,112</u>	<u>1,421,425</u>

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, cash management accounts, accounts receivable, accounts payable and managed funds.

Financial Assets

Cash and cash equivalents	5,731,112	1,421,425
Term Deposits-held to maturity	353,304	192,882
Managed Portfolios- available for sale	17,026,948	14,809,673
Receivables	893,399	1,406,321
	<u>24,004,763</u>	<u>17,830,301</u>

Financial Liabilities

Trade Payables	3,248,621	4,337,508
Amounts Refundable to DHHS	1,407,509	568,952
	<u>4,656,130</u>	<u>4,906,460</u>

(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 \$32,956 for legal services in the 2021 financial year. All transactions were undertaken on commercial terms at an arm's length basis.

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

Note 18: Key Management Personnel Compensation

	2021	2020
	\$	\$
Total Compensation	1,039,854	1,195,610

Note 19: Notes to Statement of Cashflows

Operating Surplus/(Deficit)	4,832,278	(5,155,794)
Net Operating Surplus/(Deficit) for the year	2,898,831	(3,758,328)
Non-cash flows in deficit		
Loss on disposal Property, Plant and Equipment	16,510	87,884
Depreciation	1,098,700	1,051,987
Amortisation	1,626,690	1,674,491
Loss on disposal of investments	-	55,790
Other	-	274
Changes in assets and liabilities		
Decrease / (increase) in debtors	512,922	422,866
Decrease / (increase) in prepayments and other assets	(344,491)	73,490
(Decrease) / Increase in payables	(1,088,887)	281,132
Increase in provisions for employee entitlements	449,741	310,327
(Decrease) in income in advance	1,772,588	(4,747,578)
Cashflow (used in) from operating activities	6,942,604	(4,547,665)

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 continues to change. 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, vaccination rates and any economic stimulus that may be provided.

Given the dynamic and evolving nature of COVID-19 over the past 15 months, 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 significantly affect 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: Contingent Liabilities

The company is in the process of defending civil Redress actions brought against it. The company has made appropriate provisions to defend these allegations and are of the opinion that these are sufficient to cover any potential findings. Accordingly, the probability of any further material adverse financial exposure in this regard is considered unlikely

Note 22: 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 Management has no reason to believe that these Government agencies will not continue to support Children Australia Inc.

Note 23: Association Details

The registered office and principal place of business of Children Australia Inc. is:

Children Australia Inc.

Level 4, 14-16 Mason Street

Dandenong VIC 3175

Board of Management Declaration

Children Australia Inc.

ABN: 90 680 959 928

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 2021 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.



.....

President: Helen Maxwell-Wright



.....

Treasurer: Michael Wootten

Dated this 25th day of October 2021

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 2021, 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 the Association as at 30 June 2021 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 (s) 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.

Liability limited by a scheme approved under Professional Standards Legislation.

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

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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 2021, 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



Antony Barnett

Partner

Melbourne
25 October 2021