

every child and young person
deserves the chance to shine



Financial Report

2022



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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 2022, 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

31 October 2022

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CHILDREN AUSTRALIA INC.

Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 \$	2021 \$
Revenue			
Government grants and subsidies		50,515,415	43,822,465
Donations and fundraising activities		859,526	896,938
Investment income		1,029,480	1,258,757
Fees for service		2,022,413	2,483,813
Other income		771,304	907,439
Total Revenue	2(a)	55,198,138	49,369,412
Expenses			
Operational costs		49,484,335	43,923,182
Fundraising costs		157,614	107,717
Administration costs		1,666,117	1,238,941
Investment movements		1,561,689	
Finance costs		262,602	292,481
Information technology costs		823,775	744,369
Property costs		72,747	163,891
Total Expenses	2(b)	54,028,879	46,470,581
Net Operating Surplus/(Deficit) for the year		1,169,259	2,898,831
Non Operating Revenue			
Increment on revaluation of Investment properties	2(a),7(d)	30,000	210,000
Increment in endowment funds	2(a)	43,555	38,499
Non Operating Surplus		73,555	248,499
Net Surplus/(Deficit) for the year		1,242,814	3,147,330
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
Other Comprehensive Surplus/(Deficit)		-	1,684,948
Total Comprehensive Surplus/(Deficit)		1,242,814	4,832,278

The surplus for the year includes a non-operating endowment fund surplus of \$43,555 (2021 Surplus of \$38,499). 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	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	3,5	11,757,065	5,731,112
Receivables	4,5	1,142,180	893,399
Property available for Sale	7	-	1,460,000
Financial assets	5	353,499	353,304
Other assets	6	421,818	522,991
Total Current Assets		13,674,562	8,960,806
Non Current Assets			
Financial assets	5	15,536,837	17,026,948
Property, plant and equipment	7	3,676,577	4,501,716
Investment property	7	4,200,000	4,170,000
Other assets	6	197,792	193,818
Right of Use Assets	7	5,013,315	5,596,665
Total Non Current Assets		28,624,521	31,489,147
Total Assets		42,299,083	40,449,953
Current Liabilities			
Provisions	8	3,496,535	2,845,180
Other liabilities	10	4,564,965	4,188,323
Payables	5,9	3,333,604	3,248,621
Right of Use Lease Liabilities	12	1,545,399	1,438,625
Total Current Liabilities		12,940,503	11,720,749
Non Current Liabilities			
Provisions	8	170,223	213,428
Right of Use Lease Liabilities	12	4,053,677	4,623,910
Total Non Current Liabilities		4,223,900	4,837,338
Total Liabilities		17,164,403	16,558,087
Net Assets		25,134,680	23,891,866
Equity			
Endowment funds	11	18,419,309	18,375,754
Accumulated surplus/(deficit)		6,715,371	5,516,112
Total Equity		25,134,679	23,891,866

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 2020	18,137,255	2,769,985	3,038,979	(4,886,631)	19,059,588
Operating Surplus/(Deficit)	-	-	-	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
Net Surplus	-	-	-	1,242,814	1,242,814
Increment in endowment investment funds	43,555	-	-	(43,555)	-
Balance at 30 June 2022	18,419,309	-	-	6,715,371	25,134,680

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Note	2022 \$	2021 \$
Receipts from customers		50,716,832	46,107,975
Payments to suppliers, employees and others		(48,519,604)	(44,425,835)
Donations and fundraising		859,526	896,938
Interest, dividends and distributions received		1,029,480	1,258,757
Fee for service		2,022,414	2,483,813
Other income		771,304	902,496
ROU Interest and other interest paid		(251,186)	(281,540)
Net Cashflows from operating activities		6,628,766	6,942,604
Payments for property, plant and equipment		(409,936)	(646,306)
Payments for investments		-	(16,559,300)
Proceeds from Disposal of investments		1,459,805	16,398,618
Net Cashflows from investing activities		1,049,869	(806,988)
Repayment of lease liability borrowings		(1,652,682)	(1,825,929)
Net Cashflows from financing activities		(1,652,682)	(1,825,929)
Net increase (decrease) in cash held		6,025,953	4,309,687
Cash at the beginning of the year		5,731,112	1,421,425
Cash at the end of the financial year	13	11,757,065	5,731,112

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2022

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 -simplified disclosures for Tier 2 entities, that have been prepared in accordance with Australian Accounting Standards, 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 31st of October 2022 by the Board of Management.

(a) 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%

Notes to the Financial Statements (continued)

For the year ended 30 June 2022

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2022

(f) Revenue (continued)

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.

(g) Income tax

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

(h) Goods and Services Tax (GST)

Revenues, expenses, and assets from ordinary activities are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or part of the item of the expenses from ordinary activities. Receivables and payables are stated with the amount of GST included.

(i) Financial instruments

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2022

(i) Financial Assets (continued)

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

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.

(j) 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2022

(k) Impairment - Other Assets

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

(l) Provisions

Provisions are recognised when 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.

(m) Cash and Cash Equivalents

Cash is cash on hand or available on demand.

(n) Comparative Figures

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

(o) Excess of current assets over current liabilities

The Directors have prepared the accounts on the basis of a going concern for the following reasons:

As at 30 June 2022, Children Australia Inc. has an excess of current assets over current liabilities of \$734,059 (2021: -\$2,759,943), and positive net assets of \$25,134,680 (2021: \$23,891,866) and access to investment funds classified as non-current financial assets of \$15,536,837 (2021: \$17,026,948).

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.

(p) 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.

(q) 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.

(r) 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

Notes to the Financial Statements (continued)

For the year ended 30 June 2022

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

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.

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.

(s) 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)

	2022 \$	2021 \$
(a) Revenue		
Operating activities		
- government grants and subsidies	50,515,415	43,822,465
- donations and fundraising activities	859,526	896,938
- fees for service	2,022,413	2,483,813
- other income	771,304	907,439
- investment income	1,029,480	663,402
- market movement of investments	-	595,355
	55,198,138	49,369,412
Non-operating activities		
- David Pincus endowment funds	43,555	38,499
- Investment property revaluation	380,000	10,000
- Endowment property revaluation	(350,000)	200,000
	73,555	248,499
(b) Expenses		
Operating activities		
- salaries and wages	33,688,565	29,344,019
- general operating expenses	15,097,360	13,488,255
- rental expense and operating leases	650,640	456,545
- finance costs	262,602	292,481
- investment movements	1,561,689	-
- depreciation expense	1,241,915	1,098,700
- amortisation expense	1,453,361	1,626,690
- property costs	72,747	163,891
	54,028,879	46,470,581

Note 3: Cash and Cash Equivalents

Cash on hand (non interest bearing)	107,488	92,203
Cash at bank (interest bearing)	11,649,577	5,638,909
	11,757,065	5,731,112

Cash is on hand or available on demand.

Interest rates are variable and reflect current market rates.

Cash that forms part of the investment portfolio is classified as a non-current asset in accordance with accounting policy note 1 (i).

Note 4: Receivables

	2022 \$	2021 \$
Current		
Trade debtors	562,999	496,227
Provision for expected credit loss	-	-
Sundry debtors	578,096	379,046
Distributions and interest receivable	-	-
Books	1,085	18,126
	1,142,180	893,399

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	11,757,065	5,731,112
Cash and cash equivalents - Managed Portfolios *	-	-
Term Deposits	353,499	353,304
Trade receivables and other receivables	1,142,180	893,399
Total financial assets at amortised cost	13,252,744	6,977,815

Financial assets at fair value through other comprehensive income

Shares - at fair value *	20,000	20,000
Total Financial assets at fair value through other comprehensive income	20,000	20,000

Financial assets at fair value through profit and loss

Managed Portfolios *	15,516,837	17,006,948
Total Financial assets at fair value through Profit and Loss	15,516,837	17,006,948

* Financial assets per the financial statements	15,536,837	17,026,948
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Financial Liabilities**Financial liabilities measured at amortised cost**

Payables	3,333,604	3,248,621
Total financial liabilities	3,333,604	3,248,621

Note 6: Other Assets

	2022 \$	2021 \$
Current		
Current prepayments	421,818	522,991
	421,818	522,991
Non-Current		
Security deposits	197,792	193,818
	197,792	193,818

Note 7: Investment Property and Property, Plant and Equipment

(a) Investment property		
Land at independent valuation	850,000	1,350,000
Buildings at independent valuation	2,400,000	1,520,000
Endowment properties at independent valuation	950,000	1,300,000
Total Investment properties	4,200,000	4,170,000
(b) Service property, plant and equipment		
Motor vehicles at cost	85,160	40,913
less accumulated depreciation	(85,160)	(40,913)
	-	-
Furniture and equipment at cost	3,250,503	4,913,158
less accumulated depreciation	(1,859,107)	(3,077,086)
	1,391,396	1,836,072
Leasehold improvements	3,670,191	3,796,483
less accumulated amortisation	(1,385,010)	(1,130,839)
	2,285,181	2,665,644
Total service property, plant and equipment	3,676,577	4,501,716

(c) Property Plant and Equipment	Opening balance	Reclassify	Additions	Disposals	Depreciation/ Amortisation	Revaluation	Closing balance
	\$				Expense		
	\$	\$	\$	\$	\$	\$	\$
Furniture & equipment	1,836,072	-	282,371	(13,209)	(713,838)	-	1,391,396
Leasehold Improvements	2,601,144	-	127,565	-	(443,528)	-	2,285,181
Leasehold make good	64,500	-	-	(64,500)	-	-	-
TOTAL	4,501,716	-	409,936	(77,709)	(1,157,366)	-	3,676,577

(d) Investment property #	Opening balance	Reclassify	Additions	Disposals	Depreciation/ Amortisation	Revaluation	Closing balance
	\$				Expense		
	\$	\$	\$	\$	\$	\$	\$
Land	1,350,000	(830,000)	-	-	-	330,000	850,000
Land & Buildings	1,520,000	830,000	-	-	-	50,000	2,400,000
Endowment properties	1,300,000	-	-	-	-	(350,000)	950,000
TOTAL	4,170,000	-	-	-	-	30,000	4,200,000

All Investment properties were subject to independent valuations in 2022 - Note 1(b)

305,553

644,447

Total Endowment properties

950,000

(e) Right of Use Assets	Opening balance	Reclassify	Additions	Disposals	Amortisation	Revaluation	Closing balance
	\$						
	\$	\$	\$	\$	\$	\$	\$
ROU - Property	5,362,599	-	520,633	-	(1,157,385)	-	4,725,847
ROU - Motor Vehicles	234,066	-	349,379	-	(295,977)	-	287,468
TOTAL	5,596,665	-	870,012	-	(1,453,361)	-	5,013,315

Note 8: Provisions

	2022	2021
	\$	\$
Current		
Employee benefits	<u>3,496,535</u>	<u>2,845,180</u>
	3,496,535	2,845,180
Non-Current		
Employee benefits	<u>170,223</u>	<u>213,428</u>
	170,223	213,428
Total Provisions	<u>3,666,758</u>	<u>3,058,608</u>

Note 9: Payables

Trade payables	1,358,377	1,849,003
Non Refundable deposit on held for sale properties	146,000	146,000
Sundry payables and accrued expenses	<u>1,829,227</u>	<u>1,253,618</u>
Total Payables	<u>3,333,604</u>	<u>3,248,621</u>

Note 10: Other Liability

Deferred Income	2,492,057	2,780,814
Amounts Refundable to DHHS	<u>2,072,908</u>	<u>1,407,509</u>
Total Other Liabilities	<u>4,564,965</u>	<u>4,188,323</u>

Note 11: Endowment Funds

	2022	2021
	\$	\$
General Endowment	179,398	179,398
Emerald Hill Endowment	10,692,518	10,692,518
Ellis Estate Endowment	7,108,640	7,108,640
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	162,054	118,499
	18,419,309	18,375,754

Movement in Endowment Funds

Emerald Hill Endowment

Balance at start of the year	10,692,518	10,296,390
Increment/(Decrement) in investment properties	-	396,128
Balance at the end of the year	10,692,518	10,692,518

Ellis Estate Endowment

Balance at start of the year	7,108,640	7,122,745
Increment/(Decrement) in investment properties	-	(14,105)
Balance at the end of the year	7,108,640	7,108,640

David Pincus Endowment

Balance at the start of the year	118,499	80,000
Additional Contribution Less Scholarships	43,555	38,499
Balance at the end of the year	162,054	118,499

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: 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.

	2022	2021
	\$	\$
Right of Use Lease Liabilities Payable		
- not later than one year	1,545,399	1,438,625
- later than one year	4,053,677	4,623,910
	<u>5,599,076</u>	<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 13: 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	11,757,065	5,731,112
Term Deposits-held to maturity	353,499	353,304
Managed Portfolios- available for sale	15,536,837	17,026,948
Receivables	1,142,180	893,399
	<u>28,789,581</u>	<u>24,004,763</u>

Financial Liabilities

Trade Payables	3,333,604	3,248,621
Amounts Refundable to DHHS	2,072,908	1,407,509
	<u>5,406,512</u>	<u>4,656,130</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 14: Related Party Transactions

Board member, Catherine Dunlop is a partner at Maddocks Lawyers. Maddocks Lawyers were paid \$27,088 for legal services in the 2022 financial year. All transactions were undertaken on commercial terms at an arm's length basis.

Board member, Dr Sandra Heriot is the owner and principal consultant of Sandra Heriot Consulting. Sandra Heriot Consulting was engaged to provide an Ethics Application program for Ozchild's FFT & MST programs in NSW. Sandra Heriot Consulting provided services to the value of \$4,400. These transactions were undertaken on commercial terms on an arm's length basis.

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

Note 15: Key Management Personnel Compensation

	2022	2021
	\$	\$
Total Compensation	<u>1,387,500</u>	<u>1,039,854</u>

Note 16: Auditors Remuneration

Audit and review services by Crowe Australasia

Audit and review of the Financial Statements	<u>37,000</u>	<u>34,000</u>
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Note 17: 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 whilst the situation continues to improve the speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government.

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.

OzChild has been requested by the Department of Families Fairness and Housing (DFFH) to prepare acquittals of all Financial Year 2022 Funding relating to Family Services programs. The DFFH has indicated that it may require OzChild to refund any financial surplus from these programs, which have always historically been run on a performance basis. This is a retrospective change. OzChild is working with the DFFH to clarify the terms of its intention and the basis of the refund calculations, as currently the intent has not been communicated. Due to this it is not possible to quantify any potential financial impact on OzChild's accounts although it is not considered to be material.

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 18: 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 19: 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 20: 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 AASB 1060 tier 2- simplified disclosures (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 31st day of October 2022

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 2022, 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 2022 and of its financial performance for the year then ended; and
- (b) complying with *Australian Accounting Standards AASB 1060 tier 2- simplified disclosures* (including the *Australian Accounting Interpretations*), the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-Profits Commission Act 2012*.

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.

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 2022 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

31 October 2022



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