



CARE AUSTRALIA

ABN 46 003 380 890

FINANCIAL REPORT

For the year ended 30 June 2014



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DIRECTORS' REPORT

The Directors submit their report for the year ended 30 June 2014.

Board of Directors

The names of the Board Members in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<i>Chairman</i>	Harold Mitchell, AC
<i>Vice Chairs</i>	Christine O'Reilly Peter Debnam
<i>Treasurer</i>	Bronwyn Morris
<i>Board Members</i>	Colin Galbraith, AM Robert Glindemann, OAM Allan Griffiths William Guest Professor Stephen Howes Dr Peta Seaton (resigned 27 September 2013) Louise Watson David Feetham (appointed 1 November 2013)

As at the date of this report, CARE Australia (the Company) had the following standing committees: an Executive Committee; International Program and Operations Committee; Finance and Audit Committee; People Committee; Fundraising and Communications Committee. In addition CARE Australia also had the following special committees: the Committee for Transformational Change in CARE International, and Governance and Nominations Committee of the Board of Directors. Apart from the Executive Committee, the Chairman attends committee meetings at his discretion.

The members of the Executive Committee during the 2013-14 financial year were Mr Harold Mitchell (Chair), Mr. Allan Griffiths, Mr. Peter Debnam, Mr. William Guest, Ms. Bronwyn Morris, Ms. Christine O'Reilly, and Professor Stephen Howes.

The members of the International Program and Operations Committee during the 2013-14 financial year were Professor Stephen Howes (Chair), Mr. Allan Griffiths, Mr. Peter Debnam, Dr. Peta Seaton (to 27 September 2013) and Mr. David Feetham (from 1 November 2013).

The members of the Finance and Audit Committee during the 2013-14 financial year were Ms. Bronwyn Morris (Chair), Mr. Allan Griffiths, Ms. Christine O'Reilly, Mr. Bob Glindemann and Mr. Colin Galbraith.

The members of the People Committee during the 2013-14 financial year were Mr. Allan Griffiths (Chair), Ms. Louise Watson and Ms. Christine O'Reilly (from 1 November 2013).

Directors' Report Cont'd

The members of the Fundraising and Communications (FaC) Committee during the 2013-14 financial year were Mr. William Guest (Chair), Mr. Bob Glindemann, Ms. Bronwyn Morris, Ms. Louise Watson, Mr. Peter Debnam, Dr. Peta Seaton (to 27 September 2013) and Mr David Feetham (from 1 November 2013).

The members of the Committee for Transformational Change in CARE International during the 2013-14 financial year were Mr Colin Galbraith (Chair), Mr Allan Griffiths, Mr Harold Mitchell and Ms Christine O'Reilly. This Committee met on a number of occasions during the year.

The members of the Governance and Nominations Committee during the 2013-14 financial year were Mr Harold Mitchell (Chair), Ms. Christine O'Reilly, Mr William Guest, and Mr. Colin Galbraith. This Committee met as required during the year.

Standing Committee Meetings Attendance

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each director was as follows:

Director	Meetings of Committees											
	Board Meetings		Executive		International Program & Operations		People		Finance & Audit		Fundraising & Comms	
	A	B	A	B	A	B	A	B	A	B	A	B
Harold Mitchell	4	3	2	2	-	-	-	-	-	-	-	-
Christine O'Reilly	4	3	2	2	1	1	2	1	5	4	-	-
Bronwyn Morris	4	4	2	2	-	-	-	-	5	5	3	3
Peter Debnam	4	4	-	-	4	4	-	-	-	-	3	3
David Feetham	2	2	-	-	2	-	-	-	-	-	2	-
Colin Galbraith	4	4	-	-	-	-	-	-	5	4	-	-
Robert Glindemann	4	4	-	-	-	-	-	-	5	3	3	2
Allan Griffiths	4	4	1	-	3	3	2	2	5	4	-	-
William Guest	4	3	2	1	-	-	-	-	-	-	3	3
Professor Stephen Howes	4	4	2	2	4	4	-	-	-	-	-	-
Dr Peta Seaton	-	-	-	-	1	-	-	-	-	-	1	-
Louise Watson	4	4	-	-	-	-	2	2	-	-	3	2

A – the number of meetings the Director was eligible to attend during the year

B – the number of meetings attended

Directors' Report Cont'd

Objectives

The objects of the Company as set out in the Constitution are:

- (a) to provide resources, disaster and emergency relief, technical assistance, training and self-help programs (as the Board considers appropriate to the needs and priorities of particular locations and communities):
 - (i) to relieve poverty, malnutrition, hunger, illness, illiteracy and discrimination; and
 - (ii) to strengthen the capacity for self-help and to provide economic opportunity;
- (b) to work with other autonomous national and international organisations having (or having objectives which include) similar objectives to those in article 2(a) of the Constitution;
- (c) to do all other things as may be incidental or ancillary to the attainment of these objects.

Principal Activities

The principal activities of the Company during the year were to manage humanitarian development and emergency aid programs and to promote improved living standards and the advancement of education among the world's poor. There was no significant change in the nature of these activities during the year.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation or law of the Commonwealth or Australian Capital Territory.

Operating Results

The operating result for the financial year ended 30 June 2014 was a surplus of \$278,092 (2013: surplus of \$1,051,639).

Performance Measures

The Company measures its performance in many ways, including:

- Monitoring and evaluating individual projects and our overarching program.
- Compliance with donor requirements, including institutional accreditation by DFAT.
- Growth in income from the Australian public, DFAT and the Australian Government, CARE International members, foreign governments and overseas based organisations, and from investments.
- Monitoring the costs of fundraising and administration as a proportion of total income.

Management and the Board also monitor the Company's overall performance, from its implementation of the strategic plan through to the performance of the Company against the annual operating plan and financial budget.

Directors' Report Cont'd

Review of Operations

The year has seen the continuation of delivery of development assistance programs in South Asia and South East Asia, the Middle East, the Pacific, Papua New Guinea and Africa.

Emergency assistance was provided to those affected by natural disasters and conflict in South Asia (Pakistan), Middle East (Jordan), South East Asia (Myanmar, Cambodia, Vietnam, Philippines) and Africa (Ethiopia, Kenya, Djibouti, Somalia, Chad, Niger and Mali). Major fundraising appeals were launched to support the emergency response to Typhoon Haiyan in the Philippines, the Syrian refugee crisis and emergency assistance in South Sudan.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company other than mentioned above.

EMPLOYEES

As at 30 June 2014, the Company employed 126 staff (2013: 130 staff) on Australian contracts and 831 staff (2013: 890 staff) on contracts entered into in other countries including Cambodia, Laos, Myanmar, Papua New Guinea, Timor-Leste, Vanuatu and Vietnam.

Matters Subsequent to the end of the Financial Year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect:

- i. the operations of the Company;
- ii. the results of those operations; or
- iii. the state of affairs of the Company.

Indemnification and Insurance of Directors and Officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of CARE Australia against costs incurred in defending proceedings for conduct involving a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$9,000 (2013: \$14,000). This amount is declared in Note 18 to the financial statements.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Dividends

The Company is prohibited by its constitution from declaring or paying any dividends.

Directors' Report Cont'd

Likely Developments

Project operations are expected to continue in South Asia and South East Asia, the Middle East and Pacific Regions, the Caribbean and Africa, supported by funding from the Australian public, Australian Government, CARE International members and multilateral sources.

Auditor Independence

The Directors received a declaration of independence from the auditor of the Company which is attached to this report.

Non-Audit Services

The Company's auditor, Ernst & Young did not provide any non-audit services during the reporting period.

Particulars of Directors

CHAIRMAN

Harold Mitchell, A.C.

Director since 2004

Founder, Mitchell & Partners; Chair, Melbourne Symphony Orchestra; Vice President, Tennis Australia; Chair, Art Exhibitions Australia; Chair, TVS University of Western Sydney's television service for Greater Sydney; Board member, New York Philharmonic; Non-Executive Director, Crown Limited; Chair, Florey Institute of Neuroscience and Mental Health; Chair, FreeTV Australia.

Formerly – President, Museums Board of Victoria; President, Asthma Foundation (Victoria); Chair, National Gallery Australia; Board Member, Opera Australia Council; Director, Deakin Foundation; President, Melbourne International Festival of Arts; Chair, Melbourne Recital Centre; Chair, ThoroughVision; Executive Chair, Aegis Media Pacific; Director, CARE International; Chair and Owner, Melbourne Rebels Rugby Union.

Harold is also the Chair of the CARE Australia Executive Committee and Governance and Nominations Committee.

VICE-CHAIR

Christine O'Reilly

Director since 2007

Director, CARE International; Director, CSL Limited, Director Transurban Group; Director, Energy Australia Limited; Director, Baker IDI; Director, Medibank.

Formerly – Global Co-Head of Infrastructure Investment, Colonial First State Global Asset Management; Chief Executive Officer and Director, GasNet Australia Group; Director, Anglian Water Group, Electricity North West.

Directors' Report Cont'd

Particulars of Directors (continued)

VICE-CHAIR

Peter Debnam

Director since 2013

Chair, The Muscular Dystrophy Association of NSW; Chair, Advisory Board Our Big Kitchen Ltd; Director, Muscular Dystrophy Foundation Australia; Director, The Paraplegic and Quadriplegic Association of NSW; Director, Disability Sports Australia Ltd; Director, Soils for Life Pty Ltd; Member of Sydney Legacy; Associate Member of North Bondi Surf Club.

Formerly – Member of NSW Parliament, Shadow Minister and Leader of the Opposition; Director, Paddle NSW Inc.

TREASURER

Bronwyn Morris

Director since 2007

Director, RACQ Ltd; Director, RACQ Insurance; Director, Collins Foods Ltd; Deputy Chair, Children's Health Foundation Queensland; Councillor, Queensland Division of the Australian Institute of Company Directors; Director, Fyfe Group Holdings Pty Ltd; Chair, Queensland Local Government Superannuation Board (LG Super).

Formerly – Director, Spotless Group Ltd; Director, Queensland Investment Corporation Ltd; President, The Brisbane Club; Director, Brisbane Marketing; Director, Bond University; Chair, Queensland Rail; Director, Colorado Group Ltd; Director, Queensland Office of Financial Supervision; Member, Australian Advisory Committee of Parsons Brinckerhoff; Partner, KPMG.

Bronwyn is also the Chair of the CARE Australia Finance and Audit Committee.

MEMBERS

David Feetham

Director since 2013

Deputy Chairman, Gresham Advisory Partners Limited.

Formerly – Macquarie Bank in Sydney; Baker & McKenzie.

Directors' Report Cont'd

Particulars of Directors (continued)

Colin Galbraith, AM

Director since 2004

Special Adviser, Gresham Partners Limited; Chair, BHP Billiton Community Trust; Director, Arrium Ltd; Director, Colonial Foundation; Trustee, Royal Melbourne Hospital Neuroscience Foundation.

Formerly – Director, Australian Institute of Company Directors; Director, Commonwealth Bank of Australia.

Colin is also the Chair of the CARE Australia Transformational Change in CARE International Committee.

Robert Glindemann, OAM

Director since 2008

Deputy Chair and Non-Executive Director of Navy Health Limited; Deputy Chair, Very Special Kids Foundation; Chair, Australian Institute of Motor Sport Safety; Director, SecondBite; Director, East Timor Roofing Holdings Pty Ltd; Director, East Timor Roofing and Training UNIP LDA.

Formerly – Chair, RMS Logistics Pty Ltd; Director and Vice President, Confederation of Australian Motor Sport; Principal, PRO:NED Vic Pty Ltd; Past President, Rotary Club of Darwin and Rotary Club of Melbourne Inc.

Allan Griffiths

Director since 2008

Non-Executive Director, IOOF Holdings Pty Ltd; Westpac Life Insurance Services Ltd; St George Life Ltd; Westpac General Insurance Ltd; Westpac Lenders Mortgage Insurance Ltd. Advisory Board Member, Cloud8 Health Pte Ltd.

Formerly – Chief Executive Officer, Aviva Australia; Managing Director, South East Asia Aviva Asia.

Allan is also the Chair of the CARE Australia People Committee.

Directors' Report Cont'd

Particulars of Directors (continued)

William (Bill) Guest

Director since 2000

Director of Guest Group, Guest Hire, Guest Commercial, Suite Deals, Guest Interiors, Property 4 Retail and Guest Nominees; Director, Board of Australian Prostate Cancer Research.

Formerly – Director, Freedom Furniture Limited; Director, Melbourne Football Club; Managing Director, Andersons Furniture; Managing Director, Sofa Workshop.

Bill is also the Chair of the CARE Australia Fundraising and Communications Committee.

Professor Stephen Howes

Director since 2012

Professor of Economics, Director, Development Policy Centre and Director, International and Development Economics graduate program, Crawford School of Public Policy, Australian National University; Chair, Papua New Guinea Family and Sexual Violence Case Management Centre.

Formerly – Chief Economist, Australian Agency for International Development; Lead Economist, World Bank in India; Director, Pacific Institute of Public Policy; Advisory Board Member, Asian Development Bank Institute

Stephen is also the Chair of the CARE Australia International Program and Operations Committee.

Dr Peta Seaton

Director since 2008

Resigned 27 September 2013

Director of Strategic Priorities, Office of the Premier of NSW; Deputy Chair, Bradman Foundation; Member UNSW Faculty of Science Advisory Council.

Louise Watson

Director since 2008

Managing Director and Principal, Symbol Strategic Communications; Communications Adviser to many of Australia's leading public companies.

Formerly – Chair, Corporate and Finance, Edelman Public Relations in Australia; Non-Executive Director, Odyssey House and McGrath Foundation; Advisory Board Director, Grant Samuel & Associates; Committee Member, the Prime Minister's "Supermarket to Asia" Communications Working Group.

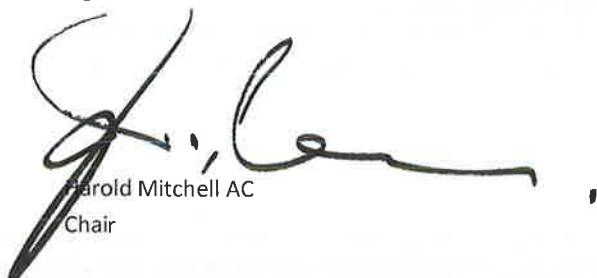
COMPANY SECRETARY**Gregory Brown**

Company Secretary since 2009. Prior to this, Greg held senior positions in the Commonwealth public sector, including Director Corporate Services and Chief Finance Officer at the Australian Film Commission and Chief Financial Officer at the Federal Court of Australia.

Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit, other than as disclosed in Note 18 to the financial statements.

Signed in accordance with a resolution of the Directors.



Harold Mitchell AC
Chair



Bronwyn Morris
Treasurer

24 October 2014



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Auditor's Independence Declaration to the Directors of CARE Australia

In relation to our audit of the financial report of CARE Australia for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ben Tansley
Partner
24 October 2014



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Independent auditor's report to the members of CARE Australia

Report on the financial report

We have audited the accompanying financial report of CARE Australia, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of CARE Australia is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.2 .

Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008 and the requirements of the WA Charitable Collections Act (1946) and the WA Charitable Collections Regulations (1947)

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991* and the *WA Charitable Collections Act (1946)*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008* and the *WA Charitable Collections Act (1946)* and the *WA Charitable Collections Regulations (1947)*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Act(s) and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion:

- a) the financial report of CARE Australia has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2014, in all material respects, in accordance with:
 - (i) sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - (ii) sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*;
 - (iii) the *WA Charitable Collections Act (1946)*; and
 - (iv) the *WA Charitable Collections Regulations (1947)*.



- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2014 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act(s) and Regulations.

Ernst + Young

Ernst & Young

Ben

Ben Tansley
Partner
Canberra
24 October 2014

DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of CARE Australia, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, and International Financial Reporting Standards issued by the International Accounting Standards Board, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulations 2013*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) the provisions of the *Charitable Fundraising Act 1991 (New South Wales)* and the regulations under the Act and the conditions attached to the authority have been complied with;
- (e) the provisions of the *Charitable Fundraising Act 1946 (Western Australia)* and the regulations under the Act and the conditions attached to the authority have been complied with; and
- (f) the internal controls exercised by the Company are appropriate and effective in accounting for all income received and applied by the Company from any of its fundraising appeals.

On behalf of the Board

A large, stylized handwritten signature in black ink, appearing to read "Harold Mitchell".

Harold Mitchell AC
Chair

A handwritten signature in blue ink, appearing to read "Bronwyn Morris".

Bronwyn Morris
Treasurer

24 October 2014

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2014

		2014	2013
		\$	\$
REVENUE	<i>Note</i>		
Donations from the Australian public - cash		13,748,558	11,902,543
Donations from the Australian public - in kind		173,069	68,386
Bequests		749,412	689,209
Grants			
Department of Foreign Affairs and Trade (including previous AusAID grants)		19,370,029	21,622,003
Other Australian	3	7,155,310	3,830,511
Other overseas	4	16,772,675	16,544,260
Investment income		776,551	808,205
Other income	5	629,266	1,604,515
Total revenue		59,374,870	57,069,632
EXPENSES			
International Programs			
Funds to international programs		47,986,979	43,988,440
Program support costs		3,618,403	3,571,785
Community education		1,459,215	1,822,561
Fundraising costs			
Public		4,116,167	4,437,759
Government, multilateral and private		134,225	403,288
Accountability and administration		1,608,720	1,725,774
Non-monetary expenditure – Australian based		173,069	68,386
Total expenses	6	59,096,778	56,017,993
NET SURPLUS		278,092	1,051,639
Other comprehensive income		-	-
Total comprehensive income for the period		278,092	1,051,639

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7	12,087,725	21,997,842
Held to maturity investments		15,735,281	11,975,154
Prepayments		581,704	568,123
Project advances		2,707,423	2,302,692
Trade and other receivables	9	8,697,269	4,689,048
TOTAL CURRENT ASSETS		39,809,402	41,532,859
NON-CURRENT ASSETS			
Held to maturity investments		320,399	-
Property, plant and equipment	10	1,352,695	1,281,304
Investments	11	5,392,159	4,096,398
TOTAL NON-CURRENT ASSETS		7,065,253	5,377,702
TOTAL ASSETS		46,874,655	46,910,561
CURRENT LIABILITIES			
Trade and other payables	12	2,425,625	2,254,779
Provisions	13	2,972,225	2,994,182
Unexpended project funds	14	29,973,369	30,436,711
TOTAL CURRENT LIABILITIES		35,371,219	35,685,672
NON-CURRENT LIABILITIES			
Provisions	13	340,026	339,571
TOTAL NON-CURRENT LIABILITIES		340,026	339,571
TOTAL LIABILITIES		35,711,245	36,025,243
NET ASSETS		11,163,410	10,885,318
EQUITY			
Retained earnings		11,163,410	10,885,318
TOTAL EQUITY		11,163,410	10,885,318

The above Statement of Financial Position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	<i>Retained earnings</i> \$
Balance at 1 July 2013	10,885,318
Net operating surplus for the year	278,092
Other comprehensive income for the year	-
Balance at 30 June 2014	<u>11,163,410</u>

For the year ended 30 June 2013

	<i>Retained earnings</i> \$
Balance at 1 July 2012	9,833,679
Net operating surplus for the year	1,051,639
Other comprehensive income for the year	-
Balance at 30 June 2013	<u>10,885,318</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
General public donations		13,667,209	11,165,077
Grants and contract income (inclusive of GST)		42,960,026	51,517,536
Interest income		776,551	808,205
Other income		315,708	133,001
Payments to suppliers and employees (inclusive of GST)		(61,895,386)	(61,043,370)
Net cash flows (used in) / from operating activities	8	(4,175,892)	2,580,449
Cash flow from investing activities			
Acquisition of property, plant and equipment		(592,744)	(637,764)
Proceeds from sale of property, plant and equipment		65,447	36,437
Acquisition of investments		(15,376,003)	(13,957,931)
Redemption of investments		10,281,847	7,982,362
Net cash flows (used in) investing activities		(5,631,453)	(6,576,896)
Net decrease in cash held		(9,807,345)	(3,996,447)
Net foreign exchange differences		(102,772)	1,488,237
Cash at the beginning of the year		21,997,842	24,506,052
Cash at the end of the year	7	12,087,725	21,997,842

The above Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2014

Note 1 Corporate Information

The financial report of CARE Australia (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors dated 24 October 2014.

CARE Australia is a Company limited by guarantee incorporated in Australia.

National Office
Ground Floor, Oracle Building
243 Northbourne Avenue
Lyneham ACT 2612
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Fax (02) 6257 1938

The nature of the operations and principal activities of the Company are described in the Directors' Report.

Note 2 Summary of Significant Accounting Policies

2.1. Basis of preparation

The financial report is a single entity general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except investments held at fair value through profit or loss, which have been measured at fair value. The financial report has been prepared on the basis that CARE Australia is a not-for-profit entity.

The financial report is presented in Australian Dollars (\$).

2.2. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.3. New Accounting Standards and Interpretations

- (i) Changes in accounting policy and disclosures

The Company has adopted the following new and amended Australian Accounting Standards as of 1 July 2013:

AASB 101 *Presentation of Items of Other Comprehensive Income – Amendments to AASB 101*
AASB 13 *Fair Value Measurement*
AASB 19 *Employee Benefits (Revised 2011)*

The adoption of the standards or interpretations is described below:

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

AASB 101 Presentation of Items of Other Comprehensive Income – Amendments to AASB 101

The amendments to AASB 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and had no impact on the Company's financial report.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. Application of AASB 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets whose fair values were determined. Fair value hierarchy is provided in Note 20.

AASB 119 Employee Benefits (Revised 2011)

The Company applied AASB 119 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. Under the amendments, employee benefits 'expected to be settled wholly' within twelve (12) months after the end of the reporting period are short-term benefits and are therefore not discounted when calculating leave liabilities. The Company expects all annual leave for employees to be used wholly within twelve (12) months of the end of the reporting period, therefore annual leave is not discounted.

- (ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the year ended 30 June 2014. The Company considers the adoption of these accounting standards will have no material impact on the financial report.

2.4. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 90 days from acquisition, net of any outstanding bank overdrafts.

2.5. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity exceeding 90 days from acquisition are classified as held-to-maturity when the organisation has the positive intention and ability to hold to maturity. In the case of CARE Australia, these financial instruments comprise term deposits. Term deposits with maturity exceeding 12 months have been classified as non-current. Investments intended to be held for an undefined period are not included in this classification.

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

2.6. Revenue recognition

Grants, Contracts and Donations

CARE Australia is a non-profit organisation and receives a principal part of its funds from grants, contracts and donations. The Company receives both unrestricted and restricted donations which are treated differently for the purposes of revenue recognition as follows:

Unrestricted Donations (including Grants and Contracts)

Unrestricted donations are received from donors who do not impose restrictions on the use of the funds. Consequently, there is no time restriction imposed as to when the funds can be used so the donations are recognised on receipt as revenue in the accounting records in accordance with *AASB 1004 Contributions*.

Restricted Donations (including Grants and Contracts)

Income received for restricted purposes is pledged with specific donor requirements as to what project the funds are to be spent on. As the donor funds may not be utilised until the project has been established, the income is initially recorded as a current liability under unexpended project funds and recognised as revenue when expended. Any unspent funds are available for use in future years subject to the directions of the donor.

Interest Revenue

Interest is recognised on an accrual basis when the Company has a right to receive the interest payment.

Donated Goods and Services

Revenue in respect to donated goods and services is recognised at the time that the goods or services are supplied to CARE Australia or our beneficiaries and where the value of the goods or services can be reliably estimated.

2.7. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on a straight line basis at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets against revenue over those estimated useful lives to the Company.

Major depreciation periods are:

	2014	2013
Plant and equipment	4-5 years	4-5 years
Computer systems	3-5 years	3-5 years
Motor vehicles	3-5 years	3-5 years
Leasehold improvements	the lease term	the lease term

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

Impairment

The carrying values of all assets are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Company was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in revenue or expenses in the year the asset is derecognised.

2.8. Income tax and other taxes

The Company is exempt from income tax pursuant to Subdivision 50B of the *Income Tax Assessment Act, 1997*.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

2.9. Employee benefits

Wages, salaries, superannuation, annual leave and sick leave

Provision is made for employee entitlement benefits accumulated as a result of services rendered by employees up to the reporting date. Employee benefits expected to be settled within one year have been measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. Contributions are made by the Company to the Superannuation Funds nominated by employees and are charged as expenses when incurred.

Long service leave

The provision for long service leave is measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yields as at the reporting date of national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

2.10. Liability of members

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. As at 30 June 2014 there were 11 full members guaranteeing to contribute up to \$100 each in the event of the Company being wound up.

2.11. Foreign currencies

Both the functional and presentation currency of CARE Australia and its Country Offices is Australian dollars (\$).

Translation of foreign currency transactions

Funds transfers in foreign currencies are converted to Australian dollars at the rate of exchange ruling at the date of the transaction. All other foreign currency transactions are translated using an average monthly exchange rate. Year-end cash balances in the Balance Sheet are translated at the spot rate at 30 June when applicable.

Translation of accounts of overseas operations

Amounts payable to and by CARE Australia that are outstanding at the balance date, that are denominated in foreign currencies, have been converted to Australian dollars using rates of exchange ruling at the end of the financial year.

All overseas country office operations are considered to be integrated, as each is financially and operationally dependent on CARE Australia. The accounts of overseas operations are translated by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date with exchange differences being taken to the Statement of Comprehensive Income as revenue or expense.

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

2.12. Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are included in the determination of the operating result in equal instalments over the lease term.

The cost of improvements to or in leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Financial leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

2.13. Accumulated funds

Accumulated funds are available for programs and support services in future financial periods.

2.14. Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade liabilities are normally settled on 30 day terms.

2.15. Unexpended project funds

Income received for restricted purposes is recorded as a current liability under unexpended project funds with any unspent funds available for use in future years. The liability pertaining to each project would normally be settled over the contract term for that project, which may range from one month to three years.

2.16. Provisions

Provisions are recognised when the Company has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of a past transaction or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

2.17. Trade and other receivables

Trade Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the collection of the full amount is no longer probable. Bad debts are written off as incurred.

Other debtors and CARE International Members

Other debtors, including CARE International Members are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that the collection of the full nominal amount is no longer probable. Payments from debtors and CARE International Members are normally settled within 60 days.

Project Funds Receivable

Project Funds Receivable represents amounts due to CARE Australia under project agreements where CARE Australia has pre-funded project expenditure. Amounts receivable are supported by project agreements and carried at nominal amounts due at balance date and are normally recovered within 3 months.

2.18. Investments

Investments held at Fair Value through Profit or Loss

Investments in Managed Funds are designated by the Company as fair value through profit or loss upon initial recognition, the rationale being the performance of these managed funds is evaluated on a fair value basis in accordance with the Board's investment strategy. Gains or losses on managed funds designated at fair value through the statement of comprehensive income are recognised as revenue or expense. The methods to determine fair value are described in Note 20.

2.19. Project advances

Project advances represent amounts prepaid to CARE Member Partners to implement projects in accordance with Individual Project Implementation Agreements or to CARE staff in the field. Advances are normally acquitted within 12 months for CARE Member Partners or 1 month for CARE staff.

Notes to the financial statements cont'd

Note 2 Summary of significant accounting policies (continued)

2.20. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experiences and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from estimates under different assumptions and conditions; however these will not materially affect the financial results or the financial position reported in future periods.

2.21. Comparative figures

Comparative figures have been restated to reflect changes in the classification of \$1,116,250 in cost recoveries on project funding from Program Support costs to Accountability and Administrative costs in the Statement of Comprehensive Income. This has no impact on the reported surplus or net assets, as it is a reclassification correction to the presentation of the Statement of Comprehensive Income.

Historically project advances to partner entities relating to certain grants received had been classified under unexpended project funds as deferred income instead of under a separate asset account in the Statement of Financial Position. A decision was made to reclassify the project advances of \$2,302,692 in the 2013 comparatives. This has no impact on the reported surplus or net assets, as it is a reclassification correction to the presentation of the Statement of Financial Position only which increases prepaid assets and unexpended projects funds by the an equal amount.

2.22. Make good provision

The lease agreement for the office premise in Canberra includes a make good clause. It is considered that the make good arrangement is likely to be exercised and the amount can be reliably determined. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to refurbish the leased space and the expected timing of those costs. The carrying amount of the provision is disclosed at Note 13. The provision will be reviewed annually.

Notes to the financial statements cont'd

Note 3 Project grants from other Australian organisations

	2014	2013
	\$	\$
Other Australian Government departments and non-government organisations	6,676,138	3,320,705
Other Australian organisations	479,172	509,806
	7,155,310	3,830,511

Note 4 Project grants from other overseas organisations

	2014	2013
	\$	\$
CARE International members	9,478,354	10,884,541
Multilateral agencies	2,807,760	2,480,520
Foreign governments and overseas based organisations	4,486,561	3,179,199
	16,772,675	16,544,260

Note 5 Other income

	2014	2013
	\$	\$
Net foreign currency gain	-	1,271,025
Other income	315,708	133,001
Fair value gain on investments	272,130	188,295
Profit on sale of fixed assets	41,428	12,194
	629,266	1,604,515

Note 6 Specific expenses for the year

Total expenses for the Company include the following specific expenses:

	2014	2013
	\$	\$
Net foreign currency loss	730,035	-
Depreciation expense	495,736	415,148
Lease expense	1,323,237	1,066,403
Asset impairment adjustment	5,981	47,316

Notes to the financial statements cont'd

Note 7 Cash and Cash Equivalents

	2014	2013
	\$	\$
Cash on hand	143,091	196,299
Cash at bank	11,661,348	21,527,989
International revolving fund	283,286	273,554
	<u>12,087,725</u>	<u>21,997,842</u>

Note 8 Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of net operating surplus to the net cash flows from operating activities:		
Net operating surplus	278,092	1,051,639
Depreciation and amortisation	495,736	415,148
Net (gain) on investments designated at fair value through profit and loss	(272,130)	(188,295)
Gain on sale of property, plant and equipment	(41,428)	(12,194)
Asset write off	5,981	47,316
Make good deferred asset	(4,383)	(132,512)
Net (gain)/loss on foreign exchange	730,035	(1,271,025)
Changes in assets and liabilities		
(Increase)/Decrease in receivables	(4,008,221)	3,609,996
Increase in prepayments	(13,582)	(55,524)
Increase in project advances	(404,731)	(2,434,377)
Increase in payables	170,846	174,798
(Decrease)/Increase in provisions	(21,502)	851,520
(Decrease)/Increase in unexpended project funds	(1,090,605)	523,959
Net cash flows from operating activities	<u>(4,175,892)</u>	<u>2,580,449</u>

Notes to the financial statements cont'd

Note 9 Trade and Other Receivables

	2014	2013
	\$	\$
Trade receivables	7,489,250	3,635,082
CARE International Members	379,115	365,324
Project funds receivable	830,810	883,726
	8,699,175	4,884,132
Less provision for doubtful debts	(1,906)	(195,084)
Total trade and other receivables (net)	8,697,269	4,689,048

Movements in the provision for doubtful debts were as follows:

	2014	2013
	\$	\$
As at 1 July	195,084	250,045
Charge for the year in the provision in respect to debtors	9,506	-
Amounts written off as uncollectable	(97,839)	-
Amounts recovered during the year	(104,845)	(54,961)
As at 30 June	1,906	195,084

	2014	2013
	\$	\$
Receivables are aged as follows:		
Not overdue	7,438,189	3,278,917
Overdue by:		
0 to 30 days	280,168	23,834
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	980,818	1,581,381
Total receivables (gross)	8,699,175	4,884,132

Notes to the financial statements cont'd

Note 10 Property, Plant and Equipment

	Leasehold Improvements \$	Plant & Equipment \$	Computer Systems \$	Motor Vehicles \$	Total \$
Cost					
As at 30 June 2012	185,689	756,375	1,319,563	1,076,834	3,338,461
Additions	418,113	65,019	198,049	89,096	770,277
Disposals	(17,656)	(14,240)	(18,590)	(157,607)	(208,093)
Impairment	-	(47,316)	-	-	(47,316)
As at 30 June 2013	586,146	759,838	1,499,022	1,008,323	3,853,329
Additions	61,754	62,649	274,631	193,711	592,744
Disposals	-	-	(94,759)	(81,172)	(175,931)
Impairment	-	-	(5,981)	-	(5,981)
At 30 June 2014	647,900	822,487	1,672,913	1,120,862	4,264,161
Depreciations and impairment					
As at 30 June 2012	(113,443)	(495,570)	(881,447)	(850,267)	(2,340,727)
Depreciation charge for the year	(52,531)	(89,039)	(213,030)	(60,548)	(415,148)
Disposals	17,185	13,784	16,073	136,808	183,850
As at 30 June 2013	(148,789)	(570,825)	(1,078,404)	(774,007)	(2,572,025)
Depreciation charge for the year	(63,407)	(126,496)	(222,868)	(82,965)	(495,736)
Disposals	-	-	98,691	57,604	156,295
As at 30 June 2014	(212,196)	(697,321)	(1,202,581)	(799,368)	(2,911,466)
Net book value					
At 30 June 2013	437,357	189,013	420,618	234,316	1,281,304
At 30 June 2014	435,704	125,165	470,332	321,494	1,352,695

Notes to the financial statements cont'd

Note 11 Investments

	2014	2013
	\$	\$
Investments – at fair value	5,392,159	4,096,398
	5,392,159	4,096,398

Investments at fair value consist of investments in managed funds and unit trusts and therefore have no fixed maturity date. During the year ended 30 June 2014, the fair value of the investments increased by \$272,130 (2013: increase \$188,295) based on the published unit prices for each managed fund or unit trust as at 30 June.

Note 12 Trade and Other Payables

	2014	2013
	\$	\$
Current		
Trade creditors	1,094,384	1,001,396
Accruals	225,683	178,444
Other creditors	396,218	382,405
GST payable	588,798	383,621
CARE International Members	61,457	280,955
Accrued salary payments	59,085	27,958
	2,425,625	2,254,779

Note 13 Provisions

	2014	2013
	\$	\$
Current		
Employee benefits	2,655,464	2,712,303
Foreign income tax	-	17,787
Other provisions	316,761	264,092
	2,972,225	2,994,182
Non-Current		
Employee benefits	203,486	207,059
Make good provision	136,540	132,512
	340,026	339,571

Note 14 Unexpended Project Funds

	2014	2013
	\$	\$
Unexpended project funds	29,973,369	30,436,711
	29,973,369	30,436,711

This represents the unexpended liability on contracts with a range of humanitarian organisations to perform activities as agreed in the contract where the donor has provided funds in a range of currencies including Australian Dollar (AUD), United States Dollars (USD), EURO and Great Britain Pounds. There are various foreign currency bank accounts that may create a natural hedge in certain circumstances. The AUD equivalents of cash, cash at bank or held to maturity investments in foreign currencies at year end is \$16,962,686 (2013: \$20,283,492). The remainder of the funds are held in AUD.

Notes to the financial statements cont'd

Note 15 Expenditure Commitments

	2014	2013
	\$	\$
Lease expenditure commitments		
Operating leases:		
Minimum lease payments		
- not later than one year	1,266,111	983,350
- later than one and not later than five years	1,668,148	1,973,515
- later than five years	-	-
	2,934,259	2,956,865

These leases relate to premises occupied by CARE Australia in Australia and in the countries in which it is based.

Note 16 Remuneration of Auditors

	2014	2013
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the Company	110,707	121,540
Other services in relation to the Company		
- IT controls assessment	9,500	
- USAID audits (reimbursed to CARE Australia by CARE USA)	81,714	-
	201,921	121,540

Note 17 Key Management Personnel

a. Details of key management personnel

(i) Directors (non – executive)

Chairman Harold Mitchell, A.C.

Vice Chairs Christine O'Reilly

Peter Debnam

Treasurer Bronwyn Morris

Board Members

David Feetham

Colin Galbraith, A.M.

Robert Glindemann, OAM

Allan Griffiths

William Guest

Professor Stephen Howes

Louise Watson

Notes to the financial statements cont'd

Note 17 Key Management Personnel (continued)

(ii) Executives

Julia Newton-Howes	Chief Executive
Greg Brown	Principal Executive – Corporate Services and Company Secretary
Andrew Buchanan	Principal Executive – Marketing and Communications
Paul Kelly	Acting Principal Executive – International Programs
Robert Yallop	Principal Executive – International Operations

b. Compensation of Key Management Personnel - Executives

	2014 \$	2013 \$
Short term employee benefits	935,313	913,657
Post-employment benefits	84,391	81,098
	1,019,704	994,755

Note 18 Related Party Transactions

Director transactions

The Directors did not receive any remuneration for their services. Expenses incurred by Directors on behalf of the Company are reimbursed on a cost only basis. An amount of \$9,000 (2013: \$14,000) was paid for Directors and Officers liability insurance.

Director-related entity transactions

During the year CARE Australia paid Guest Furniture Hire the amount of \$74,512 (2013: \$79,381) for office accommodation under a sub-lease arrangement on terms beneficial to CARE Australia. CARE Director William Guest is a Director of Guests Group.

Notes to the financial statements cont'd

Note 19 Financial risk management objectives and policies

CARE's principal financial instruments comprise cash, held to maturity investments, receivables, payables and investments at fair value through profit or loss.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, market risk, credit risk and liquidity risk. Different methods are used to measure and manage these risks. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and equity prices. Monitoring of specific credit terms and ageing analysis is used to manage credit risk and budget reviews and cash flow forecasting assist with the management of liquidity risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees on policies for managing each of the risks identified above, which incorporates setting guidelines for trading in investments, managing foreign currency and interest rate risk, credit terms and future cash flow forecast projections.

CARE's Reserves Policy requires reserves to be maintained to safeguard the continued operations of CARE's operations. This policy balances the need to safeguard financial security whilst simultaneously ensuring flexibility in meeting the development and humanitarian challenges of operating in a dynamic global environment.

Risk Exposures and Responses

a. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. CARE's exposure to market interest rates relates primarily to cash held at bank and held to maturity investments (eg. term deposits).

At balance date, CARE had the following financial assets exposed to variable interest rate risk in AUD:

	2014	2013
	\$	\$
Financial assets		
Cash	1,773,975	6,220,378
Held to maturity investments	9,406,744	7,469,127
	<u>11,180,719</u>	<u>13,689,505</u>

CARE also had the following financial assets exposed to variable interest rate risk in USD:

	2014	2013
	\$	\$
Financial assets		
Held to maturity investments	6,648,936	4,506,027
	<u>6,648,936</u>	<u>4,506,027</u>

CARE constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

Notes to the financial statements cont'd

Note 19 Financial Risk Management objectives and policies (continued)

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus/(deficit) and equity would have been affected as follows:

<i>Judgements of reasonably possible movements</i>	Net surplus Higher / (Lower)		Equity Higher / (Lower)	
	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets in AUD				
+ 1% (50 basis points)	111,807	136,895	111,807	136,895
- 0.5% (100 basis points)	(55,904)	(68,448)	(55,904)	(68,448)
Financial assets in USD				
+ 0.5% (50 basis points)	33,245	22,530	33,245	22,530
- 0% (0 basis points)	-	-	-	-

b. Foreign currency risk

As a result of significant operations in foreign countries, CARE's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. CARE also has transactional currency exposures. Such exposure arises from funding received for projects and purchases made by Country Offices in currencies other than the functional currency, including USD and the local currency. A large proportion of costs are denominated in a currency other than CARE's functional currency of AUD.

Where the sources of funds are denominated in AUD, USD currency is purchased and transferred to Country Offices to fund foreign branches. To provide certainty in respect to the USD funds available to undertake projects, funds are normally exchanged to USD at the time of receipt by CARE.

In addition to having these funds in USD denominated accounts CARE also maintains bank accounts in Euro and local currencies, which at the reporting date were for AUD equivalent of \$445,203 (2013: \$403,025). CARE has assessed that the foreign currency exposure to fluctuations in these non-USD denominated accounts is not material.

At 30 June 2014, CARE had the following exposure to USD foreign currency that is not hedged:

	2014 \$	2013 \$
Financial assets		
Cash	9,617,972	15,374,440
Held to maturity investments	6,648,936	4,506,027
Receivables	904,409	1,224,806
	<u>17,171,317</u>	<u>21,105,273</u>
Financial liabilities		
Payables	(1,334,557)	(243,753)
	<u>(1,334,557)</u>	<u>(243,753)</u>
Net exposure	<u>15,836,760</u>	<u>20,861,520</u>

Notes to the financial statements cont'd

Note 19 Financial risk management objectives and policies (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, net surplus and equity would have been affected as follows:

<i>Judgements of reasonably possible movements</i>	Net surplus Higher / (Lower)		Equity Higher / (Lower)	
	2014	2013	2014	2013
	\$	\$	\$	\$
AUD/USD +5%	(745,131)	(993,406)	(745,131)	(993,406)
AUD/USD – 10%	1,429,109	1,851,877	1,429,109	1,851,877

c. Market risk

Market risk is the risk that the fair value of equity securities held in the investment portfolio decreases. CARE manages this risk by periodically reviewing the asset allocation mix and outsourcing the management and administration of the investment portfolio to a professional investment advisor. The performance of the professional investment advisor is evaluated by the Finance and Audit Committee. Exposure at balance date is disclosed in Note 11.

The effect on the net surplus and equity as a result of a change in the fair value of the investment portfolio at 30 June 2014 due to a reasonable possible change in market indices, with all other variables held constant, is as follows:

<i>Judgements of reasonably possible movements</i>	Net surplus Higher / (Lower)		Equity Higher / (Lower)	
	2014	2013	2014	2013
	\$	\$	\$	\$
+ 10%	539,216	409,640	539,216	409,640
- 10%	(539,216)	(409,640)	(539,216)	(409,640)

d. Credit risk

Credit risk arises from the financial assets of CARE, which comprise cash and receivables. CARE's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

CARE does not hold any credit derivatives to offset its credit exposure.

Notes to the financial statements cont'd

Note 19 Financial risk management objectives and policies (continued)

CARE trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the CARE's policy to securitise its receivables. These parties are typically the Department of Foreign Affairs and Trade, CARE member Partners, the United Nations, other foreign governments and multilaterals.

Receivable balances are monitored on an ongoing basis with the result that the CARE's exposure to bad debts is not significant.

There is minimum credit risk within CARE due to the nature of our donor partners and cash is spread amongst a number of financial institutions to minimise the risk of default of counterparties.

e. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management regularly monitors operational bank balances in relation to future funding needs, and transfers funds into or out of investment accounts as necessary. This function is performed by the finance team.

Maturity analysis of financial liabilities based on management's expectation.

The table below summarises the maturity profile of the financial liabilities at the end of the financial year, comprising trade creditors, accruals, other creditors, liabilities to CARE International Members and unexpended project funds:

	2014	2013
	\$	\$
6 months or less	2,425,625	2,254,779
6-12 months	29,973,369	28,134,019
1-5 years	-	-
Over 5 years	-	-
Payables	<u>32,398,994</u>	<u>30,388,798</u>

Notes to the financial statements cont'd

Note 20 Fair value measurement

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2014				Year ended 30 June 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>	\$	\$	\$	\$	\$	\$	\$	\$
Investments at fair value through profit and loss	-	5,392,159	-	5,392,159	-	4,096,398	-	4,096,398
	-	5,392,159	-	5,392,159	-	4,096,398	-	4,096,398

CARE Australia uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value is estimated based on the published unit prices for each managed fund or unit trust as at 30 June.

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There were no transfers between level 1 and level 2 during the period.

Note 21 Contingencies

As at 30 June 2014 CARE did not have any contingent assets or liabilities (2013: Nil).

Note 22 Events Subsequent to the Reporting Date

There are no significant events subsequent to the reporting date.

Note 23 Information required by the NSW Charitable Fundraising Act 1991

a. Details of aggregate gross income and total expenses for fundraising appeals

<u>Proceeds from fundraising appeals</u>	2014	2013
	\$	\$
Donations	13,921,627	11,970,929
Bequests	749,412	689,209
Gross proceeds from fundraising appeals	<u>14,671,039</u>	<u>12,660,138</u>
<u>Total expenses for fundraising appeals</u>		
Donations	4,116,044	4,431,789
Bequests	123	5,970
Total expenses for fundraising appeals	<u>4,116,167</u>	<u>4,437,759</u>
Net surplus from fundraising appeals	<u>10,554,872</u>	<u>8,222,379</u>

b. Statement showing how funds received are applied for charitable purposes

	2014	2013
	\$	\$
Net surplus obtained from fundraising appeals	<u>10,554,872</u>	<u>8,222,379</u>
Applied for charitable purposes as follows:		
International programs	47,986,979	43,988,440
Program support costs	3,618,403	3,571,785
Community education	1,459,215	1,822,561
Cost of raising program funds from government and multilateral agencies	134,225	403,288
Accountability and administration	1,608,720	1,725,774
Non-monetary expenditure	173,069	68,386
Total expenses	<u>54,980,611</u>	<u>51,580,234</u>
(Shortfall) / surplus	<u>(44,425,739)</u>	<u>(43,357,855)</u>
Shortfall was met by the following sources		
	2014	2013
	\$	\$
DFAT grants	19,370,029	21,622,003
Other Australian grants	7,155,310	3,830,511
Other overseas grants	16,772,675	16,544,260
Investment income	776,551	808,205
Other income	629,266	1,604,515
	<u>44,703,831</u>	<u>44,409,494</u>
Net surplus transferred to accumulated funds for future use	<u>278,092</u>	<u>1,051,639</u>

For the purposes of the NSW Charitable Fundraising Act 1991 all fundraising activities were related to public appeals.

**Note 23 Information required by the NSW Charitable Fundraising Act 1991
 (continued)**

COMPARISON BY PERCENTAGE	2014 %	2013 %
Total Cost of Public Fundraising/Revenue from the Australian Public	28	35
Net surplus from Fundraising/Revenue from the Australian Public	72	65
Proportion of net fundraising surplus spent on programs (Revenue from the Australian Public minus Total Cost of Public Fundraising and Fundraising Cost from Government minus Accountability and Administration costs minus / Revenue from the Australian Public <i>minus</i> Total Cost of Public Fundraising)	82	73