



ozchild

FINANCIAL REPORT

2023

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Auditor's Independence Declaration

To the Directors of Children Australia Inc

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Children Australia Inc for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



D G Ng

Partner - Audit & Assurance

Melbourne, 31 October 2023

www.grantthornton.com.au

ACN-130 913 594

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CHILDREN AUSTRALIA INC.

Statement of Profit or Loss and Other Comprehensive Income

	Note	2023 \$	2022 \$
Revenue			
Government grants and subsidies		57,721,639	50,745,261
Donations and fundraising activities		534,629	859,526
Investment income		1,273,963	1,029,480
Investment movements		771,344	-
Fees for service		2,262,751	2,022,413
Other income		356,701	541,458
Total Revenue	2(a)	62,921,027	55,198,138
Expenses			
Operational costs		56,790,941	49,484,335
Fundraising costs		222,492	157,614
Administration costs		2,538,560	1,666,117
Investment movements		-	1,561,689
Finance costs		220,749	262,602
Information technology costs		895,894	823,775
Property costs		269,341	72,747
Total Expenses	2(b)	60,937,977	54,028,879
Net Operating Surplus/(Deficit) for the year		1,983,050	1,169,259
Non Operating Revenue			
Increment on revaluation of Investment properties	2(a),7(d)	470,000	30,000
Increment in endowment funds	2(a)	16,007	43,555
Non Operating Surplus		486,007	73,555
Net Surplus/(Deficit) for the year		2,469,058	1,242,814
Other Comprehensive Income			
Other Comprehensive Surplus/(Deficit)		-	-
Total Comprehensive Surplus/(Deficit)		2,469,058	1,242,814

The surplus for the year includes a non-operating endowment fund surplus of \$16,007 (2022 Surplus of \$43,555). 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.

Prior year income has been reclassified from Other Income to Government Grants and Subsidies in 2023 due to the nature of the revenue (2022 prior year income \$229,846).

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

Statement of Financial Position

	Note	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	3,5	6,381,048	11,757,065
Receivables	4,5	1,538,428	1,142,180
Financial assets	5	6,605,775	353,499
Other assets	6	482,349	421,818
Total Current Assets		15,007,600	13,674,562
Non Current Assets			
Financial assets	5	16,521,741	15,536,837
Property, plant and equipment	7	2,673,113	3,676,577
Investment property	7	4,670,000	4,200,000
Other assets	6	626,411	197,792
Right of Use Assets	7	4,343,115	5,013,315
Total Non Current Assets		28,834,379	28,624,521
Total Assets		43,841,979	42,299,083
Current Liabilities			
Provisions	8	3,493,923	3,496,535
Other liabilities	10	2,930,753	4,564,965
Payables	5,9	4,589,041	3,333,604
Right of Use Lease Liabilities	12	1,525,535	1,545,399
Total Current Liabilities		12,539,252	12,940,503
Non Current Liabilities			
Provisions	8	286,160	170,223
Right of Use Lease Liabilities	12	3,412,828	4,053,677
Total Non Current Liabilities		3,698,988	4,223,900
Total Liabilities		16,238,241	17,164,403
Net Assets		27,603,738	25,134,680
Equity			
Endowment funds	11	18,435,316	18,419,309
Accumulated surplus/(deficit)		9,168,423	6,715,371
Total Equity		27,603,738	25,134,680

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	Endowment Funds	Accumulated Surplus (Deficit)	Total
	\$	\$	\$
Balance at 30 June 2021	18,375,754	5,516,113	23,891,867
Operating Surplus/(Deficit)	-	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
Net Surplus	-	2,469,058	2,469,058
Increment in endowment investment funds	16,007	(16,007)	-
Balance at 30 June 2023	18,435,316	9,168,423	27,603,738

The accompanying notes form part of these financial statements.

CHILDREN AUSTRALIA INC.

Statement of Cash Flows

	Note	2023 \$	2022 \$
Receipts from customers		55,865,348	51,053,452
Payments to suppliers, employees and others		(57,330,573)	(48,626,378)
Donations and fundraising		534,629	859,526
Interest, dividends and distributions received		1,349,966	1,029,480
Fee for service		2,262,751	2,022,414
Other income		356,701	541,458
ROU Interest and other interest paid		<u>(218,531)</u>	<u>(251,186)</u>
Net Cashflows from operating activities		<u>2,820,291</u>	<u>6,628,766</u>
Payments for property, plant and equipment		(136,753)	(409,936)
Payments for investments		(6,250,000)	-
Proceeds from Disposal of investments		<u>20,000</u>	<u>1,459,805</u>
Net Cashflows from investing activities		<u>(6,366,753)</u>	<u>1,049,869</u>
Repayment of lease liability borrowings		<u>(1,829,554)</u>	<u>(1,652,682)</u>
Net Cashflows from financing activities		<u>(1,829,554)</u>	<u>(1,652,682)</u>
Net increase (decrease) in cash held		(5,376,017)	6,025,953
Cash at the beginning of the year		<u>11,757,065</u>	<u>5,731,112</u>
Cash at the end of the financial year	13	<u>6,381,048</u>	<u>11,757,065</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2023

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 – Simplified 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 31st of October 2023 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. 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. 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 2023

(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 2023

(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 are 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 2023

(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 2023

(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 2023, Children Australia Inc. has an excess of current assets over current liabilities of \$2,468,347 (2022: \$734,059), and positive net assets of \$27,603,738 (2022: \$25,134,680) and access to investment funds classified as non-current financial assets of \$16,521,741 (2022: \$15,536,837).

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(q) Critical Accounting Estimates and Judgments (continued)

Performance obligations under AASB 15 Revenue from Contracts with Customers to identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised (Notes 2 and 10).

The fair value of investment properties can be measured via either the capitalisation method, the discounted cash flow approach, or by comparison to comparable sales. The fair value methodology which is used when valuing property assets via the capitalisation method requires significant assumptions to be made in respect of both sustainable net operating income and market capitalisation rate. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the balance sheet date or directors' valuation as disclosed in note 7.

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) Going Concern

With approximately 95% 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.

(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)

	2023	2022
	\$	\$
(a) Revenue		
Operating activities		
- government grants and subsidies	57,721,639	50,515,415
- donations and fundraising activities	534,629	859,526
- fees for service	2,262,751	2,022,413
- other income	356,701	771,304
- investment income	1,273,963	1,029,480
- market movement of investments	771,344	-
	<u>62,921,027</u>	<u>55,198,138</u>
Non-operating activities		
- David Pincus endowment funds	16,007	43,555
- investment property revaluation	70,000	380,000
- endowment property revaluation	400,000	(350,000)
	<u>486,007</u>	<u>73,555</u>
(b) Expenses		
Operating activities		
- salaries and wages	35,753,220	30,874,531
- superannuation	3,450,636	2,814,034
- general operating expenses	18,081,755	15,097,360
- rental expense and operating leases	528,420	650,640
- finance costs	220,749	262,602
- investment movements	-	1,561,689
- depreciation expense	1,020,839	1,241,915
- amortisation expense	1,613,017	1,453,361
- property costs	269,342	72,747
	<u>60,937,977</u>	<u>54,028,879</u>

Note 3: Cash and Cash Equivalents

Cash on hand (non interest bearing)	177,051	107,488
Cash at bank (interest bearing)	6,203,997	11,649,577
	<u>6,381,048</u>	<u>11,757,065</u>

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

	2023	2022
	\$	\$
Current		
Trade debtors	1,168,002	562,999
Provision for expected credit loss	-	-
Sundry debtors	365,507	578,096
Books	4,919	1,085
	<u>1,538,428</u>	<u>1,142,180</u>

No interest is payable on receivables.

Note 5: Financial Assets

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

Financial assets at amortised cost

Cash and cash equivalents	6,381,048	11,757,065
Term Deposits	6,605,775	353,499
Trade receivables and other receivables	1,538,428	1,142,180
Total financial assets at amortised cost	<u>14,525,251</u>	<u>13,252,744</u>

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit and loss

Managed Portfolios *	16,521,741	15,516,837
Total Financial assets at fair value through Profit and Loss	<u>16,521,741</u>	<u>15,516,837</u>

* Financial assets per the financial statements	16,521,741	15,536,837
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Financial Liabilities**Financial liabilities measured at amortised cost**

Payables	4,589,041	3,333,604
Total financial liabilities	<u>4,589,041</u>	<u>3,333,604</u>

CHILDREN AUSTRALIA INC.

Note 6: Other Assets

	2023	2022
	\$	\$
Current		
Current prepayments	482,349	421,818
	<u>482,349</u>	<u>421,818</u>
Non-Current		
Security deposits	626,411	197,792
	<u>626,411</u>	<u>197,792</u>

Children Australia Inc. is currently in the process of acquiring a new national support office situated at 8 Palmerston Crescent, South Melbourne, Victoria 3205. The purchase price is \$4,330,000 excluding GST. A deposit of \$433,000 has been made. The settlement is anticipated to take place in early 2024. The remaining balance of the purchase price will be due at the time of settlement.

Note 7: Investment Property and Property, Plant and Equipment

(a) Investment property		
Land at independent valuation	820,000	850,000
Buildings at independent valuation	2,500,000	2,400,000
Endowment properties at independent valuation	1,350,000	950,000
Total Investment properties	<u>4,670,000</u>	<u>4,200,000</u>
(b) Service property, plant and equipment		
Motor vehicles at cost	85,160	85,160
less accumulated depreciation	(85,160)	(85,160)
	<u>-</u>	<u>-</u>
Furniture and equipment at cost	2,700,341	3,250,503
less accumulated depreciation	(1,954,961)	(1,859,107)
	<u>745,380</u>	<u>1,391,396</u>
Leasehold improvements	3,771,260	3,670,191
less accumulated amortisation	(1,843,527)	(1,385,010)
	<u>1,927,734</u>	<u>2,285,181</u>
Total service property, plant and equipment	<u>2,673,113</u>	<u>3,676,577</u>

CHILDREN AUSTRALIA INC.

(c) Property Plant and Equipment	Opening balance	Reclassify	Additions	Disposals	Depreciation/ Amortisation Expense	Revaluation	Closing balance
	\$				\$		
Furniture & equipment	1,391,396	-	35,683	(114,009)	(567,690)	-	745,380
Leasehold Improvements	2,285,181	-	101,070	-	(458,517)	-	1,927,733
Leasehold make good	-	-	-	-	-	-	-
TOTAL	3,676,577	-	136,753	(114,009)	(1,026,208)	-	2,673,113

(d) Investment property #	Opening balance	Reclassify	Additions	Disposals	Depreciation/ Amortisation Expense	Revaluation	Closing balance
	\$				\$		
Land	850,000	-	-	-	-	(30,000)	820,000
Land & Buildings	2,400,000	-	-	-	-	100,000	2,500,000
Endowment properties	950,000	-	-	-	-	400,000	1,350,000
TOTAL	4,200,000	-	-	-	-	470,000	4,670,000

All Investment properties were subject to independent valuations in 2023 - Note 1(a)

434,215

915,785

Total Endowment properties

1,350,000

(e) Right of Use Assets	Opening balance	Reclassify	Additions	Disposals	Amortisation	Revaluation	Closing balance
	\$				\$		
ROU - Property	4,725,847	-	586,791	-	(1,313,246)	-	3,999,392
ROU - Motor Vehicles	287,468	-	356,025	-	(299,771)	-	343,722
TOTAL	5,013,315	-	942,816	-	(1,613,017)	-	4,343,114

Note 8: Provisions

	2023	2022
	\$	\$
Current		
Employee benefits	3,493,923	3,496,535
	<u>3,493,923</u>	<u>3,496,535</u>
Non-Current		
Employee benefits	286,160	170,223
	<u>286,160</u>	<u>170,223</u>
Total Provisions	<u>3,780,083</u>	<u>3,666,758</u>

Note 9: Payables

Trade payables	3,356,940	1,358,377
Non Refundable deposit on held for sale properties	-	146,000
Sundry payables and accrued expenses	1,232,101	1,829,227
Total Payables	<u>4,589,041</u>	<u>3,333,604</u>

Note 10: Other Liability

Deferred Income	1,337,866	2,492,057
Funds Refundable	1,592,887	2,072,908
Total Other Liabilities	<u>2,930,753</u>	<u>4,564,965</u>

Note 11: Endowment Funds

	2023	2022
	\$	\$
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	178,061	162,054
	<u>18,435,316</u>	<u>18,419,309</u>

Movement in Endowment Funds**Emerald Hill Endowment**

Balance at start of the year	10,692,518	10,692,518
Increment/(Decrement) in investment properties	-	-
Balance at the end of the year	<u>10,692,518</u>	<u>10,692,518</u>

Ellis Estate Endowment

Balance at start of the year	7,108,640	7,108,640
Increment/(Decrement) in investment properties	-	-
Balance at the end of the year	<u>7,108,640</u>	<u>7,108,640</u>

David Pincus Endowment

Balance at the start of the year	162,054	118,499
Additional Contribution Less Scholarships	16,007	43,555
Balance at the end of the year	<u>178,061</u>	<u>162,054</u>

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

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.

	2023	2022
	\$	\$
Right of Use Lease Liabilities Payable		
- not later than one year	1,525,535	1,545,399
- later than one year	3,412,828	4,053,677
	<u>4,938,363</u>	<u>5,599,076</u>

Children Australia Inc. holds a notable lease for an office located at 14 Mason Street Dandenong VIC 3175. The annual lease payment is \$388,591 excluding GST with a fixed yearly increase of 3.5%. The lease is set to expire on 30 November 2023 with an option to renew for an additional 4 years. Children Australia Inc. also has another significant lease for an office at 20 Davey Street Frankston VIC 3199 which includes 24 exclusive car parking spaces. The annual lease payment is \$378,177 excluding GST with a fixed yearly increase of 3.5%. The lease expires on 9 December 2023 with a renewal option for an additional 5 years.

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	6,381,048	11,757,065
Term Deposits-held to maturity	6,605,775	353,499
Managed Portfolios- available for sale	16,521,741	15,536,837
Receivables	1,538,428	1,142,180
	<u>31,046,991</u>	<u>28,789,581</u>

Financial Liabilities

Payables	4,589,041	3,333,604
Funds Refundable	1,592,887	2,072,908
	<u>6,181,929</u>	<u>5,406,512</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 \$18,273 for legal services in the 2023 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 \$4,620. 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

	2023	2022
	\$	\$
Total Compensation	<u>1,481,954</u>	<u>1,387,500</u>

Note 16: Auditors Remuneration

The retirement of the previous external auditor, Crowe Australasia, occurred at the Annual General Meeting held in November 2022. Subsequently, following a tender process, Grant Thornton Australia was selected and appointed as the new external auditors. The decision to change auditors was made in accordance with applicable legal and regulatory requirements and was deemed necessary to ensure the continued effectiveness and independence of the financial audit.

Audit and review of the Financial Statements	<u>41,000</u>	<u>37,000</u>
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Note 17: Events after the Reporting Period

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.

Children Australia Inc. holds a bank guarantee with Bendigo Bank with a limit of \$187,257. The guarantee is set to expire on 30 November 2023, and is associated with the property lease at 20 Davey Street, Frankston VIC 3199. Children Australia Inc. has a term deposit of \$190,000 to secure the bank guarantee.

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 2023 and of its performance for the financial year ended on that date; and

b. complying with Australian Accounting Standards Simplified 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 2022.



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President: Helen Maxwell-Wright



.....

Treasurer: Michael Wootten

Dated this 31st day of October 2023

Grant Thornton Audit Pty Ltd

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Independent Auditor's Report

To the Members of Children Australia Inc

Report on the audit of the financial report

Opinion

We have audited the financial report of Children Australia Inc (the "Registered Entity") which comprises the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Board of Management declaration.

In our opinion, the financial report of Children Australia Inc has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Registered Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022*.

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 Registered Entity in accordance with the ethical 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.

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Information Other than the Financial Report and Auditor's Report Thereon

The Board of Management are responsible for the other information. The other information comprises the information included in the Registered Entity's annual report for the year ended 30 June 2023, 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 the Board of Management for the financial report

The Board of Management of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act, and for such internal control as the Board of Management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board of Management are responsible for assessing the Registered Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Board of Management are responsible for overseeing the Registered 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



D G Ng
Partner – Audit & Assurance

Melbourne, 31 October 2023



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