



CARE AUSTRALIA

ABN 46 003 380 890

FINANCIAL REPORT

For the year ended 30 June 2018

CONTENTS

Directors' Report	1
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Contents of the Notes to the Financial Statements	15
Basis of Preparation	16
How the Numbers are Calculated	18
Risk	31
Other Information	37
Directors' Declaration	46
Auditor's Independence Declaration	47
Auditor's Opinion	48

DIRECTORS' REPORT

The Directors submit their report for the year ended 30 June 2018.

Board of Directors

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

Chairman Colin Galbraith AM

Vice Chair Peter Debnam

Treasurer Bronwyn Morris (until 21 July 2017)

Marcus Laithwaite (appointed 21 July 2017)

Board Members Paula Benson (Appointed 13 April 2018)

Dr Megan Clark AC

David Feetham

Robert Glindemann OAM

Allan Griffiths

William Guest (until 21 July 2017)

Danielle Keighery

Professor Stephen Howes

Larke Riemer AO

Joseph Tesvic

Chris Vein (appointed 27 July 2017 until 13 April 2018)

Louise Watson

Directors' Report Cont'd

As at the date of this report, CARE Australia (the Company) had the following standing committees: Executive Committee; International Program and Operations Committee; Finance and Audit Risk Committee; People and Remuneration Committee; Fundraising and Communications Committee. In addition, CARE Australia also had the following special committee, the 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 2017-18 financial year were Mr Colin Galbraith (Chair), Mr. Peter Debnam (Vice Chair), Professor Stephen Howes, Mr Marcus Laithwaite and Ms Larke Riemer.

The members of the International Program and Operations Committee during the 2017-18 financial year were Professor Stephen Howes (Chair), Mr. Peter Debnam, Mr. David Feetham, Dr Megan Clark, Mr Joseph Tesvic and Ms Larke Riemer .

The members of the Finance and Risk Committee during the 2017-18 financial year were Mr. Marcus Laithwaite (Chair), Ms Bronwyn Morris (Outgoing Chair), Mr. Allan Griffiths, Mr. Joseph Tesvic, and Mr. Robert Glindemann. Ms Benson attended the Committee meeting in June 2018.

The members of the People and Remuneration Committee during the 2017-18 financial year were Ms. Larke Riemer (Chair), Mr. Allan Griffiths, Mr Marcus Laithwaite, Ms. Louise Watson, and Ms Danielle Keighery .

The members of the Fundraising and Communications Committee during the 2017-18 financial year were Mr. Peter Debnam (Chair), Mr. William Guest (Outgoing Chair), Mr. Robert Glindemann, Ms. Louise Watson, Mr David Feetham, Ms. Danielle Keighery and Ms. Larke Riemer. Ms Paula Benson attended the Committee in June 2018.

The members of the Governance and Nominations Committee during the 2017-18 financial year were Mr Colin Galbraith (Chair), and Mr. Peter Debnam.

Directors' Report Cont'd

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 & Risk		Fundraising & Comms		
	A	B	A	B	A	B	A	B	A	B	A	B	
Colin Galbraith	3	3	0	0	0	0	0	0	0	0	0	0	0
Peter Debnam	3	3	0	0	3	2	0	0	0	0	3	2	
Marcus Laithwaite	3	3	0	0	0	0	1	1	3	3	0	0	
Paula Benson	0	0	0	0	0	0	0	0	0	0	0	0	
Megan Clark	3	3	0	0	3	2	0	0	0	0	0	0	
David Feetham	3	3	0	0	3	2	0	0	0	0	3	2	
Robert Glindemann	3	1	0	0	0	0	0	0	3	2	3	2	
Allan Griffiths	3	3	0	0	0	0	3	3	3	3	0	0	
Danielle Keighery	3	2	0	0	0	0	3	2	0	0	3	3	
Stephen Howes	3	3	0	0	3	3	0	0	0	0	0	0	
Larke Riemer	3	3	0	0	0	0	3	3	0	0	3	3	
Joseph Tesvic	3	3	0	0	3	3	0	0	3	3	0	0	
Chris Vein	3	2	0	0	2	1	0	0	0	0	0	0	
Louise Watson	3	3	0	0	0	0	3	0	0	0	3	0	
Bronwyn Morris	1	1	0	0	0	0	0	0	0	0	0	0	
William Guest	1	1	0	0	0	0	0	0	0	0	0	0	

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 2018 was a surplus of \$1,131,437 (2017: surplus of \$529,631).

This surplus relates to donations received in support of our emergency appeals for the PNG earthquake, the East Africa four-country famine appeal and support for refugees in Syria and Bangladesh. The remaining balance of these funds are held in a specific purpose reserve (refer Note 7) on the Balance Sheet and will be fully spent on the ongoing emergency responses in these countries in 2019.

Grant revenue and funds to international programs were significantly lower in 2018 due to the completion of a number of long-term projects and delays in contract signature and commencement of new projects. The continuing unrest in the Northern Rakhine State has also resulted in reduced project activity in Myanmar.

Directors' Report Cont'd

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 the Department of Foreign Affairs and Trade (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.
- Managing the costs of fundraising and administration as a proportion of total income.

Management and the Board also monitor the Company's overall performance, which included an assessment of achievements against the 2015-18 strategic plan in developing the new strategy, as well as monitoring performance of the Company against the annual operating plan and financial budget.

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 and Africa.

Emergency assistance was provided to those affected by natural disasters and conflict in the Middle East (Jordan and Lebanon), South East Asia (Bangladesh, Indonesia, Myanmar and Vietnam), Africa (Ethiopia) and the Pacific (PNG, Tonga, Timor Leste and Vanuatu). Fundraising appeals were run to support emergency responses to Cyclone Gita in Tonga, the PNG earthquake, the East Africa four-country famine appeal and support for refugees in Syria, Yemen and Bangladesh.

Significant Changes in the State of Affairs

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

Employees

As at 30 June 2018, the Company employed 114 staff (2017: 121 staff) on Australian contracts and 634 staff (2017: 781 staff) on contracts entered into in other countries including Cambodia, Laos, Myanmar, Papua New Guinea, Timor-Leste, Vanuatu, Fiji and Vietnam.

Matters Subsequent to the end of the Financial Year

Apart from matters disclosed in Note 10 to the financial statements, 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.

Directors' Report Cont'd

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 insurance premiums paid was \$10,175 (2017: \$9,675). This amount is declared in Note 14 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.

Likely Developments

Project operations are expected to continue in South Asia and South East Asia, Africa, the Middle East and Pacific Regions, supported by funding from the Australian public, Australian Government, CARE International members and multilateral and bilateral 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 perform any non-audit services during the reporting period.

Particulars of Directors

CHAIRMAN

Colin Galbraith AM

Director since 2004

Special Adviser, Gresham Partners Limited; Director, LatAm Autos; Director, Colonial Foundation; Trustee, Royal Melbourne Hospital Neuroscience Foundation.

Formerly – Director, Australian Institute of Company Directors; Director, Commonwealth Bank of Australia; Chair, BHP Billiton Community Trust.

Colin is the representative of CARE Australia on the Council of CARE International.

Directors' Report Cont'd

Particulars of Directors (continued)

VICE-CHAIR

Peter Debnam

Director since 2013

Chair, Northern Sydney Planning Panel; Chair, NSW Kids in Need Foundation Limited; Director, The Paraplegic and Quadriplegic Association of NSW.

Formerly – Member of NSW Parliament, Shadow Minister and Leader of the Opposition; Chairman, Muscular Dystrophy Foundation Australia; Chairman, Muscular Dystrophy Association of NSW; Chairman, Advisory Board of Our Big Kitchen Limited; Director, Paddle NSW Inc; Director, Disability Sports Australia; Director, Soils for Life Pty Limited.

TREASURER

Marcus Laithwaite

Director since 2017

Partner at PwC Australia; Treasurer and Board Member, European Australian Business Council (EABC); Director, PwC Foundation.

Formerly – PwC Australia Executive Board member; Chair, ChildFund Australia.

MEMBERS

Paula Benson

Director since 2018

Chair and Non-Executive Director, Ovarian Cancer Australia; Director, Victorian Funds Management Corporation; Trustee, Melbourne Convention and Exhibition Trust.

Formerly – Executive General Manager Corporate Affairs, National Australia Bank (NAB); General Manager Corporate Responsibility, NAB; General Manager Corporate Affairs, Alcoa Australia; Manager Public Affairs, RMIT University; Producer, 'A Current Affair' Channel 9; Director, Port Melbourne Corporation; Director, Melbourne Royal Women's Hospital Foundation; Director, Regional Arts Victoria.

Dr Megan Clark AC

Director since 2015

Head of the Australian Space Agency; Non-Executive Director, Rio Tinto and CSL Limited; member of Australian Advisory Council to the Bank of America Merrill Lynch; Fellow, the Australian Academy of Technological Sciences and Engineering; Fellow of the Australian Institute of Company Directors.

Formerly – Chief Executive, CSIRO; Vice President, Technology, BHP Billiton; Director, NM Rothschild and Sons; member of Australian Prime Minister's Science, Engineering and Innovation Council; member of the International Commission on Sustainable Agriculture and Climate Change.

Directors' Report Cont'd

Particulars of Directors (continued)

David Feetham

Director since 2013

Deputy Chairman, Gresham Advisory Partners Limited.

Formerly – Macquarie Bank in Sydney; Baker & McKenzie.

Robert Glindemann OAM

Director since 2008

Deputy Chair and Non-Executive Director, Navy Health Limited; 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.

Allan Griffiths

Director since 2008

Chairman, Westpac Life Insurance Services, St George Life, Westpac General Insurance Ltd, Westpac Lenders Mortgage Insurance Services; Chairman, Metrics Credit Partners; Non-Executive Director, IOOF Holdings Pty Ltd.

Formerly – Chief Executive Officer, Aviva Australia; Managing Director South East Asia, Aviva Asia Pte Ltd based in Singapore.

Professor Stephen Howes

Director since 2012

Professor of Economics, Director, Development Policy Centre, Crawford School of Public Policy, Australian National University; Chair, Femili PNG.

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.

Directors' Report Cont'd

Particulars of Directors (continued)

Danielle Keighery

Director since 2015

Group Executive - Brand, Marketing and Public Affairs, Virgin Australia; Member, Virgin Unite Board – the not-for profit foundation of the Virgin Group.

Formerly – Corporate Affairs, Virgin Management, Asia Pacific; Senior Corporate Communication roles at Nokia; Global Director of Corporate Communications, Nokia London.

Larke Riemer, AO

Director since 2015

Formerly – Director, Women's Markets, Westpac Banking Corporation; Chair and Global Ambassador, Global Banking Alliance for Women in Banking; Diversity Advisory Board, Allen Linklaters and NBCF.

Joseph Tesvic

Director since 2016

Senior Partner and Asia Operations Practice Leader, McKinsey & Company

Louise Watson

Director since 2008

Managing Director and Principal, Symbol Strategic Communications; Communications Adviser to many of Australia's leading public companies; Non-Executive Director of the Board, The Global Foundation.

Formerly – Member, Advisory Board of The Global Foundation; 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**Louise Gray**

Company Secretary since 2016.

Louise has held senior positions in the federal government and not for profit sectors including as Chief Financial Officer of a major government department, ACT Manager of a national peak body and Deputy CEO of a not for profit organisation in Canberra. She holds Board positions with two Australian not for profit organisations.

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 13 to the financial statements.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read "Colin Galbraith".

Colin Galbraith AM
Chair

A handwritten signature in black ink, appearing to read "Marcus Laithwaite".

Marcus Laithwaite
Treasurer
26 October 2018

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2018

		2018	2017
		\$	\$
REVENUE	<i>Note</i>		
Unrestricted Cash Donations from the Australian public	3	9,275,622	11,198,502
Restricted Cash Donations from the Australian public	3	3,089,098	2,062,557
In Kind Donations from the Australian public	3	149,160	221,364
Bequests	3	1,761,901	919,717
Grants			
Department of Foreign Affairs and Trade	3	11,625,472	17,284,767
Other Australian	3	6,820,732	6,671,802
Other overseas	3	23,576,542	26,604,750
Investment income	3	446,479	453,958
Other income	3	1,187,776	1,271,034
Total revenue	3	57,932,782	66,688,451
EXPENSES			
International programs			
Funds to international programs	4(a)(i)	44,036,268	53,270,659
Program support costs	4(a)(ii)	2,933,037	3,680,386
Community education	4(a)(iii)	1,056,947	1,114,952
Fundraising costs			
Public	4(a)(iv)	6,232,169	5,693,546
Government, multilateral and private	4(a)(v)	191,873	129,814
Accountability and administration	4(a)(vi)	2,201,891	2,048,099
Non-monetary expenditure – Australian based		149,160	221,364
Total expenses	4(b)	56,801,345	66,158,820
NET SURPLUS		1,131,437	529,631
Other comprehensive income		-	-
Total comprehensive income for the year		1,131,437	529,631

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5(a)	16,375,908	11,184,258
Held to maturity investments	5(b)	13,590,922	10,727,914
Prepayments		766,742	525,247
Project advances	5(c)	5,730,064	2,892,778
Trade and other receivables	5(d)	1,865,063	3,775,481
TOTAL CURRENT ASSETS		38,328,699	29,105,678
NON-CURRENT ASSETS			
Held to maturity investments	5(b)	276,378	-
Property, plant and equipment	6(a)	1,276,741	1,528,445
Investments	5(e)(g)	8,348,583	7,203,654
TOTAL NON-CURRENT ASSETS		9,901,702	8,732,099
TOTAL ASSETS		48,230,401	37,837,777
CURRENT LIABILITIES			
Trade and other payables	5(f)	1,756,557	1,638,396
Provisions	6(b)	3,708,165	3,680,347
Unexpended project funds	6(c)	28,570,076	19,341,846
TOTAL CURRENT LIABILITIES		34,034,798	24,660,589
NON-CURRENT LIABILITIES			
Provisions	6(b)	374,252	487,274
TOTAL NON-CURRENT LIABILITIES		374,252	487,274
TOTAL LIABILITIES		34,409,050	25,147,863
NET ASSETS		13,821,351	12,689,914
EQUITY			
General reserve		12,821,706	13,207,499
Specific purpose reserve		1,386,311	-
Foreign currency reserve		(386,666)	(517,585)
TOTAL EQUITY		13,821,351	12,689,914

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 2018

Statement of Changes in Equity	Note	General Reserve	Specific Purpose Reserve	Foreign Currency Reserve	Total
Balance at 1 July 2017	7	13,207,499	-	(517,585)	12,689,914
Net operating surplus for the year		1,000,518	-	130,919	1,131,437
Other comprehensive income for the year		-	-	-	-
Amounts transferred (to)/from reserves	7	(1,386,311)	1,386,311	-	-
Balance at 30 June 2018	7	12,821,706	1,386,311	(386,666)	13,821,351

For the year ended 30 June 2017

Statement of Changes in Equity	Note	General Reserve	Specific Purpose Reserve	Foreign Currency Reserve	Total
Balance at 1 July 2016	7	13,021,321	-	(861,038)	12,160,283
Net operating surplus for the year		186,178	-	343,453	529,631
Other comprehensive income for the year		-	-	-	-
Amounts transferred (to)/from reserves		-	-	-	-
Balance at 30 June 2017	7	13,207,499	-	(517,585)	12,689,914

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
General public donations		14,126,620	13,507,002
Grants and contract income (inclusive of GST)		46,693,773	52,718,593
Interest income		446,479	453,958
Other income		1,249,863	719,836
Payments to suppliers and employees (inclusive of GST)		(53,657,414)	(68,885,677)
Net cash flows (used in)/from operating activities	8(a)	8,859,321	(1,486,288)
Cash flow from investing activities			
Acquisition of property, plant and equipment		(366,635)	(501,723)
Proceeds from sale of property, plant and equipment		4,302	94,108
Acquisition of investments		(49,139,933)	(34,724,452)
Redemption of investments		45,121,981	32,420,200
Net cash flows (used in)/from investing activities		(4,380,285)	(2,711,867)
Net (decrease)/increase in cash held		4,479,036	(4,198,155)
Net foreign exchange differences		712,614	(552,241)
Cash at the beginning of the year		11,184,258	15,934,654
Cash at the end of the year	5(a)	16,375,908	11,184,258

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

1. Corporate information
2. Basis of preparation

How the numbers are calculated

3. Revenue
4. Expenses
5. Financial assets and liabilities
6. Non-financial assets and liabilities
7. Reserves
8. Cash flow information

Risks

9. Significant accounting judgements, estimates and assumptions
10. Financial risk management

Other information

11. Events subsequent to the reporting date
12. Contingencies
13. Commitments
14. Related party transactions
15. Key management personnel
16. Remuneration of auditors
17. Other accounting policies
18. Information required by *NSW Charitable Fundraising Act 1991*

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018

BASIS OF PREPARATION

Note 1 Corporate information

The financial report of CARE Australia (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors dated 26 October 2018.

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

National Office
Ground Floor,
243 Northbourne Avenue
Lyneham ACT 2612
Phone (02) 6279 0200
Fax (02) 6257 1938

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

a. Liability of members

As at 30 June 2018 there were 13 full members guaranteeing to contribute up to \$100 each in the event of the Company being wound up.

Note 2 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 Australian Accounting Standards and *the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and the Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC Regulation)*.

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 (\$).

a. Statement of compliance

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

b. Foreign currencies

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

Notes to the financial statements cont'd

Note 2 Basis of preparation (continued)

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. Foreign denominated monetary balances in the Statement of Financial Position 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 30 June and that are denominated in foreign currencies, have been converted to Australian dollars using rates of exchange ruling at the end of the financial year.

At the end of each month, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at an average monthly exchange rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date with exchange differences being taken to the Statement of Comprehensive Income as revenue or expense.

c. 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 Statement of Financial Position.

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 - 30 JUNE 2018

HOW THE NUMBERS ARE CALCULATED

This section of the notes provides additional information about those individual line items in the financial statements that directors consider most relevant in the context of the operations of the Company, including:

- (a) Accounting policies that are relevant for an understanding of the items recognised in the financial statements;
- (b) Analysis and subtotals; and
- (c) Information about estimates and judgements made in relation to particular items.

3. Revenue
4. Expenses
5. Financial assets and liabilities
6. Non-financial assets and liabilities
7. Reserves
8. Cash flow information

Notes to the financial statements cont'd

Note 3 Revenue

The following provides a further breakdown of CARE Australia's revenue by category of revenue and source:

	2018	2017
	\$	\$
REVENUE		
Donations		
Unrestricted Cash Donations from the Australian public	9,275,622	11,198,502
Restricted Cash Donations from the Australian public	3,089,098	2,062,557
In Kind Donations from the Australian public	149,160	221,364
Bequests	1,761,901	919,717
Total donations	14,275,781	14,402,140
Grants		
Department of Foreign Affairs and Trade	11,625,472	17,284,767
Other Australian Government departments and non-government organisations	6,777,902	6,325,374
Other Australian organisations	42,830	346,428
Total other Australian grants	6,820,732	6,671,802
CARE International members	13,993,708	14,708,018
Multilateral agencies	4,619,592	5,072,854
Foreign governments and overseas based organisations	4,963,242	6,823,878
Total other overseas grants	23,576,542	26,604,750
Totals grants	42,022,746	50,561,319
Interest income	259,509	217,207
Dividends	186,970	236,751
Total investment income	446,479	453,958
Net foreign currency gain	130,919	343,453
Other income	786,833	719,836
Fair value gain on investments	266,364	157,210
Profit on sale of fixed assets	3,660	50,535
Total other income	1,187,776	1,271,034
Total revenue	57,932,782	66,688,451

Notes to the financial statements cont'd

Note 3 Revenue (continued)

a. Revenue recognition

(i) 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 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 as revenue on receipt in the accounting records.

Restricted donations are received from donors with specific donor requirements as to what project the funds are to be spent on. Where donor directions impose specific restrictions on fund usage and funds may be required to be repaid, the income is initially recorded as a current liability under unexpended project funds and recognised as revenue when expended. Restricted donations with general donor requirements are recognised as revenue on receipt in the accounting records. Any unspent restricted funds are held in a specific purpose reserve for use in future years.

(ii) 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.

(iii) Interest income

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

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Note 4 Expenses

a. Classification of expenses

The classification of expenses in the Statement of Comprehensive Income is in accordance with the requirements set out in the *ACFID Code of Conduct*. For further information on the Code please refer to the *ACFID Code of Conduct Guidance* available at www.acfid.asn.au

(i) Funds to international programs

Funds to international programs relate to funds and gifts in kind actually remitted overseas to aid and development projects, plus the cost of remitting those gifts.

These costs may include (but are not limited to):

- Salaries of program staff or volunteers costs working overseas, which might be paid from Australia,
- The cost of acquiring property, plant and equipment in Australia which is then sent overseas,
- Costs of programs implemented by international partners,
- Administration costs of overseas field offices or program partners, and

Notes to the financial statements cont'd

Note 4 Expenses (continued)

- Program expenditure (excluding secretariat fees) funded via international secretariats.

(ii) Program support costs

Program support costs include the direct cost of project management spent in Australia, including project design, monitoring and evaluation and project management. It includes the training and professional development of Australian based staff and volunteers involved in the effective management of international projects. It also includes the salaries of program support staff paid in Australia.

(iii) Community Education

Community Education includes all costs related to advocacy, informing and educating the Australian community of, and inviting their active involvement in, global justice, development and humanitarian issues. This includes the cost of producing and distributing materials, the cost of conducting educational and public policy campaigns, and the cost of personnel involved in these activities.

(iv) Fundraising costs - Public

Fundraising costs - Public includes all costs related to the purpose of raising revenue from the public. Items include:

- The production and distribution of fundraising materials,
- The cost of promotional or marketing campaigns,
- The costs of establishing and maintaining public donor databases,
- Funds paid to third parties to provide fundraising services,
- Donation related bank fees, and
- The cost of personnel involved in preparing and conducting marketing and fundraising campaigns.

(v) Fundraising costs – Government, multilateral and private

Fundraising costs - Government, multilateral and private sector includes the costs of personnel and related expenses involved in the preparation of funding submissions for, and reporting against, grants from government, multilateral organisations, corporate and philanthropic organisations.

(vi) Accountability and administration

Accountability and Administration costs includes costs (not able to be allocated to a program activity) associated with the overall operational capability of the organisation. These costs include (but are not limited to):

- audit and accounting services,
- legal fees,
- memberships and subscriptions,
- international secretariat fees,
- office accommodation expenses (rent, maintenance, depreciation, utilities, etc.),
- bank charges (not donation related), and
- general staff training.

Notes to the financial statements cont'd

Note 4 Expenses (continued)

b. Specific expenses for the year

The following items are significant to the financial performance of the Company or are relevant to interpreting other notes in the financial statements:

	2018	2017
	\$	\$
Employee benefits expense	26,376,439	29,958,417
Depreciation expense	485,185	650,368
Lease expense	1,841,842	1,810,738
Asset impairment adjustment	132,513	32,624

c. 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.

Notes to the financial statements cont'd

Note 5 Financial assets and liabilities

This note provides information about the Company's financial instruments, including:

- an overview of all financial instruments held by the Company,
- specific information about each type of financial instrument,
- accounting policies, and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

a. Cash and cash equivalents

	2018 \$	2017 \$
Cash on hand	119,108	150,543
Cash at bank	15,950,363	10,741,286
International revolving fund	306,437	292,429
	16,375,908	11,184,258

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.

b. 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 greater than 12 months are shown as non-current assets. Investments intended to be held for an undefined period are not included in this classification.

c. 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 one month for CARE staff.

d. Trade and other receivables

	2018 \$	2017 \$
Trade receivables	437,742	2,433,817
GST receivable	126,383	175,036
CARE International Members	143,029	113,823
Project funds receivable	1,157,909	1,052,805
	1,865,063	3,775,481
Less provision for doubtful debts	-	-
Total trade and other receivables (net)	1,865,063	3,775,481

Notes to the financial statements cont'd

Note 5 Financial assets and liabilities (continued)

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 60-90 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 three months.

	2018 \$	2017 \$
Receivables are aged as follows:		
Not overdue	584,786	2,301,863
Overdue by:		
0 to 30 days	118,062	347,968
31 to 60 days	-	12,095
61 to 90 days	-	56,446
More than 90 days	1,162,215	1,057,109
Total receivables (gross)	<u>1,865,063</u>	<u>3,775,481</u>

There is currently no provision for doubtful debts as the collection of all outstanding balances is assessed as probable.

Notes to the financial statements cont'd

Note 5 Financial assets and liabilities (continued)

e. Investments

	2018	2017
	\$	\$
Mutual Trust cash management fund	79,146	37,878
Perennial Australian fixed interest	553,643	535,605
Lanyon Australian value fund	364,290	994,845
Metrics credit loan fund	429,179	410,523
J O Hambro global select fund	-	328,008
Maple Brown Abbott select fund	214,314	252,486
Dimensional fund advisors 5 year diversified fixed interest	616,624	971,686
CC JCB active bond fund	1,122,129	789,274
PIMCO global credit fund	404,407	798,529
Legg Mason Martin Currie ethical income fund	207,957	206,433
SPDR S&P/ASX 200 fund	872,344	805,703
Colonial First State Asian growth fund	188,644	164,885
Vanguard MSCI index international shares ETF	1,717,484	285,220
Bennelong Long Short fund	184,030	222,225
Fermat Capital insurance linked securities fund	164,080	196,440
Dalton Nicol Reid Australian equities fund	-	203,914
Dimensional Global Sustainability Fund	232,631	-
NAB 11am deposit	388,502	-
ishares MSCI EAFE	203,908	-
ishares MSCI emerging market fund	189,026	-
Other direct Australian equity investments	216,245	-
	8,348,583	7,203,654

Investments held at fair value through Profit or Loss

Investments at fair value consist of investments in Australian equities, managed funds and unit trusts and therefore have no fixed maturity date. During the year ended 30 June 2018, the fair value of the investments increased by \$266,364 (2017: increase \$157,210) based on the published prices for each Australian equity holding, managed fund or unit trust as at 30 June.

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.

f. Trade and other payables

	2018	2017
	\$	\$
Current		
Trade creditors	843,755	844,549
Accruals	363,808	132,381
Other creditors	373,319	435,822
CARE International Members	2,448	50,051
Accrued salary payments	173,227	175,593
	1,756,557	1,638,396

Notes to the financial statements cont'd

Note 5 Financial assets and liabilities (continued)

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.

g. 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 2018				Year ended 30 June 2017			
	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	216,245	8,132,338	-	8,348,583	-	7,203,654	-	7,203,654
	216,245	8,132,338	-	8,348,583	-	7,203,654	-	7,203,654

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 6 Non-financial assets and liabilities

This note provides information about the Company's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - property, plant and equipment (note 6(a))
 - provisions (note 6(b))
 - unexpended project fund (note 6(c))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

Notes to the financial statements cont'd

Note 6 Non-financial assets and liabilities (continued)

a. Property, plant and equipment

	Leasehold Improvements	Plant & Equipment	Computer Systems	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Cost					
As at 30 June 2016	1,165,668	894,921	1,732,653	1,155,175	4,948,417
Additions	22,880	47,916	356,611	74,316	501,723
Disposals	(2,998)	(75,023)	(67,521)	(120,821)	(266,363)
Adjustment	(11,450)	(21,174)	-	-	(32,624)
As at 30 June 2017	1,174,100	846,640	2,021,743	1,108,670	5,151,153
Additions	17,983	39,918	169,171	139,563	366,635
Disposals	(27,712)	(3,296)	(481)	(90,784)	(122,273)
Adjustment	(132,513)	(1,702)	1,702	-	(132,513)
At 30 June 2018	1,031,858	881,560	2,192,135	1,157,449	5,263,002
Depreciations and impairment					
As at 30 June 2016	(334,760)	(736,487)	(1,238,481)	(885,402)	(3,195,130)
Depreciation charge for the year	(143,866)	(66,123)	(322,946)	(117,433)	(650,368)
Disposals	1,894	77,739	71,028	72,129	222,790
As at 30 June 2017	(476,732)	(724,871)	(1,490,399)	(930,706)	(3,622,708)
Depreciation charge for the year	(71,614)	(61,450)	(257,007)	(95,113)	(485,184)
Disposals	27,070	3,296	481	90,784	121,631
As at 30 June 2018	(521,276)	(783,025)	(1,746,925)	(935,035)	(3,986,261)
Net book value					
At 30 June 2017	697,368	121,769	531,344	177,964	1,528,445
At 30 June 2018	510,582	98,535	445,210	222,414	1,276,741

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:

	2018	2017
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 6 Non-financial assets and liabilities (continued)

Impairment

The carrying values of all assets are reviewed for impairment at each reporting date, with the 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.

b. Provisions

	2018	2017
	\$	\$
Current		
Employee benefits	3,649,259	3,621,441
Other provisions	58,906	58,906
	3,708,165	3,680,347
Non-Current		
Employee benefits	141,827	125,401
Make good provision	232,425	361,873
	374,252	487,274

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.

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.

Notes to the financial statements cont'd

Note 6 Non-financial assets and liabilities (continued)

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.

Make good provision

The lease agreement for the office premises in Melbourne 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 renegotiated lease for office premises in Canberra has removed the requirement for make good. The provision is reviewed annually.

Movements in the make good provision were as follows:	2018	2017
	\$	\$
As at 1 July	361,873	350,638
Write off of make good provision	(137,381)	-
Unwinding of discount factor	7,933	11,235
As at 30 June	232,425	361,873

c. Unexpended project funds

	2018	2017
	\$	\$
Unexpended project funds	28,570,076	19,341,846
	28,570,076	19,341,846

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.

This amount 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 Dollars (AUD), United States Dollars (USD), Euros and Great Britain Pounds. There are various foreign currency bank accounts that may create a natural hedge in certain circumstances. The AUD equivalent of cash, cash at bank or held to maturity investments in foreign currencies at year end is \$15,443,205 (2017: \$12,678,706). The remainder of the funds are held in AUD.

Note 7 Reserves

General reserve comprises the accumulated operating results of the Company. These funds are held to safeguard financial stability, enduring operating capacity and the capacity to strategically invest. The Company's Reserve Policy sets the minimum level of general reserves and outlines the process for the Board to approve the use of reserve funds.

Specific purpose reserve are unspent restricted donations carried forward for the purpose of spending on specific activities or programs in the future.

Foreign currency reserve comprises the cumulative unrealised foreign exchange gains or losses resulting from the revaluation of assets and liabilities held in foreign currency.

Note 8 Cash flow information

a. Reconciliation of net operating surplus to the net cash flows from operating activities:

	2018 \$	2017 \$
Net operating surplus	1,131,437	529,631
Depreciation and amortisation	485,184	650,368
Net (gain) on investments designated at fair value through profit and loss	(266,364)	(157,210)
Gain on sale of property, plant and equipment	(3,660)	(50,535)
Asset write off	132,513	32,624
Net unrealised loss/(gain) on foreign exchange	(130,919)	(343,453)
Changes in assets and liabilities		
(Increase)/Decrease in receivables	1,910,418	(1,239,069)
Decrease/(Increase) in prepayments	(241,495)	(26,263)
Decrease/(Increase) in project advances	(2,837,286)	2,200,955
(Decrease)/Increase in payables	118,161	(126,266)
Increase in provisions	(85,204)	(70,946)
Decrease in unexpended project funds	8,646,536	(2,886,124)
Net cash flows (used in)/from operating activities	8,859,321	(1,486,288)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018

RISK

This section of the notes discusses the Company's exposure to various risks and shows how these could affect the Company's financial position and performance.

9. Significant accounting judgements, estimates and assumptions
10. Financial risk management

Notes to the financial statements cont'd

Note 9 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

This note provides an overview of the areas that involve a degree of judgement or complexity. Detailed information about estimates and judgements exercised and the basis for calculation is included in the relevant notes referenced below.

The areas are:

- Revenue recognition (Note 3)
- Fair value measurement of financial instruments (Note 5g)
- Useful life assessment of property, plant and equipment (Note 6a)
- Valuation and impairment of non-financial assets (Note 6a)
- Provision for employee benefits (Note 6b)
- Provision for make good of leases (Note 6b)

Management bases its judgements 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.

Note 10 Financial risk management

The Company'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.

Notes to the financial statements cont'd

Note 10 Financial risk management objectives and policies (continued)

The Company's Reserves Policy requires reserves to be maintained to safeguard the continued operations of Company'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:

	2018	2017
	\$	\$
Financial assets		
Cash	4,815,252	1,937,864
Held to maturity investments	3,760,834	5,910,958
	<u>8,576,086</u>	<u>7,848,822</u>

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

	2018	2017
	\$	\$
Financial assets		
Held to maturity investments	6,237	4,816,956
	<u>6,237</u>	<u>4,816,956</u>

The Company regularly 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 reporting date.

Notes to the financial statements cont'd

Note 10 Financial risk management objectives and policies (continued)

At 30 June 2018, if interest rates had 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)	
	2018 \$	2017 \$	2018 \$	2017 \$
Financial assets in AUD				
+0.5% (50 basis points)	42,880	39,244	42,880	39,244
- 0.5% (50 basis points)	(42,880)	(39,244)	(42,880)	(39,244)
Financial assets in USD				
+ 0.5% (50 basis points)	31	24,085	31	24,085
- 0.5% (50 basis points)	(31)	(24,085)	(31)	(24,085)

b. Foreign currency risk

As a result of significant operations in foreign countries, the Company's Statement of Financial Position can be affected significantly by movements in the USD/AUD exchange rates. The Company 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 the Company'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 other foreign currencies, which at the reporting date were for AUD equivalent of \$954,724 (2017: \$1,004,159). The Company has assessed that the foreign currency exposure to fluctuations in these non-USD denominated accounts is not material.

At 30 June 2018, the Company had the following exposure to USD foreign currency denominated balances that were not hedged:

	2018 \$AUD	2017 \$AUD
Financial assets		
Cash	9,461,190	6,857,591
Held to maturity investments	5,027,291	4,816,956
Receivables	1,228,693	1,105,225
	<u>15,717,174</u>	<u>12,779,772</u>
Financial liabilities		
Payables	(2,041,155)	(1,819,116)
	<u>(2,041,155)</u>	<u>(1,819,116)</u>
Net exposure	<u>13,676,019</u>	<u>10,960,656</u>

Notes to the financial statements cont'd

Note 10 Financial risk management objectives and policies (continued)

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

At 30 June 2018, 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)	
	2018	2017	2018	2017
	\$	\$	\$	\$
AUD/USD +5%	(651,239)	(521,936)	(651,239)	(521,936)
AUD/USD – 10%	1,234,124	989,090	1,234,124	989,090

c. Market risk

Market risk is the risk that the fair value of equity securities held in the investment portfolio decreases. The Company 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 Risk Committee. Exposure at balance date is disclosed in Note 5(e).

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 2018 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)	
	2018	2017	2018	2017
	\$	\$	\$	\$
+ 10%	834,858	718,591	834,858	718,591
- 10%	(834,858)	(718,591)	(834,858)	(718,591)

d. Credit risk

Credit risk arises from the financial assets of the Company, 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 reporting date is addressed in each applicable note.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company'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 Company's exposure to bad debts is not significant.

Notes to the financial statements cont'd

Note 10 Financial risk management objectives and policies (continued)

There is minimum credit risk within the Company 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. 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:

	2018	2017
	\$	\$
6 months or less	1,756,557	1,638,396
6-12 months	28,570,076	19,341,846
1-5 years	-	-
Over 5 years	-	-
Payables	<u>32,326,633</u>	<u>20,980,242</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

11. Events subsequent to the reporting date
12. Contingencies
13. Commitments
14. Related party transactions
15. Key management personnel
16. Remuneration of auditors
17. Other accounting policies
18. Information required by *NSW Charitable Fundraising Act 1991*

Notes to the financial statements cont'd

Note 11 Events subsequent to the reporting date

There are no significant events subsequent to the reporting date.

Note 12 Contingencies

As at 30 June 2018 the Company did not have any contingent assets or liabilities (2017: Nil).

Note 13 Commitments

	2018	2017
	\$	\$
Lease expenditure commitments		
Operating leases:		
Minimum lease payments		
- not later than one year	1,421,022	1,428,273
- later than one and not later than five years	2,706,412	1,660,422
- later than five years	59,543	-
	4,186,977	3,088,695

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

Note 14 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 if requested. An amount of \$10,175 (2017: \$9,675) was paid for Directors and Officers liability insurance.

Director-related entity transactions

During the year, CARE Australia received \$30,000 worth of pro bono consulting services from McKinsey and Company related to a review of fundraising investments. CARE Director Joseph Tesvic is a Senior Partner at McKinsey & Company.

CARE Director Allan Griffiths is Chair of Metrics Credit Partners which manages the Metrics credit loan fund. Currently CARE Australia has invested \$429,179 in the Metrics credit loan fund as part of CARE Australia's investment portfolio which is administered by Mutual Trust.

Notes to the financial statements cont'd

Note 15 Key management personnel

a. Details of key management personnel

(i) Directors (non – executive)

Chair Colin Galbraith, AM

Vice Chair Peter Debnam

Treasurer Bronwyn Morris (until 21 July 2017)

Marcus Laithwaite (appointed 21 July 2017)

Board Members Paula Benson (Appointed 13 April 2018)

Dr Megan Clark AC

David Feetham

Robert Glindemann OAM

Allan Griffiths

William Guest (until 21 July 2017)

Danielle Keighery

Professor Stephen Howes

Larke Riemer AO

Joseph Tesvic

Chris Vein (appointed 27 July 2017 until 13 April 2018)

Louise Watson

(ii) Executives

Sally Moyle Chief Executive

Louise Gray Principal Executive – Corporate Services and Company Secretary

Paul Kelly Principal Executive – International Programs (until 8 December 2017)

Emma Tiaree Principal Executive – International Programs (from 15 January 2018)

Howard Ralley Principal Executive – Fundraising Digital and Communications

Robert Yallop Principal Executive – International Operations

Notes to the financial statements cont'd

b. Compensation of Key management personnel - Executives

	2018	2017
	\$	\$
Short term employee benefits	967,970	980,844
Post-employment benefits	102,765	136,255
	<u>1,070,735</u>	<u>1,117,099</u>

Note 16 Remuneration of auditors

Amounts received or due and receivable by Ernst & Young Australia for:	2018	2017
	\$	\$
An audit or review of the financial report of the Company	97,850	97,850
Other services in relation to the Company		
- USAID audits (reimbursed to CARE Australia by CARE USA)	86,860	137,855
	<u>184,710</u>	<u>235,705</u>

Note 17 Other accounting policies

a. New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The Company has adopted the following amended Australian Accounting Standards as at 1 July 2018:

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The application of these amendments has no impact on the Company's financial report.



Notes to the financial statements cont'd

(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 2018. The Company's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Assessment of impact	Application date
<p>AASB 9 <i>Financial Instruments</i> AASB 2014-7 <i>Amendments arising from AASB 9 (Dec 2014)</i></p>	<p>The new standard sets out revised principles for accounting for financial assets and liabilities: recognition and derecognition, classification, measurement, impairment and hedge accounting.</p>	<p>When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements. The new hedging rules will also have no impact as the Company currently does not use hedging contracts.</p>	<p>Effective from 1 January 2018</p>
<p>AASB 16 <i>Leases</i></p>	<p>The AASB has issued a new standard for lease accounting which will replace AASB 117 <i>Leases</i>. The key features are:</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying value is low. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement will include non-cancellable lease payments and includes payments to be made in optional lease extensions if it is reasonably certain the option will be exercised. 	<p>The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on a preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:</p> <ul style="list-style-type: none"> • a significant increase in lease assets and financial liabilities recognised on the balance sheet. Currently CARE Australia has lease commitments of \$4,186,977 as at 30 June 2018. • the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities • operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. 	<p>Effective from 1 January 2019</p>



Notes to the financial statements cont'd

Title of standard	Nature of change	Assessment of impact	Application date
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 <i>Revenue from Contracts with Customers</i> . These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 <i>Contributions</i> .	This standard will be adopted for the year ending 30 June 2020.	Effective from 1 January 2019
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 <i>Revenue from Contracts with Customers</i> . These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 <i>Contributions</i> .	The Company is yet to undertake a detailed assessment of the impact of AASB 1058 and AASB 15. However, based on a preliminary assessment, the likely impact on the first time adoption of these Standards for the year ending 30 June 2020 includes:	
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset).	<ul style="list-style-type: none"> Donations (both cash and in kind) will be recognised as revenue when the asset or service is received. This will bring forward the revenue recognition point for restricted donations, which were previously deferred until expended on an applicable restricted activity. Currently CARE has \$467,446 in unspent restricted funding. 	
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. Upon initial recognition of the asset, AASB 1058 requires the entity to consider whether any other financial statement elements should be recognised, such as:	<ul style="list-style-type: none"> No change to revenue recognition for grant funding which will be deferred until performance obligations are met under the funding agreements. 	
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<ul style="list-style-type: none"> a Contributions by owners; b Revenue, or a contract liability arising from a contract with a customer; c A lease liability; d A financial instrument; or e A provision. 		



Notes to the financial statements cont'd

Title of standard	Nature of change	Assessment of impact	Application date
Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	Interpretation 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.	When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.	1 January 2018
Interpretation 23 <i>Uncertainty Over Income Tax Treatments</i>	Interpretation 23 clarifies how the recognition and measurement requirements of <i>AASB 112 Income Taxes</i> are applied where there is uncertainty over income tax treatments	When this Interpretation is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.	1 January 2019

Notes to the financial statements cont'd

Note 18 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>	2018	2017
	\$	\$
Donations	12,513,880	13,482,423
Bequests	1,761,901	919,717
Gross proceeds from fundraising appeals	14,275,781	14,402,140
<u>Total expenses for fundraising appeals</u>		
Donations	6,232,169	5,693,546
Total expenses for fundraising appeals	6,232,169	5,693,546
Net surplus from fundraising appeals	8,043,612	8,708,594

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

	2018	2017
	\$	\$
Net surplus obtained from fundraising appeals	8,043,612	8,708,594
Applied for charitable purposes as follows:		
International programs	44,036,268	53,270,659
Program support costs	2,933,037	3,680,386
Community education	1,056,947	1,114,952
Cost of raising program funds from government and multilateral agencies	191,873	129,814
Accountability and administration	2,201,891	2,048,099
Non-monetary expenditure	149,160	221,364
Total expenses	50,569,176	60,465,274
(Shortfall) / surplus	(42,525,564)	(51,765,680)

Shortfall was met from the following sources	2018	2017
	\$	\$
DFAT grants	11,625,472	17,284,767
Other Australian grants	6,820,732	6,671,802
Other overseas grants	23,576,542	26,604,750
Investment income	446,479	453,958
Other income	1,187,776	1,271,034
	43,657,001	52,286,311
Net surplus transferred to accumulated funds for future use	1,131,437	529,631

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

Notes to the financial statements cont'd

Note 18 Information required by the *NSW Charitable Fundraising Act 1991* (continued)

COMPARISON BY PERCENTAGE	2018 %	2017 %
Total Cost of Public Fundraising/Revenue from the Australian Public	44	40
Net surplus from Fundraising/Revenue from the Australian Public	56	60

Commencing in 2016 and continuing through to 2018 CARE Australia has invested in public engagement in order to diversify sources of revenue. This investment enables CARE Australia to increase funds to tackle poverty, create a more equal world and reduce our dependency on institutional funding. Coinciding with this was a thankfully quieter period in sudden onset disasters, which reduced income from Emergency appeals. Both factors have resulted in higher fundraising ratio over this period. It is forecast that the cost of fundraising will reduce to 38% of fundraising revenue next year, with a long term target ratio of 30%.

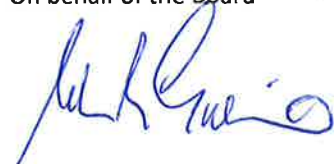
DIRECTORS' DECLARATION

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 *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 2018 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, and the *Australian Charities and Not-for-Profits Commission Regulations 2013*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) 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;
- (d) 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
- (e) 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 handwritten signature in blue ink, appearing to read "Colin Galbraith".

Colin Galbraith AM
Chair

A handwritten signature in black ink, appearing to read "Marcus Laithwaite".

Marcus Laithwaite
Treasurer

26 October 2018



Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

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 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

Anthony Ewan
Partner
26 October 2018



Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

Independent Auditor's Report to the Members of CARE Australia

Report on the Financial Report

Opinion

We have audited the financial report of CARE Australia (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with 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 report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The directors are responsible for the other information. The other information comprises the information included in the Directors Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015* 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 2015* 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 Acts 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 2018, 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 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015;
 - 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 2018 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.

Ernst & Young

Ernst & Young



Anthony Ewan
Partner
Canberra
26 October 2018

