

# **Annual Financial Statements**

## **Year Ended 30 June 2020**

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## **Directors' report**

The directors present their report on the consolidated financial statements of ChildFund Australia ("the Group") for the Year Ended 30 June 2020 and the auditor's report thereon.

### **Directors**

The directors in office during the financial year and up to the date of this report were:

#### **Mary Latham (Chair)**

Mary Latham is a Chartered Accountant, Company Director and Consultant. She has worked in the financial services industry in Australia and England for 15 years, and in the Australian not-for-profit sector since 2006. She is also a Director of Australian Psychological. Mary joined the Board in November 2012 and is a member of the Audit, Risk and Nominations Committee and the Communications and Marketing Committee. Mary was appointed as Chair of the Board in November 2015.

#### **David Shortland (Deputy Chair)**

David Shortland is a specialist governance advisor and communication counsel to boards and senior executives. He is a Board Advisor and facilitator for the Australian Institute of Company Directors (AICD) in Strategy, Risk, Board Effectiveness & Governance generally. He co-authored the first edition of AICD's Good Governance Principles and Guidance for Not-For-Profit Organisations. David is a Fellow of the National Heart Foundation of Australia, having been a director of the Heart Foundation (NSW). He joined the ChildFund Australia board in November 2014 and is a member of Audit, Risk and Nominations Committee. David was appointed Deputy Chair in November 2016. David is a director of the international board of ChildFund Alliance.

#### **Justine Richardson**

Justine Richardson works with Senior Executives to address complex business issues and help businesses grow and improve their operations. She specialises in optimising business processes and internal controls, typically in companies undergoing substantial change. Justine joined the ChildFund Australia board in November 2014 and is Chair of the Audit, Risk and Nominations Committee.

#### **Jo Brennan**

Jo Brennan has over 25 years of executive leadership experience working across a diverse range of industries including financial services, energy and not-for-profit. She was previously the Chief Executive Officer of Habitat for Humanity in Australia and is passionate about international development. Jo has extensive leadership and transformation experience and is currently Chief Operations Officer with Aware Super. Jo joined the ChildFund Australia board in November 2014 and is Chair of the Communications and Marketing Committee.

#### **Richard Moore**

Richard Moore is a Manila-based, strategic analyst, specialising in South East Asian development. He was previously Deputy Director General for Asia at the Australian Agency for International Development. Prior to this he was Alternate Executive Director for Australia and ten other Asia Pacific countries at the Asian Development Bank. Richard joined the ChildFund Board in November 2015 and is a member of the Program Review Committee and Communications & Marketing Committee.

**Directors' report (continued)****Belinda Lucas**

Belinda has over twenty years' experience in international development. She is the gender and social inclusion advisor on two long term private sector development programs, and a Monitoring and Evaluation Advisor to DFAT and the Australian Human Rights Commission. Belinda is also a senior quality auditor for the Humanitarian Quality Assurance Initiative and long term DFAT accreditation assessor. Belinda is also a safeguarding specialist, having contributed to the development of PSEAH policy, guidance, training, and standards internationally over the last several years. Belinda was awarded a Cultural Diversity in Business Scholarship by the University of Sydney in 2020 and is currently undertaking a Global Executive MBA. Belinda joined the Board in November 2015 and is Chair of the Program Review Committee.

**Anita Parer**

A highly experienced digital marketing professional, with over 15 years of experience in customer relationship management, Anita has worked with a range of organisations to improve revenue streams using new technologies, and to develop customer-centric strategies. Anita currently leads Customer Success, Marketing, and Sales for Magia Solutions, with the objective to drive strategic relevance, success, and true partnership for their clients. Anita joined the Board in November 2017 and is a member of Communications and Marketing Committee and the Program Review Committee.

**Michael Pain**

Michael Pain retired from Accenture in 2015 as a Managing Director with Accenture Australia, having led major practice areas including Advanced Technology, Management Consulting, Strategy, Digital, and Analytics across various Asia Pacific regions. Over his career Michael worked with strategic and technology implementation projects across a range of industry sectors including financial services, public sector and resources, and more recently Michael oversaw the start-up of Accenture's Analytics practice. Michael also co-led Accenture's corporate giving activities, helping to initiate Corporate Citizenship for Accenture in Australia. Currently Michael's activities include NFP Board membership, philanthropy focused on supporting organisations in areas including ethics and the environment, and direct start-up investment. Michael has a Bachelor of Science (Hons) from the University of Sydney and an MBA (Hons) from INSEAD in France. After a leave of absence living in Canada, Michael re-joined the Board in 2018 and is a member of the Communications & Marketing Committee, the Program Review Committee and the Audit Risk & Nominations Committee.

**Micaela Cronin**

Micaela Cronin has held leadership and service delivery roles across the not-for profit sector, both in Australia and internationally. Micaela is currently a Director at the Future Social Service Institute in Melbourne. Previous to this role, she was the global CEO for Hagar International, working across Asia to tackle human trafficking and human rights abuses. A third-generation social worker, Micaela has completed an MBA and was awarded the Robyn Clark Memorial Award for service and leadership in the children, youth and family services sector. Micaela has extensive governance experience, having been President of both the Victorian Council of Social Services and the Australia Council of Social Services. Micaela joined the Board in February 2020 and is a member of the Audit, Risk & Nominations Committee and the Program Review Committee.

**Directors' report (continued)****Annabelle Williams**

Annabelle is a Paralympic Gold Medallist, international motivational speaker, lawyer, brand ambassador, board director, TV reporter and sports commentator. She is a strong advocate for the rights of athletes and, at the age of 24, was awarded with the Medal of the Order of Australia for her service to sport. Annabelle holds a number of international board and advisory positions and recently graduated from the Stanford University Graduate School of Business, where she delivered the Valedictory Address. Annabelle joined the Board in November 2019 and prior to taking a leave of absence in May 2020, was a member of the Communications and Marketing Committee.

**David Bolton**

David Bolton is a General Manager with Boral Ltd with over 20 years of leadership experience in the construction materials sector. He has worked across numerous global organisations in mining, recycling, concrete, logistics, sales and marketing, and project management. He holds a Bachelor of Civil Engineering with Honours, and an MBA. David joined the board in November 2017. Prior to his resignation from the Board in March 2020, David was a member of Audit, Risk and Nominations Committee.

The following Directors were appointed during the financial year

Micaela Cronin – Appointed in March 2020

Annabelle Williams - Appointed in March 2020

The following Directors resigned during the financial year

Carolyn Hardy - Resigned in November 2019

David Bolton - Resigned in March 2020

**Company Secretary**

Adrian Graham

### Directors' meetings

The number of directors' meetings and other committee meetings attended by each of the directors during the financial year were:

	Board Meetings		Audit, Risk & Nominations Committee		Program Review Committee		Communications and Marketing Committee	
	A	B	A	B	A	B	A	B
Mary Latham	7	7	8	7	2	2	3	3
David Shortland	7	7	8	8	-	-	2	2
Justine Richardson	7	6	8	8	-	-	-	-
Jo Brennan	7	6	-	-	-	-	5	3
Carolyn Hardy	2	2	-	-	1	1	2	2
Richard Moore	7	7	3	1	5	5	3	3
Belinda Lucas	7	7	5	3	5	4	-	-
Anita Parer	7	6	-	-	4	4	5	4
David Bolton	4	4	3	2	-	-	-	-
Michael Pain	7	6	1	1	4	4	5	5
Micaela Cronin	4	4	3	2	4	4	-	-
Annabelle Williams	2	1	-	-	-	-	2	1

Column A – Indicates the number of meetings the director was eligible to attend.

Column B – Indicates the number of meetings attended

From time to time, directors have also attended other meetings of importance.

**Directors' report (continued)****Objectives**

The Group is an independent international development organisation that works to reduce poverty for children in developing communities. Our vision is a world without poverty where all children and young people can say: "I am safe. I am educated. I contribute. I have a future." The Group works in partnership to create community and systems change which enables children and young people, in all their diversity, to assert and realise their rights.

**Principal activities**

The principal activity of the Group during the financial year was international aid and development delivered by working in partnership with children and their communities. Expenditure on overseas development activities, including community education was \$41,024,240 (2019: \$42,560,396).

There were no significant changes in the nature of the activities of the Group during the year.

**Performance measurement**

The Group has in place several performance measurement systems for its various functions. Program effectiveness is assessed against stated program objectives through regular monitoring and evaluation processes conducted by staff, partners and independent evaluators. Fundraising performance is measured against targets agreed annually.

**Review and results of operations**

Total comprehensive surplus for the year ended 30 June 2020 was \$3,464,879 (2019: \$813,799), which included loss on investments of \$127,018 (2019: gain of \$52,610) and has been taken to equity. The total equity of the Group at 30 June 2020 totalled \$15,575,019 (2019: \$12,110,140).

**Dividends**

The Group's constitution does not permit dividends to be paid.

**Liability of members**

The liability of members is limited to contributing up to \$100 for payment of the Group's debts and liabilities, and of the costs, charges and expenses of winding up and for adjustments of the rights of the contributions among themselves.

**Environmental regulation**

The Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of environmental requirements as they apply to the Group.

**Significant changes in the state of affairs**

The Coronavirus outbreak (COVID-19) impacted our ability to deliver programs to varying extents across our countries of operation, and curtailed some fundraising activities during the financial year under review. In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

**Likely developments**

It is not foreseen that the Group will undertake any change in its general direction during the coming financial year. Further information about likely developments in the operations of the Group and the expected results in future financial years has not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

**Coronavirus COVID-19**

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. In the countries in which the Group operates, governments have been taking stringent steps to help contain or delay the spread of the virus,

**Directors' report (continued)****Coronavirus COVID-19 (continued)**

which impacted our ability to deliver programs to varying extents across our countries of operation. There continues to be a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates. Fundraising activities within Australia have also been impacted.

For ChildFund Australia's 30 June 2020 financial statements, the Coronavirus outbreak and the related impacts do not have any impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, ChildFund Australia cannot reasonably estimate the impact these events will have on ChildFund Australia's financial position, results of operations or cash flows in the future. Based on the current available information, the Directors believe that the Group will remain a going concern.

**Events subsequent to 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 affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**Indemnification and insurance of officers****Indemnification**

The Group has agreed to indemnify the current directors of the Group and the former directors against all liabilities to another person (other than the Group or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

**Insurance premiums**

During the financial year the Group maintained an Association Liability insurance policy which included cover in respect of directors' and officers' liability and legal expenses for current and former directors and officers. The insurance policy relates to:

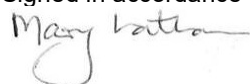
- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The Association Liability insurance policy does not disclose separately the premium for the above insurance in respect of individual officers of the Group or in aggregate for all directors and officers. The premium paid for the Association Liability insurance policy was \$7,350 (2019: \$4,796).

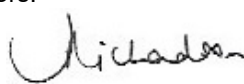
**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for financial Year Ended 30 June 2020.

Signed in accordance with a resolution of the directors:



Mary Latham  
Director



Justine Richardson  
Director

Dated at Sydney this 23<sup>rd</sup> day of September 2020



# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the members of ChildFund Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Cameron Roan  
*Partner*  
Sydney

23 September 2020



## Consolidated Statement of comprehensive income

### Year Ended 30 June 2020

	Note	2020 \$	2019 \$
<b>Revenue</b>			
Monetary donations & gifts			
Child sponsorship donations		19,848,552	22,103,328
Other donations		5,166,182	4,359,400
		<u>25,014,734</u>	<u>26,462,728</u>
Legacies and bequests		689,539	133,074
Grants			
Department of Foreign Affairs and Trade		7,215,482	7,404,858
Other Australian	7	1,790,217	2,290,229
Overseas	8	16,294,040	15,989,476
		<u>25,299,739</u>	<u>25,684,563</u>
Investment income	9	260,246	282,294
Other income	10	1,821,098	1,850,900
<b>Total revenue</b>		<u><b>53,085,356</b></u>	<u><b>54,413,559</b></u>
<b>Expenditure</b>			
<b>International Aid and Development Programs Expenditure</b>			
International programs			
Funds to international programs	11	37,701,001	38,976,394
Program support costs		2,786,851	2,990,112
		<u>40,487,852</u>	<u>41,966,506</u>
Community education		536,388	593,890
Fundraising costs			
Public		5,718,250	8,569,735
Government, multilateral and private		124,169	122,021
Accountability and administration	12	2,702,959	2,568,170
<b>Total expenditure</b>		<u><b>49,569,618</b></u>	<u><b>53,820,322</b></u>
<b>Surplus of revenue over expenditure</b>		<b>3,515,738</b>	<b>593,237</b>
<b>Other comprehensive income</b>			
Net change in fair value of equity investments	9	(127,018)	52,610
Foreign operations – foreign currency translation		76,159	167,952
<b>Total comprehensive surplus for the year</b>		<u><b>3,464,879</b></u>	<u><b>813,799</b></u>

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 13 to 34.

## Consolidated Statement of financial position

As at 30 June 2020

	Note	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	14	14,064,656	8,620,703
Trade and other receivables	15	2,283,089	1,901,764
Investments – financial assets	16	4,341,813	6,230,928
<b>Total current assets</b>		<u>20,689,558</u>	<u>16,753,395</u>
Investments – financial assets	16	3,142,972	3,277,533
Property, plant and equipment	17	953,376	979,638
Intangibles	18	1,015,213	1,218,256
Right-of-use assets	19(a)	1,313,842	-
<b>Total non-current assets</b>		<u>6,425,403</u>	<u>5,475,427</u>
<b>Total assets</b>		<u>27,114,961</u>	<u>22,228,822</u>
<b>Liabilities</b>			
Trade and other payables	20	8,168,321	8,213,929
Provisions	21	930,060	981,716
Lease liabilities	19(b)	615,121	-
<b>Total current liabilities</b>		<u>9,713,502</u>	<u>9,195,645</u>
Provisions	21	1,003,180	923,037
Lease liabilities	19(b)	823,260	-
<b>Total non-current liabilities</b>		<u>1,826,440</u>	<u>923,037</u>
<b>Total liabilities</b>		<u>11,539,942</u>	<u>10,118,682</u>
<b>Net assets</b>		<u>15,575,019</u>	<u>12,110,140</u>
<b>Equity</b>			
Unrestricted reserves			
Retained surplus	22	5,769,325	2,813,360
Bequest reserve	22	500,000	500,000
Fair-value reserve	22	709,453	836,471
		<u>6,978,778</u>	<u>4,149,831</u>
Restricted reserves and foreign currency translation reserve	22	8,596,241	7,960,309
<b>Total equity</b>		<u>15,575,019</u>	<u>12,110,140</u>

The Consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 13 to 34.

## Consolidated Statement of changes in equity

### Year Ended 30 June 2020

	Retained surplus \$	Bequest Reserve \$	Fair value reserve \$	Restricted reserve \$	Total equity \$
Balance as at 1 July 2018	1,856,043	500,000	783,861	8,156,437	11,296,341
<b>Total comprehensive income for the period</b>					
Surplus in revenue over expenditure	593,237	-	-	-	593,237
<b>Other comprehensive income</b>					
Net change in fair value of equity investments at FVOCI	-	-	52,610	-	52,610
Transfers (from) restricted funds	364,080	-	-	(364,080)	-
Foreign operations – foreign currency translation	-	-	-	167,952	167,952
<b>Balance as at 30 June 2019</b>	<b>2,813,360</b>	<b>500,000</b>	<b>836,471</b>	<b>7,960,309</b>	<b>12,110,140</b>
Balance as at 1 July 2019	2,813,360	500,000	836,471	7,960,309	12,110,140
<b>Total comprehensive income for the period</b>					
Excess in revenue over expenditure	3,515,738	-	-	-	3,515,738
<b>Other comprehensive income</b>					
Net change in fair value of equity investments at FVOCI	-	-	(127,018)	-	(127,018)
Transfers to restricted funds	(559,773)			559,773	-
Foreign operations – foreign currency translation	-	-	-	76,159	76,159
<b>Balance as at 30 June 2020</b>	<b>5,769,325</b>	<b>500,000</b>	<b>709,453</b>	<b>8,596,241</b>	<b>15,575,019</b>

The Consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 34.

## **Consolidated Statement of cash flows**

### **For the Year Ended 30 June 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		53,512,070	56,426,368
Cash payments in the course of operations		(49,542,930)	(53,584,979)
Interest paid on lease liabilities		(55,507)	-
<b>Net cash from operating activities</b>	<b>25</b>	<b>3,913,633</b>	<b>2,841,389</b>
<b>Cash flows from investing activities</b>			
Proceeds from financial assets		7,546	159,518
(Investments in) bank term deposits		1,889,113	(2,782,948)
Acquisition of intangibles, property, plant & equipment		(138,700)	(134,768)
Proceeds from disposal of property, plant & equipment		29,648	2,572
Investment income received		130,583	205,004
Interest received		138,678	49,825
<b>Net cash used in investing activities</b>		<b>2,056,868</b>	<b>(2,500,797)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sub-leasing		34,377	-
Repayment of lease obligations		(560,925)	-
<b>Net cash used in from financing activities</b>		<b>(526,548)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,443,953</b>	<b>340,592</b>
<b>Cash and cash equivalents at 1 July</b>		<b>8,620,703</b>	<b>8,280,111</b>
<b>Cash and cash equivalents at 30 June</b>	<b>14</b>	<b>14,064,656</b>	<b>8,620,703</b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 13 to 34.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**1. Reporting entity**

ChildFund Australia and its consolidated entity (the “Group”) is a public Company limited by guarantee and a not for profit entity. It is an income tax exempt charitable organisation domiciled in Australia and its registered office is at Level 8, 162 Goulburn Street, Surry Hills NSW 2010. The mission of the Group is to work in partnership to create community and systems change which enables children and young people, in all their diversity, to assert and realise their rights.

**2. Basis of preparation**

**(a) Statement of compliance**

In the opinion of the directors, the Group is not publicly accountable. The financial report is a Tier 2 general purpose financial report which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), ACNC and the ACFID Code of Conduct Guidance. The financial statements were approved by the Board of Directors on the 23<sup>rd</sup> of September 2020.

This is the first set of the Group’s annual financial statements in which AASB 16 *Leases* have been applied. Changes to significant accounting policies are described in Note 3.

**(b) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Group’s functional currency.

**(c) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**(d) Principles of consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has two subsidiaries: International Christian Aid Relief Enterprises Limited (ICARE) and ChildFund Papua New Guinea Inc. The Group operates in five overseas branches as at 30 June 2020, being Cambodia, Timor-Leste, Laos, Myanmar and Vietnam.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**3. Changes in accounting policy**

The Group has applied AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach, under which Right-of-use asset equal lease liabilities (adjusted for accruals and prepayments). Accordingly, the comparative information presented for the year end 30 June 2019 is not restated i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

**(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(b).

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

**(b) As a lessee**

As a lessee, the Group leases many assets including property and office equipment. The Group previously classified its leases as operating lease under AASB117 on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on balance sheet.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all its leases.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**3. Changes in accounting policy (continued)**

**(c) Impact on financial statements**

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities.

	<b>2019</b>
	<b>\$</b>
Right-of-use asset	1,359,409
Lease liabilities	<u>(1,359,409)</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 4%.

	<b>2019</b>
	<b>\$</b>
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements*	1,530,673
Discounted using the incremental borrowing rate at 1 July 2019	<u>1,436,780</u>
Recognition exemption for leases with less than 12 months of lease term at transition	<u>(77,371)</u>
Lease liabilities recognised at 1 July 2019	<u><u>1,359,409</u></u>

For the impact of AASB 16 on statement of comprehensive income for the period, see Note 19(c). For the details of accounting policies under AASB 16 and AASB 117, see Note 4(b).

\* Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements has been restated to reflect the Group Operating lease commitment.

**4. Significant accounting policies**

Except as mentioned in Note 3, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Group is a signatory to the Australian Council for International Development (ACFID) Code of Conduct and the Group has presented its Consolidated Statement of Comprehensive Income in accordance with the Code of Conduct Implementation Guidance.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(a) Revenue recognition**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 1058 (applicable from 1 July 2018)
Child sponsorship, Global community, gifts and donations	The nature of revenue is such that it does not meet the requirements of AASB 15 as there is no enforceable contract nor there are any specific performance obligations. Revenue is recognised when the Group gains control of the contribution.	Revenue is recognised when the Group gains control of the contribution. Amounts received are recognised immediately in profit or loss.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 July 2018)
Grants	Grant revenue reflects the status of the delivery of goods and services to date. Unexpended grants are recognised as liabilities (deferred revenue) to reflect the performance obligations to deliver further goods and services outlined in the grant agreement.	Grants from Government, multilateral and non-government organisations are recognised as revenue when (or as) the performance obligations are satisfied. Unexpended grants are recognised as liabilities to reflect the obligation to repay any unspent portion at the completion of the program.

**(b) Leases**

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4.

***Policy applicable from 1 July 2019***

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

**(i) As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.



**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(b) Leases (continued)**

**(i) As a lessee (continued)**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities are also presented separately in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(b) Leases (continued)**

**(ii) As a Lessor**

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

***Policy applicable before 1 July 2019***

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

**(i) As a Lessee**

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

**(ii) As a lessor**

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(c) Taxation**

No income tax is payable as the Group is exempt under Australian taxation legislation.

**(d) Comparatives**

Where required by accounting standards or where items have been reclassified, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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 acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(f) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

**Financial statements of foreign operations**

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the end of each reporting period. Foreign exchange differences arising on consolidation are recognised in other comprehensive income.

**(g) Financial instruments**

**(i) Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(g) Financial instruments (continued)**

**(ii) Classification and initial measurement of financial assets**

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

**(iii) Subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Equity instruments at FVOCI

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Group's debt instruments are subsequently measured at amortised cost and equity instruments at FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

**Financial assets - Subsequent measurement and gains and losses**

**(a) Financial assets at amortised cost**

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income is recognized in profit or loss. The Group's receivables fall into this category of financial instruments.

Receivables comprise cash and cash equivalents, term deposits and trade and other receivables.

**(b) Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(g) Financial instruments (continued)**

**(iii) Subsequent measurement of financial assets (continued)**

**(c) Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**(h) Impairment**

**(i) Financial assets**

AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has one type of financial assets (trade and other receivables) that are subject to AASB 9's new expected credit loss model. Trade and other receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there has been no identification of any impairment loss as the balances are held with financial institutions with high credit rating.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of comprehensive income. The cumulative loss that is reclassified from equity to statement of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the consolidated statement of comprehensive income. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(h) Impairment (continued)**

**(ii) Non-financial assets**

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an assets or its related cash generating unit (CGU) exceeds its recoverable amount.

**(i) Property, plant and equipment**

**Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**Subsequent costs**

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive income as incurred.

**Depreciation**

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each consolidated part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods were as follows:

- |  |              |
|--|--------------|
| • Furniture, fittings and office equipment | 4 to 5 years |
| • Buildings                                | 40 years     |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Non-current assets at overseas branches**

Items of plant and equipment acquired for use on specific grant funded projects for use by overseas branches are expensed at the time of purchase.

**Capital works in progress**

Only items ready for use are included in cost of assets and depreciated. Capital works in progress are capitalised but not depreciated.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**4. Significant accounting policies (continued)**

**(j) Intangible assets and software**

The implementation cost of information technology systems that have a useful life beyond 2 years is capitalised and amortised over the expected life once available for use. Only direct labour and external consultant costs are capitalised.

**(k) Employee benefits**

**Wages, salaries, annual leave and non-monetary benefits**

Liabilities for employee benefits for wages, salaries, annual leave and non-monetary benefits that are expected to be settled within 12 months of each reporting period date represent present obligations resulting from employees' services provided to the end of each reporting period. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the end of each reporting period including related on-costs such as workers compensation insurance and payroll tax. Non-accumulation non-monetary benefits are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**Long term service benefits**

The Group's net obligation in respect of annual leave expected to be settled after 12 months and other long term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the corporate bonds at the end of reporting period which have maturity dates approximating to the terms of the Group's obligations.

**Superannuation**

Contributions made by the Group to employee superannuation funds are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to the employee upon retirement.

**(l) Provisions**

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(m) Finance income**

Interest income is recognised in the consolidated statement of comprehensive income, using the effective interest method.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**5. Determination of fair value**

**Investments in equity and debt securities**

The fair value of investments in equity instruments is determined by reference to their last sale price at the end of each reporting period.

	<b>2020</b>	<b>2019*</b>
	<b>\$</b>	<b>\$</b>
<b>6. Personnel expenses</b>		
<b>Management and support staff (Australia)</b>		
Salaries and wages	5,804,740	5,477,390
Superannuation	536,385	508,056
Other personnel expenses	149,775	167,105
<b>Subtotal</b>	<b>6,490,900</b>	<b>6,152,551</b>
<b>Project staff in countries of operation</b>		
Salaries and wages	6,769,237	6,770,919
Social protection expenses	330,899	335,269
Other personnel expenses	1,118,522	1,226,920
<b>Subtotal</b>	<b>8,218,658</b>	<b>8,333,108</b>
<b>Total personnel expenses</b>	<b>14,709,558</b>	<b>14,485,659</b>

\* The prior year comparative has been restated to reflect the Group's personnel expenditure.

**7. Other Australian Grants**

During the year \$1,411,041 (2019: \$2,127,686) of grants were received from other Australian organisations. \$1,790,217 (2019: \$2,290,229) was recognised as revenue, due to the deferral of grant revenue from the previous financial year being utilised.

**8. Overseas Grants**

During the year, \$16,886,574 (2019: \$16,366,320) of grants were received from members of ChildFund Alliance and other multi-lateral donors. Of this, \$16,294,040 (2019: \$15,989,476) was recognised as revenue.

<b>9. Investment income</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Recognised in comprehensive income</b>		
Income from equity investments	130,583	205,004
Interest on term deposits	129,663	77,290
	<u>260,246</u>	<u>282,294</u>
<b>Recognised in other comprehensive income</b>		
Net change in fair value of equity investments	(127,018)	52,610
	<u>(127,018)</u>	<u>52,610</u>
<b>10. Other income</b>		
Fundraising grant – ChildFund International	983,444	1,408,211
Foreign exchange gains	72,649	243,650
Australian Government subsidy - Jobkeeper	549,000	-
Other	216,005	199,039
	<u>1,821,098</u>	<u>1,850,900</u>



**Notes to the financial statements**  
**Year Ended 30 June 2020**

<b>11. Funds to international programs</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Asia	22,312,592	22,656,227
Pacific	7,935,292	7,964,650
Africa	6,270,923	7,209,084
Latin America	1,182,194	1,146,433
	<u>37,701,001</u>	<u>38,976,394</u>

<b>12. Accountability and administration</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Personnel expenses (part of personnel expenses set out in note 6)	2,143,151	2,127,870
Depreciation - Property, plant and equipment*	80,823	55,455
Amortisation**	47,715	54,822
Depreciation – Right-of-use Assets *	92,491	-
Interest – Lease liabilities*	5,768	-
Other administration expenses	333,011	330,023
	<u>2,702,959</u>	<u>2,568,170</u>

\*Depreciation – Property, plant and equipment, Depreciation – Right-of-use Assets and Interest – Lease liabilities incurred in ChildFund Australia Sydney office are recognised in Accountability and administration expenditures. Those costs incurred in ChildFund Australia country offices are recognised in Funds to international programs in the Consolidated statement of comprehensive incomes.

\*\*Total amortisation costs of \$203,043 (refer note 18) for the marketing software solution has been apportioned among fundraising, program support and administration expenses.

<b>13. Auditors remuneration</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services:</b>		
Auditors of the Group		
KPMG Australia:		
- audit of financial statements	58,505	49,698
Other audit firms Australia:		
- audit of financial statements	1,910	3,690
Overseas KPMG firms:		
- audit and review of financial statements	84,397	75,855
Overseas other audit firms:		
- audit and review of financial statements	8,188	9,306
	<u>153,000</u>	<u>138,549</u>
<b>Other services:</b>		
Overseas KPMG firms:		
- other services*	31,184	42,082
Overseas other audit firms:		
- other services	36,430	78,273
	<u>67,614</u>	<u>120,355</u>

\* The prior year comparative has been restated to reflect the Group's other services undertaken by overseas KPMG firms.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

<b>14. Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank (held in AUD)	2,805,375	826,310
Cash at bank (held in various currencies)	3,982,948	3,210,360
Cash term deposits (held in AUD and USD)	5,235,242	2,212,712
Cash at bank, branch offices & Others (held in various currencies)	2,041,091	2,371,321
	<u>14,064,656</u>	<u>8,620,703</u>

**Cash at bank**

The weighted average interest rate on cash at bank in AUD at 30 June 2020 was 0.01% (2019: 0.02%). No interest is receivable on USD bank balance.

**Cash term deposits**

The deposits are fixed term deposits maturing within three months or less from the date of acquisition, and funds in "maxi saver" accounts. The weighted average interest rate on short term deposits as at 30 June 2020 is 0.81% (2019: 0.40%).

<b>15. Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Sundry debtors	1,873,696	1,597,375
Lease receivable	102,710	-
Prepayments	306,683	304,389
	<u>2,283,089</u>	<u>1,901,764</u>

The future expected lease receipts arising out of sublease of ChildFund Australia Papua New Guinea office lease is recognised in Lease receivable.

<b>16. Investments – financial assets</b>	<b>2020</b>	<b>2019</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Term deposits – current	4,341,813	6,230,928
	<u>4,341,813</u>	<u>6,230,928</u>
<b>Non-current</b>		
Equity investments at FVOCI	3,142,972	3,277,533
	<u>3,142,972</u>	<u>3,277,533</u>

**Term deposit current**

The deposits are fixed term deposits maturing three months or more from the date of acquisition. The weighted average interest rate on these term deposits as at 30 June 2020 is 0.36% (2019: 2.46%).

**Equity investments at FVOCI**

Equity investments at FVOCI represents long term investments held by the Group for strategic purposes. An unrealised loss of \$127,018 (2019: gain of \$52,610) being the difference between the fair value of the equity investments at FVOCI at balance sheet date and carrying value was taken up in equity. The Group's Equity investments are managed by JB Were.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**17. Property, plant and equipment**

	<b>Buildings</b>	<b>Furniture, fittings and office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
Balance at 1 July 2019	1,182,042	1,835,324	3,017,366
Acquisitions	-	138,700	138,700
Disposals	-	(171,503)	(171,503)
Balance at 30 June 2020	1,182,042	1,802,521	2,984,563
<b>Depreciation</b>			
Balance at 1 July 2019	517,636	1,520,092	2,037,728
Depreciation charge for the year	31,638	124,895	156,533
Disposals	-	(163,074)	(163,074)
Balance at 30 June 2020	549,274	1,481,913	2,031,187
<b>Carrying amounts</b>			
At 1 July 2019	664,406	315,232	979,638
At 30 June 2020	632,768	320,608	953,376

**18. Intangibles**

	<b>Total</b>
	<b>\$</b>
<b>Software</b>	
<b>Cost</b>	
Balance at 1 July 2019	2,192,862
Balance at 30 June 2020	2,192,862
<b>Amortisation</b>	
Balance at 1 July 2019	974,606
Amortisation charge for the year	203,043
Balance at 30 June 2020	1,177,649
<b>Carrying amounts</b>	
At 1 July 2019	1,218,256
At 30 June 2020	1,015,213

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**19. Leases**

**Leases as lessee (AASB16)**

The Group leases a number of office properties and equipment under operating leases. The leases typically run for a period of two to five years. The leases generally provide the Group with an option to review at which time all terms are renegotiated. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under AASB 117.

Information about leases for which the Group is a lessee is presented below.

**a) Right-of-use assets**

Right-of-use assets are leased office properties and equipment that do not meet the definition of property owned by the Group and presented as property, plant and equipment (see Note 17).

	<b>Property</b>	<b>Office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
Balance at 1 July 2019	1,284,562	74,847	1,359,409
Acquisitions	510,043	-	510,043
Depreciation	(526,809)	(28,801)	(555,610)
Balance at 30 June 2020	1,267,796	46,046	1,313,842

**b) Lease liabilities**

	<b>Property</b>	<b>Office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2019	1,284,562	74,847	1,359,409
Addition	639,897	-	639,897
Interest	53,694	1,813	55,507
Lease payments	(586,351)	(30,081)	(616,432)
Balance at 30 June 2020	1,391,802	46,579	1,438,381

Presented in the statement of financial position as follow:

	<b>2020</b>
	<b>\$</b>
Current	529,188
Non-current	909,193
	1,438,381

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**19. Leases (continued)**

**c) Amounts recognised in statement of comprehensive income**

	<b>2020</b>
	<b>\$</b>
<b>2020 – Lease under AASB 16</b>	
Interest on lease liabilities	55,507
Depreciation expenses	555,610
Expenditure relating to short-term leases	77,371
	<hr/>
<b>2019 – Operating leases under AASB 117</b>	
	<b>\$</b>
Lease expense	688,404
	<hr/>

**d) Amounts recognised in statement of cash flows**

	<b>2020</b>
	<b>\$</b>
Total Cash outflow for leases	560,925
	<hr/>

**e) Extension options**

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$265,354.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>20. Trade and other payables</b>		
Accounts payable	1,949,139	1,941,050
Unremitted funds	803,983	883,521
Revenue received in advance	374,755	430,168
Deferred Grants revenue	5,040,444	4,959,190
	<hr/>	<hr/>
	8,168,321	8,213,929
	<hr/>	<hr/>

Interest accrues (at bank deposit rate) on unspent government grants. All such interest is added to the grant amount and is used to fund international programs.

<b>21. Provisions</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current liabilities</b>		
Liability for annual leave	487,229	579,095
Liability for long service leave	442,831	402,621
	<hr/>	<hr/>
	930,060	981,716
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Liability for long service leave	1,003,180	923,037
	<hr/>	<hr/>
	1,003,180	923,037
	<hr/>	<hr/>

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**22. Share capital and reserves**

**Share capital**

No share capital has been issued as the Group is a company limited by guarantee.

**Unrestricted reserves**

Unrestricted reserves are not restricted or designated for use in particular programs or other defined or designated purpose. These funds are available to be allocated at the discretion of the directors. Unrestricted reserves compose:

**Retained Surplus**

The retained surplus is general unrestricted funds for use at the discretion of the Directors in furtherance of the objective of the Group.

**Bequest reserve**

The bequest reserve is not restricted or designated for use in particular programs or other defined or designated purpose. These are bequest funds that the Directors have set aside with an intention to set up an endowment fund in future. These funds are available to be allocated to other purposes at the discretion of the directors.

**Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVOCI until the investment is derecognised or impaired.

**Restricted reserves**

Restricted reserves are tied to particular purposes specified by donors or as identified at the time of a public appeal; but with no obligation to return unspent funds to donors. The foreign currency translation difference on consolidation of foreign operations is included in restricted reserves. They are not available for use in other ChildFund Australia work.

**23. Members' liability**

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2020 there were 10 members (2019: 10 members).

**24. Related parties**

**Transactions with key management personnel**

In addition to a salary, the Group also provides non-cash benefits to key management personnel, and contributes to a post-employment defined contribution superannuation fund on their behalf. No loans were made, guaranteed, or secured by the entity to key management personnel.

**Key management personnel compensation**

The key management personnel compensation included in the statement of comprehensive income are as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,035,356	1,005,716

Key management employees are not entitled to post-employment, termination or share-based payments.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**24. Related parties (continued)**

**Controlled Entities**

International Christian Aid Relief Enterprises (ABN 16 002 516 485), established in Australia and 100% owned by ChildFund Australia.

**Other related party transactions**

ChildFund Australia is a member of the ChildFund Alliance – a global network of 11 organisations which assists more than 14 million children and families in 63 countries.

During the year ChildFund International, a member of the ChildFund Alliance, granted an amount of \$983,444 (2019: \$1,408,211) to ChildFund Australia to invest in sponsor acquisition.

During the year, sponsorship, gifts, donations and grants totalling \$10,315,805 (2019: \$11,363,962) were included in disbursements to ChildFund Alliance members who have the responsibility for allocating those funds to programs throughout the world. During the year ChildFund Australia received \$14,289,810 (2019: \$13,682,581) from ChildFund Alliance members for programs in ChildFund Australia managed country programs.

**Overseas branches**

The results of country offices are included in these consolidated financial statements.

**i) Papua New Guinea**

The Group operates a country office in Papua New Guinea to assist in the Group's principal activities. The country office is under the control of the Group and prepares separate financial statements which are independently audited by KPMG PNG.

During the year, the funds from the Group to the Papua New Guinea country office totalled \$3,050,097 (2019: \$3,362,845). In-country grants to Papua New Guinea country office totalled \$1,672,337 (2019: \$1,548,814). At year-end, the net assets were \$102,430 (2019: \$108,744).

**ii) Vietnam**

The Group operates a country office in Vietnam to assist in the Group's principal activities. The country office is under the control of the Group and prepares separate financial statements which are independently audited by KPMG Vietnam.

During the year, the funds from the Group to the Vietnam country office totalled \$5,585,465 (2019: \$5,907,493). In-country grants to Vietnam country office totalled \$608,707 (2019: \$408,952). At year-end, the net assets were \$2,868,147 (2019: \$3,769,825).

**iii) Cambodia**

The Group operates a country office in Cambodia to assist in the Group's principal activities. The country office is under the control of the Group and prepares separate financial statements which are independently audited by KPMG Cambodia.

During the year, the funds from the Group to the Cambodia country office were \$3,189,760 (2019: \$4,055,479). In-country grants to Cambodia country office totalled \$3,280,262 (2019: \$2,517,965). At year-end, the net assets were \$1,842,545 (2019: \$569,191).

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**24. Related parties (continued)**

**Other related party transactions (continued)**

iv) Laos

The Group operates a country office in Laos to assist in the Group's principal activities. The country office is under the control of the Group and prepares separate financial statements which are independently audited by KPMG Laos.

During the year, the funds from the Group to the Laos country office totalled \$2,395,421 (2019: \$2,739,212). In-country grants to Laos' country office totalled \$1,057,394 (2019: \$1,335,166). At year-end, the net assets were \$237,561 (2019: \$207,623).

v) Myanmar

The Group operates a country office in Myanmar to assist in the Group's principal activities. The country office is under the control of the Group and prepares separate financial statements which are independently audited by KPMG Thailand.

During the year, the funds from the Group to the Myanmar country office totalled \$1,204,580 (2019: \$1,179,302). In-country grants to Myanmar country office totalled \$711,046 (2019: \$488,789). At year-end, the net assets were \$145,801 (2019: \$84,065).

vi) Timor Leste

The Group operates a country office in Timor Leste to assist in the Group's principal activities. The country office is under the control of the Group and prepares specific financial statements which are independently audited by Stantons International (Australia).

During the year, the funds from the Group to the Timor Leste country office totalled \$2,651,506 (2019: \$2,513,120). In-country grants to Timor Leste country office totalled \$184,795 (2019: \$278,072). At the end of year, the net assets of the Timor Leste country office were \$1,305,203 (2019: \$1,535,833).

vii) ChildFund Pass it Back

During the year, the ChildFund Pass it Back Regional Program operated in Laos, Vietnam, Cambodia, Timor-Leste, Philippines and Japan. Regional Program funding amounted to \$594,590 (2019: \$593,160).



**Notes to the financial statements**  
**Year Ended 30 June 2020**

**25. Notes to the statement of cash flows**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Surplus for the year	3,515,738	593,237
Depreciation – Property, plant and equipment	156,533	137,265
Amortisation	203,043	203,043
Depreciation – Use-of-right Assets	555,610	-
Investment income	(130,583)	(205,004)
Gain on disposal – Property, plant and equipment	(21,220)	-
Interest income	(145,911)	(49,825)
Foreign Operations – Foreign currency translation	76,159	167,952
<b>Operating gain before changes in working capital and provisions</b>	<b>4,209,369</b>	<b>846,668</b>
(Increase)/Decrease in trade and other receivables*	(278,615)	1,168,682
(Decrease)/Increase in trade and other payables	(45,608)	626,569
Increase in employee benefits provisions	28,487	199,470
<b>Net cash from operating activities</b>	<b>3,913,633</b>	<b>2,841,389</b>

\*Increase in trade and other receivables exclude lease receivable \$102,710. See Note 15.

**26. Coronavirus COVID-19**

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. In the countries in which the Group operates, governments have been taking stringent steps to help contain or delay the spread of the virus, which impacted our ability to deliver programs to varying extents across our countries of operation.

There continues to be a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates. Fundraising activities within Australia have also been impacted.

For ChildFund Australia's 30 June 2020 financial statements, the Coronavirus outbreak and the related impacts do not have any impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, ChildFund Australia cannot reasonably estimate the impact these events will have on ChildFund Australia's financial position, results of operations or cash flows in the future. Based on the current available information, the Directors believe that the Group will remain a going concern.

**27. Events subsequent to 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 affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

**Notes to the financial statements**  
**Year Ended 30 June 2020**

**28. Additional information and declarations to be furnished under the Charitable Fundraising (NSW) Act 1991**

**Public fundraising appeals conducted during the financial year**

- Ongoing sponsorship of children, gifts for children and donations.

**Statements showing how funds received were applied to charitable purposes**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Gross revenue from public activities	25,704,273	26,595,802
Less: Public fundraising costs	(5,718,250)	(8,569,735)
Net public funds	<u>19,986,023</u>	<u>18,026,067</u>
 Gross Government, overseas, multilateral & corporate grants	 25,299,739	 25,684,563
Less: Government, multilateral & corporate fundraising costs	(124,169)	(122,021)
Net Government, overseas, multilateral & corporate funds	<u>25,175,570</u>	<u>25,562,542</u>
Other revenue	2,081,344	2,133,194
Net funds raised	<u>47,242,937</u>	<u>45,721,803</u>
 Overseas project disbursements	 37,701,001	 38,976,394
Program support costs	2,786,851	2,990,112
Community education costs	536,388	593,890
Total funds disbursed towards the objectives of the Company	<u>41,024,240</u>	<u>42,560,396</u>
Accountability and administration expenses	<u>2,702,959</u>	<u>2,568,170</u>
Operating surplus	<u><u>3,515,738</u></u>	<u><u>593,237</u></u>

## **Directors' declaration**

In the opinion of the directors of ChildFund Australia ("the Group"):

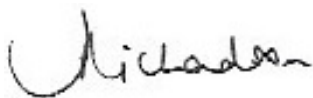
- (a) the Group is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 9 to 34 are in accordance with the Australian Charities and Not-for-profits Commission Regulation 2013, including:
  - (i) giving a true and fair view of the financial position of the Group as at 30 June 2020 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime, the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



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Mary Latham  
Director



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Justine Richardson  
Director

Dated at Sydney this 23<sup>rd</sup> day of September 2020

**Declaration by Chief Executive Officer in respect of fundraising appeals**

I, Margaret Sheehan, Chief Executive Officer of ChildFund Australia, declare that in my opinion:

- (a) the accounts give a true and fair view of all income and expenditure of ChildFund Australia with respect to fundraising appeals for the financial Year Ended 30 June 2020;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals as at 30 June 2020;
- (c) the provisions of the Charitable Fundraising Act (NSW) 1991 and Regulations and the conditions attached to the authority have been complied with for the year ending 30 June 2020; and
- (d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.



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Margaret Sheehan  
Chief Executive Officer

Dated at Sydney this 23<sup>rd</sup> day of September 2020



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# Independent Auditor's Report

To the members of ChildFund Australia

## Report on the audit of the Annual Financial Statements

### Opinion

We have audited the **Annual Financial Statements** of ChildFund Australia ("the **Group**").

In our opinion, the accompanying **Annual Financial Statements** of ChildFund Australia is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission (ACNC) Act 2012, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.
- comply with the presentation and disclosure requirement of the ACFID Code of Conduct.

The **Annual Financial Statements** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.
- Declaration by the Chief Executive Officer in respect of fundraising appeals

The **Group** consists of ChildFund Australia (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Annual Financial Statements* section of our report.

We are independent of the Group in accordance with auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

# Independent Auditor's Report

To the members of ChildFund Australia (continued)

## Report on the audit of the Annual Financial Statements (continued)

### Other Information

Other Information is financial and non-financial information in ChildFund Australia's annual reporting which is provided in addition to the Annual Financial Statements and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Annual Financial Statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Annual Financial Statements

The Directors are responsible for:

- preparing the Annual Financial Statements that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the ACNC Act 2012.
- preparing the Annual Financial Statements in accordance with Sections 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- implementing necessary internal control to enable the preparation of Annual Financial Statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's Report

To the members of ChildFund Australia (continued)

## Report on the audit of the Annual Financial Statements (continued)

### Auditor's responsibilities for the audit of the Annual Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the Annual Financial Statements 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Annual Financial Statements.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

A further description of our responsibilities for the audit of the Annual Financial Statements is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

In addition we have:

- obtained an understanding of the internal control structure for fundraising appeal activities.
- examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act and Regulation.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Annual Financial Statements such as accruals, prepayments, provisioning and valuations.



# Independent Auditor's Report

To the members of ChildFund Australia (continued)

## Report on other legal and regulatory requirements

### Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- the Annual Financial Statements give a true and fair view of the Group's financial result of the fundraising appeal activities for the financial year ended 30 June 2020;
- the Annual Financial Statements have been properly drawn up, and the associated records have been properly kept for the period from 1 July 2019 to 30 June 2020, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- money received as a result of Fundraising appeal activities conducted during the period from 1 July 2019 to 30 June 2020 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- there are reasonable grounds to believe that the Group and Company will be able to pay its debts as and when they fall due.

**KPMG**

**Cameron Roan**

*Partner*

Sydney

23 September 2020