



**CARE AUSTRALIA**

**ABN 46 003 380 890**

# FINANCIAL REPORT

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**For the year ended 30 June 2019**

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## DIRECTORS' REPORT

The Directors submit their report for the year ended 30 June 2019.

### Board of Directors

The names of the Board Members in office during the financial year as follows. Directors were in office during this period unless otherwise stated.

<i>Chairman</i>	Colin Galbraith AM
<i>Vice Chair</i>	Peter Debnam
<i>Treasurer</i>	Marcus Laithwaite
<i>Board Members</i>	Paula Benson (from 5 July 2018)
	Dr Megan Clark AC
	David Feetham
	Robert Glindemann OAM (to 26 October 2018)
	Allan Griffiths (to 26 October 2018)
	Danielle Keighery
	Professor Stephen Howes (to 27 April 2019)
	Larke Riemer AO
	Joseph Tesvic
	Louise Watson (to 26 October 2018)
	Phoebe Wynn-Pope (from 26 October 2018)

### *Board Members joined since 30 June 2019*

Diana Nicholson (from 26 July 2019)  
Peter Varghese AO (from 26 July 2019)

## Directors' Report Cont'd

As at the date of this report, CARE Australia (the Company) had the following standing committees: Executive Committee; International Programs and Operations Committee; Finance and Risk Committee; People and Remuneration Committee; Fundraising and Brand 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 2018-19 financial year were Mr Colin Galbraith (Chair) and Mr Peter Debnam.

The members of the International Programs and Operations Committee during the 2018-19 financial year were Professor Stephen Howes (Chair), Mr Allan Griffiths, Mr Peter Debnam, Mr David Feetham, Dr Megan Clark, Ms Larke Riemer, Mr Joseph Tesvic and Dr Phoebe Wynn-Pope.

The members of the Finance and Risk Committee during the 2018-19 financial year were Mr Marcus Laithwaite (Chair), Ms Paula Benson, Mr Robert Glindemann, Mr Allan Griffiths and Mr Joseph Tesvic.

The members of the People and Remuneration Committee during the 2018-19 financial year were Ms Larke Riemer (Chair), Mr Allan Griffiths, Ms Danielle Keighery, Ms Louise Watson and Dr Phoebe Wynn-Pope.

The members of the Fundraising and Brand Committee during the 2018-19 financial year were Mr Peter Debnam (Chair), Mr Robert Glindemann, Ms Louise Watson, Mr David Feetham, Ms Danielle Keighery, Ms Paula Benson and Ms Larke Riemer.

The members of the Governance and Nominations Committee during the 2018-19 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	Board Meetings		International Programs & Operations		Meetings of Committees				Fundraising & Brand	
	A	B	A	B	People & Remuneration		Finance & Risk		A	B
					A	B	A	B	A	B
Colin Galbraith	3	3	0	0	0	0	0	0	0	0
Peter Debnam	3	3	3	2	0	0	0	0	2	2
Marcus Laithwaite	3	3	0	0	3	3	3	3	0	0
Paula Benson	3	3	0	0	0	0	3	2	2	1
Dr Megan Clark	3	3	3	2	0	0	0	0	0	0
David Feetham	3	3	3	2	0	0	0	0	2	2
Robert Glindemann*	2	1	0	0	0	0	1	1	1	1
Allan Griffiths*	2	1	1	0	1	1	1	1	0	0
Danielle Keighery	3	0	0	0	3	0	0	0	2	0
Professor Stephen Howes*	3	3	2	2	0	0	0	0	0	0
Larke Riemer	3	2	0	0	3	3	0	0	2	2
Joseph Tesvic	3	3	3	2	0	0	3	2	0	0
Louise Watson*	2	1	0	0	1	0	0	0	1	1
Phoebe Wynn Pope	2	2	2	1	1	1	1	0	0	0

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

B – the number of meetings attended

\* – Directors who departed in 2019

## 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 2019 was a deficit of \$686,478 (2018: surplus of \$1,131,437).

This deficit relates to revenue recognition requirements which saw funding on emergency responses for the PNG earthquake, the East Africa four-country famine appeal and support for refugees in Syria and Bangladesh being received and reported in FY18 but spent in 2019. The remaining balance of these funds are held in a Specific Purpose Reserve and Foreign Currency Reserve (refer Note 7) on the Balance Sheet and will be used to fund ongoing emergency responses.

Grant revenue and funds to international programs were significantly higher in 2019 due to the commencement of new projects in PNG, Jordan, Iraq and Vanuatu. Public revenue was lower in 2019 due to fewer emergency responses appeals than in 2018 and a lower level of bequest income received.

## 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).
- Assessment against the Australian Council for International Development Code.
- 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 reasonable proportion of total income.

Management and the Board also monitor the Company's overall performance, which includes an assessment of achievements against the organisation's strategic plan, 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 (Iraq, Jordan, Lebanon, Syria, West Bank Gaza and Yemen), South East Asia (Laos, Vietnam and Cambodia), South Asia (Bangladesh, and Nepal), Africa (Ethiopia, Kenya and Somalia) and the Pacific (PNG, Tonga, Indonesia and Vanuatu).

### Significant Changes in the State of Affairs

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

### Employees

As at 30 June 2019, the Company employed 91 staff (2018: 114 staff) on Australian contracts and 755 staff (2018: 634 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 were \$11,195 (2018: \$10,175). 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, the 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.



## Directors' Report Cont'd

### Particulars of Directors

#### ***CHAIRMAN***

##### **Colin Galbraith AM**

Director since 2004

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

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

Colin is the delegate of CARE Australia to the Council of CARE International and sits on its Governance and Nominations Committee.

#### ***VICE-CHAIR***

##### **Peter Debnam**

Director since 2013

Chair, Sydney North Planning Panel; Chairman, 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; Director & Chairman, Muscular Dystrophy Association of NSW; Director & Chairman, Muscular Dystrophy Foundation Australia; Chairman, Advisory Board of Our Big Kitchen Limited; Director, Paddle NSW Inc.; Director, Disability Sports Australia; Director, Soils for Life Pty Ltd.

Peter is the Chair of the Fundraising and Communications Committee, a member of the Executive Committee and a member of the International Programs and Operations Committee.

#### ***TREASURER***

##### **Marcus Laithwaite**

Director since 2017

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

Formerly – Chair of ChildFund Australia, PwC Australia Executive Board member and Chief Diversity and Inclusion Officer.

Marcus commenced as Treasurer in July 2017.

## Directors' Report Cont'd

### ***MEMBERS***

#### **Ms Paula Benson**

Director since 2018

Non-Executive Director, Victorian Funds Management Corporation; Trustee, Melbourne Convention and Exhibition Trust; Special Counsel to CMAX Advisory; Deputy Chairperson, Patient Review Panel, Assisted Reproductive Treatment Act, 2008; Co-Chair, Research & Advocacy Board Sub-Committee, Ovarian Cancer Australia.

#### **Dr Megan Clark AC**

Director since 2015

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

Formerly – Chief Executive, CSIRO; Vice President, Technology, BHP Billiton; Director, NM Rothschild and Sons.

#### **David Feetham**

Director since 2013

Deputy Chairman, Gresham Advisory Partners Limited.

Formerly – Macquarie Bank in Sydney; Baker & McKenzie.

#### **Robert Glindemann OAM**

Director from 2008 to 2018

Deputy Chair and Non-Executive Director, Navy Health Limited; Director, East Timor Roofing Holding Company Ltd.

Formerly – Chair, RMS Logistics Pty Ltd; Director and Vice President, Confederation of Australian Motor Sport; Principal, PRO-NED Vic Pty Ltd.

#### **Allan Griffiths**

Director from 2008 to 2018

Chairman, IOOF Holdings Pty Ltd; Chairman, Westpac Life Insurance Services; Westpac General Insurance Ltd; Westpac Lenders Mortgage Insurance Services; Chairman, Metrics Credit Partners Pty Ltd.

## Directors' Report Cont'd

### **Professor Stephen Howes**

Director from 2012 to 2019

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.

### **Danielle Keighery**

Director since 2015

Chief Experience Officer, Virgin Australia; Member, Virgin Unite Board – the not for profit foundation of the Virgin Group.

Formerly – Group Executive Brand, Marketing and Public Affairs, Virgin Australia; Corporate Affairs for Virgin Management, Asia Pacific; Senior Corporate Communication roles at Nokia; Global Director of Corporate Communications at Nokia London.

### **Diana Nicholson**

Director since 2019

Senior Partner, King & Wood Mallesons. Board Member, King & Wood Mallesons Community Impact Board; Member, Takeovers Panel; Trustee, Melbourne and Olympic Parks.

### **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 with McKinsey & Company

## Directors' Report Cont'd

### **Peter Varghese AO**

Director since 2019

Chancellor of The University of Queensland. Board Director, AMP Limited, AMP Capital Holdings, AMP Bank; Director, North Queensland Airports; Member, International Governing Board of the Rajaratnam School of International Studies in Singapore; Member, Governing Board of Nalanda University in India.

Formerly – Secretary, Department of Foreign Affairs and Trade; High Commissioner to India; High Commissioner to Malaysia; Director-General, Office of National Assessments; Senior Advisor (International) to the Prime Minister of Australia.

### **Louise Watson**

Director from 2008 to 2018

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

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.

### **Dr Phoebe Wynn Pope**

Director since 2018

Head of Business and Human Rights at Corrs Chambers Westgarth. Member, Monash University Masters of International Relations Industry Board; Member, University of New South Wales Australian Human Rights Institute Advisory Board; Graduate Member, Australian Institute of Company Directors (AICD).

Formerly – Founding Director, Humanitarian Advisory Group; Director, International Humanitarian Law and Movement Relations at Australian Red Cross.

**COMPANY SECRETARY****Louise Gray**

Company Secretary since 2016.

Chair, Epilepsy ACT; Director, Epilepsy Australia.

Formerly – First Assistant Secretary and Chief Finance Officer, Department Immigration and Citizenship, Deputy Chief Executive Officer, Carers ACT; ACT State Manager, National Disability Services.

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 14 to the financial statements.  
Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read "Colin Galbraith".Colin Galbraith AM  
ChairA handwritten signature in black ink, appearing to read "M. Laithwaite".Marcus Laithwaite  
Treasurer  
1 November 2019

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

		2019	2018
		\$	\$
<b>REVENUE</b>	<i>Note</i>		
Unrestricted Cash Donations from the Australian public	3	8,887,496	9,275,622
Restricted Cash Donations from the Australian public	3	1,832,261	3,089,098
In Kind Donations from the Australian public	3	142,987	149,160
Bequests	3	410,102	1,761,901
Grants			
Department of Foreign Affairs and Trade	3	11,609,530	11,625,472
Other Australian	3	17,660,638	6,820,732
Other overseas	3	23,607,299	23,576,542
Investment income	3	665,501	446,479
Other income	3	711,546	1,187,776
<b>Total revenue</b>	<b>3</b>	<b>65,527,360</b>	<b>57,932,782</b>
<b>EXPENSES</b>			
International programs			
Funds to international programs	4(a)(i)	55,019,311	44,036,268
Program support costs	4(a)(ii)	3,535,990	2,933,037
Community education	4(a)(iii)	996,844	1,056,947
Fundraising costs			
Public	4(a)(iv)	4,174,323	6,232,169
Government, multilateral and private	4(a)(v)	186,025	191,873
Accountability and administration	4(a)(vi)	2,158,358	2,201,891
Non-monetary expenditure – Australian based		142,987	149,160
<b>Total expenses</b>	<b>4(b)</b>	<b>66,213,838</b>	<b>56,801,345</b>
<b>NET (DEFICIT)/SURPLUS</b>		<b>(686,478)</b>	<b>1,131,437</b>
Other comprehensive income		-	-
<b>Total comprehensive income/expenditure for the year</b>		<b>(686,478)</b>	<b>1,131,437</b>

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

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5(a)	17,700,548	16,375,908
Term deposits	5(b)	5,769,034	13,590,922
Prepayments		673,147	766,742
Project advances	5(c)	4,923,140	5,730,064
Trade and other receivables	5(d)	4,751,981	1,865,063
<b>TOTAL CURRENT ASSETS</b>		<b>33,817,850</b>	<b>38,328,699</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current financial assets	5(b)	276,378	276,378
Property, plant and equipment	6(a)	1,010,681	1,276,741
Investments	5(b)(e)(g)	9,016,044	8,348,583
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,303,103</b>	<b>9,901,702</b>
<b>TOTAL ASSETS</b>		<b>44,120,953</b>	<b>48,230,401</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5(f)	2,276,695	1,756,557
Provisions	6(b)	3,453,569	3,708,165
Unexpended project funds	6(c)	24,824,691	28,570,076
<b>TOTAL CURRENT LIABILITIES</b>		<b>30,554,955</b>	<b>34,034,798</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	6(b)	431,125	374,252
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>431,125</b>	<b>374,252</b>
<b>TOTAL LIABILITIES</b>		<b>30,986,080</b>	<b>34,409,050</b>
<b>NET ASSETS</b>		<b>13,134,873</b>	<b>13,821,351</b>
<b>EQUITY</b>			
General reserve		13,232,027	12,821,706
Specific purpose reserve		316,931	1,386,311
Foreign currency reserve		(414,085)	(386,666)
<b>TOTAL EQUITY</b>		<b>13,134,873</b>	<b>13,821,351</b>

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 2019

Statement of Changes in Equity	Note	General Reserve	Specific Purpose Reserve	Foreign Currency Reserve	Total
Balance at 1 July 2018	7	12,821,706	1,386,311	(386,666)	13,821,351
Allowance for expected credit losses AASB9 opening balance adjustment	5(d)	12,668	-	-	12,668
Net operating surplus for the year		397,653	(1,069,380)	(27,419)	(699,146)
Other comprehensive income for the year		-	-	-	-
Amounts transferred (to)/from reserves		-	-	-	-
Balance at 30 June 2019	7	<b>13,232,027</b>	<b>316,931</b>	<b>(414,085)</b>	<b>13,134,873</b>

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		(1,386,311)	1,386,311	-	-
Balance at 30 June 2018	7	<b>12,821,706</b>	<b>1,386,311</b>	<b>(386,666)</b>	<b>13,821,351</b>

*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 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
General public donations		11,029,201	14,126,620
Grants and contract income (inclusive of GST)		52,873,505	46,693,773
Interest income		665,501	446,479
Other income		315,621	1,249,863
Payments to suppliers and employees (inclusive of GST)		(71,625,927)	(53,657,414)
<b>Net cash flows (used in)/from operating activities</b>	8(a)	<b>(6,742,099)</b>	<b>8,859,321</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(294,802)	(366,635)
Proceeds from sale of property, plant and equipment		54,878	4,302
Acquisition of investments		(33,802,729)	(49,139,933)
Redemption of investments		41,344,029	45,121,981
<b>Net cash flows (used in)/from investing activities</b>		<b>7,301,376</b>	<b>(4,380,285)</b>
<b>Net (decrease)/increase in cash held</b>		<b>559,277</b>	<b>4,479,036</b>
Net foreign exchange differences		765,363	712,614
Cash at the beginning of the year		16,375,908	11,184,258
<b>Cash at the end of the year</b>	5(a)	<b>17,700,548</b>	<b>16,375,908</b>

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

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## Notes to the Financial Statements - 30 June 2019

### BASIS OF PREPARATION

#### Note 1 Corporate information

The financial report of CARE Australia (the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors dated 1 November 2019.

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 2019 there were eight 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 is Australian dollars (\$).

## Notes to the financial statements cont'd

### Note 2 Basis of preparation (continued)

#### *Translation of foreign currency transactions and balances*

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.

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 last day of the month and their statements of profit or loss are translated at 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 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 2019

### 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:

	2019	2018
	\$	\$
<b>REVENUE</b>		
<b>Donations</b>		
Unrestricted Cash Donations from the Australian public	8,887,496	9,275,622
Restricted Cash Donations from the Australian public	1,832,261	3,089,098
In Kind Donations from the Australian public	142,987	149,160
Bequests	410,102	1,761,901
<b>Total donations</b>	<b>11,272,846</b>	<b>14,275,781</b>
<b>Grants</b>		
Department of Foreign Affairs and Trade	11,609,530	11,625,472
Other Australian Government departments and non-government organisations	17,615,638	6,777,902
Other Australian organisations	45,000	42,830
<b>Total other Australian grants</b>	<b>17,660,638</b>	<b>6,820,732</b>
CARE International members	13,878,675	13,993,708
Multilateral agencies	4,590,094	4,619,592
Foreign governments and overseas based organisations	5,138,530	4,963,242
<b>Total other overseas grants</b>	<b>23,607,299</b>	<b>23,576,542</b>
<b>Totals grants</b>	<b>52,877,467</b>	<b>42,022,746</b>
Interest income	383,548	259,509
Dividends	281,953	186,970
<b>Total investment income</b>	<b>665,501</b>	<b>446,479</b>
Net foreign currency gain	-	130,919
Other income	315,621	786,833
Fair value gain on investments	386,872	266,364
Profit on sale of fixed assets	9,053	3,660
<b>Total other income</b>	<b>711,546</b>	<b>1,187,776</b>
<b>Total revenue</b>	<b>65,527,360</b>	<b>57,932,782</b>

## 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 funding, which are treated differently for the purposes of revenue recognition as follows:

- Unrestricted funding (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 funding (grant and contracts) 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 of 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 measured.

##### (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](http://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 activities and 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:

	<b>2019</b>	<b>2018</b>
	\$	\$
Employee benefits expense	28,770,240	26,376,439
Depreciation expense	503,394	485,185
Lease expense	1,641,403	1,841,842
Asset impairment adjustment	11,642	132,513

#### 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

	2019	2018
	\$	\$
Cash on hand	139,774	119,108
Cash at bank	17,245,160	15,950,363
International revolving fund	315,614	306,437
	<b>17,700,548</b>	<b>16,375,908</b>

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. Financial Instruments

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

##### *Financial assets at amortised cost*

This category is the most relevant to the Company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade and other receivables and term deposits in the statement of financial position.

## Notes to the financial statements cont'd

### *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.

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 2019, the fair value of the investments increased by \$386,872 (2018: increase \$266,364) based on the published prices for each Australian equity holding, managed fund or unit trust as at 30 June.

### *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*

	2019 \$	2018 \$
Trade receivables	3,092,716	437,742
GST receivable	267,013	126,383
CARE International Members	201,320	143,029
Project funds receivable	1,203,600	1,157,909
	<b>4,764,649</b>	<b>1,865,063</b>
Allowance for expected credit losses	(12,668)	-
Total trade and other receivables (net)	<b>4,751,981</b>	<b>1,865,063</b>

### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised costs using the effective interest method, less any allowance for expected credit losses. Trade and other receivables are general due for settlement within 30 days. The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### *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.

## Notes to the financial statements cont'd

### Note 5 Financial assets and liabilities (continued)

	2019 \$	2018 \$
Receivables are aged as follows:		
Not overdue	255,981	584,786
Overdue by:		
0 to 30 days	623,329	118,062
31 to 60 days	2,669,098	-
61 to 90 days	-	-
More than 90 days	1,203,573	1,162,215
Total receivables (gross)	<u>4,751,981</u>	<u>1,865,063</u>

#### e. Investments

	2019 \$	2018 \$
Listed investments at fair value in:		
Investment trusts	9,016,044	8,348,583
	<u>9,016,044</u>	<u>8,348,583</u>

#### Movement in investments

Balance at 1 July	8,348,583	7,203,654
Purchases	4,141,024	14,517,997
Disposals	(3,860,436)	(13,639,432)
Revaluation increment	386,873	266,364
<b>Balance at 30 June</b>	<u><b>9,016,044</b></u>	<u><b>8,348,583</b></u>

Investments are managed by Mutual Trust on behalf of CARE Australia. Mutual Trust hold a variety of investments which generate a return based on income from those investments and changes in the market value of investments. CARE Australia's investment in Mutual Trust can be redeemed on an at-call basis at the market value of investment at the date of redemption less certain fees and charges.

#### f. Trade and other payables

	2019 \$	2018 \$
<b>Current</b>		
Trade creditors	1,084,043	843,755
Accruals	505,544	363,808
Other creditors	537,286	373,319
CARE International Members	1	2,448
Accrued salary payments	149,821	173,227
	<u><b>2,276,695</b></u>	<u><b>1,756,557</b></u>

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.

## Notes to the financial statements cont'd

### Note 5 Financial assets and liabilities (continued)

#### 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 2019				Year ended 30 June 2018			
	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	321,258	8,694,786	-	9,016,044	216,245	8,132,338	-	8,348,583
	321,258	8,694,786	-	9,016,044	216,245	8,132,338	-	8,348,583

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, level 2 and level 3 during the period.

## Notes to the financial statements cont'd

### 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.

#### a. Property, plant and equipment

	Leasehold Improvements \$	Plant & Equipment \$	Computer Systems \$	Motor Vehicles \$	Total \$
<b>Cost</b>					
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)
<b>As at 30 June 2018</b>	<b>1,031,858</b>	<b>881,560</b>	<b>2,192,135</b>	<b>1,157,449</b>	<b>5,263,002</b>
Additions	141,553	34,904	117,851	494	294,802
Disposals	-	(4,748)	(24,517)	(69,396)	(98,661)
Adjustment	1	(11,174)	(469)	-	(11,642)
<b>At 30 June 2019</b>	<b>1,173,412</b>	<b>900,542</b>	<b>2,285,000</b>	<b>1,088,547</b>	<b>5,447,501</b>
<b>Depreciations and impairment</b>					
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
<b>As at 30 June 2018</b>	<b>(521,276)</b>	<b>(783,025)</b>	<b>(1,746,925)</b>	<b>(935,035)</b>	<b>(3,986,261)</b>
Depreciation charge for the year	(116,029)	(55,155)	(255,199)	(77,012)	(503,394)
Disposals	-	6,329	21,589	24,917	52,835
<b>As at 30 June 2019</b>	<b>(637,305)</b>	<b>(831,851)</b>	<b>(1,980,535)</b>	<b>(987,128)</b>	<b>(4,436,819)</b>
<b>Net book value</b>					
At 30 June 2018	510,582	98,535	445,210	222,414	1,276,741
<b>At 30 June 2019</b>	<b>536,107</b>	<b>68,691</b>	<b>304,465</b>	<b>101,419</b>	<b>1,010,681</b>

## Notes to the financial statements cont'd

### Note 6 Non-financial assets and liabilities (continued)

#### 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:

	2019	2018
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

#### 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

	2019	2018
<b>Current</b>	<b>\$</b>	<b>\$</b>
Employee benefits	3,403,862	3,649,259
Other provisions	49,707	58,906
	<b>3,453,569</b>	<b>3,708,165</b>
<b>Non-Current</b>		
Employee benefits	192,425	141,827
Make good provision	238,700	232,425
	<b>431,125</b>	<b>374,252</b>

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 6 Non-financial assets and liabilities (continued)

#### 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.

##### 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 lease for office premises in Canberra does not have a requirement for make good. The provision is reviewed annually.

Movements in the make good provision were as follows:	<b>2019</b>	<b>2018</b>
	\$	\$
As at 1 July	232,425	361,873
Write off of make good provision	-	(137,381)
Unwinding of discount factor	6,275	7,933
As at 30 June	<b>238,700</b>	<b>232,425</b>

### c. Unexpended project funds

	<b>2019</b>	<b>2018</b>
	\$	\$
Unexpended project funds	24,824,691	28,570,076
	<b>24,824,691</b>	<b>28,570,076</b>

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.



## Notes to the financial statements cont'd

### Note 6 Non-financial assets and liabilities (continued)

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, Great Britain Pounds, PGK and VATU. 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 term deposits in foreign currencies at year end is \$17,012,611 (2018: \$15,443,205). The remainder of the funds are held in AUD.

## Notes to the financial statements cont'd

### 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:

	2019 \$	2018 \$
Net operating (deficit)/surplus	(686,478)	1,131,437
Depreciation and amortisation	503,394	485,184
Net (gain) on investments designated at fair value through profit and loss	(386,872)	(266,364)
Gain on sale of property, plant and equipment	(9,053)	(3,660)
Asset write off	11,642	132,513
Net unrealised loss/(gain) on foreign exchange	27,419	(130,919)
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in receivables	(2,886,918)	1,910,418
Decrease/(Increase) in prepayments	93,595	(241,495)
Decrease/(Increase) in project advances	806,924	(2,837,286)
Increase in payables	520,138	118,161
(Decrease) in provisions	(197,723)	(85,204)
(Decrease)/Increase in unexpended project funds	(4,538,167)	8,646,536
<b>Net cash flows (used in)/from operating activities</b>	<b>(6,742,099)</b>	<b>8,859,321</b>

## Notes to the Financial Statements - 30 June 2019

### 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 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, term deposits, 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 term deposits.

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Financial assets		
Cash	4,456,970	4,815,252
Term deposits	2,000,000	3,760,834
	6,456,970	8,576,086

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Financial assets		
Term deposit	3,769,034	6,237
	3,769,034	6,237

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 2019, 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)	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial assets in AUD				
+0.5% (50 basis points)	32,285	42,880	32,285	42,880
- 0.5% (50 basis points)	(32,285)	(42,880)	(32,285)	(42,880)
Financial assets in USD				
+ 0.5% (50 basis points)	18,845	31	18,845	31
- 0.5% (50 basis points)	(18,845)	(31)	(18,845)	(31)

#### 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 \$1,073,018 (2018: \$954,724). The Company has assessed that the foreign currency exposure to fluctuations in these non-USD denominated accounts is not material.

At 30 June 2019, the Company had the following exposure to USD foreign currency denominated balances that were not hedged:

	2019 \$AUD	2018 \$AUD
Financial assets		
Cash	10,304,688	9,461,190
Term deposits	3,769,034	5,027,291
Receivables	955,329	1,228,693
	<u>15,029,051</u>	<u>15,717,174</u>
Financial liabilities		
Payables	<u>(2,727,044)</u>	<u>(2,041,155)</u>
	<u>(2,727,044)</u>	<u>(2,041,155)</u>
Net exposure	<u>12,302,007</u>	<u>13,676,019</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 2019, 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>	<b>Net surplus Higher / (Lower)</b>		<b>Equity Higher / (Lower)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
AUD/USD + 10%	(1,118,364)	(1,243,274)	(1,118,364)	(1,243,274)
AUD/USD – 10%	1,230,201	1,234,124	1,230,201	1,234,124

#### 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 2019 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>	<b>Net surplus Higher / (Lower)</b>		<b>Equity Higher / (Lower)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
+ 10%	901,604	834,858	901,604	834,858
- 10%	(901,604)	(834,858)	(901,604)	(834,858)

#### 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 Department.

#### *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:

	<b>2019</b>	<b>2018</b>
	\$	\$
6 months or less	2,276,695	1,756,557
6-12 months	24,824,691	28,570,076
1-5 years	-	-
Over 5 years	-	-
Payables	<u>27,101,386</u>	<u>30,326,633</u>



## Notes to the Financial Statements - 30 June 2019

### 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 2019 the Company did not have any contingent assets or liabilities (2018: Nil).

### Note 13 Commitments

	<b>2019</b>	<b>2018</b>
Lease expenditure commitments	\$	\$
Operating leases:		
Minimum lease payments		
- not later than one year	1,630,278	1,421,022
- later than one and not later than five years	2,343,652	2,706,412
- later than five years	-	59,543
	<b>3,973,930</b>	<b>4,186,977</b>

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 \$11,195 (2018: \$10,175) was paid for Directors and Officers liability insurance.

#### Director-related entity transactions

CARE Director Allan Griffiths is Chair of Metrics Credit Partners, which manages the Metrics credit loan fund. Currently CARE Australia has invested \$639,908 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)

<i>Chairman</i>	Colin Galbraith AM
<i>Vice Chair</i>	Peter Debnam
<i>Treasurer</i>	Marcus Laithwaite
<i>Board Members</i>	Paula Benson (from 5 July 2018)
	Dr Megan Clark AC
	David Feetham
	Robert Glindemann OAM (to 26 October 2018)
	Allan Griffiths (to 26 October 2018)
	Danielle Keighery
	Professor Stephen Howes (to 27 April 2019)
	Larke Riemer AO
	Joseph Tesvic
	Louise Watson (to 26 October 2018)
	Phoebe Wynn-Pope (from 26 October 2018)
	Diana Nicholson (from 26 July 2019)
	Peter Varghese AO (from 26 July 2019)

##### (ii) Executives

Sally Moyle	Chief Executive
Louise Gray	Principal Executive – Corporate Services and Company Secretary
Emma Tiaree	Principal Executive – International Programs
Howard Ralley	Chief Fundraising and Engagement Officer
Robert Yallop	Principal Executive – International Operations

## Notes to the financial statements cont'd

### b. Compensation of Key management personnel - Executives

	<b>2019</b>	<b>2018</b>
	\$	\$
Short term employee benefits	996,407	967,970
Post-employment benefits	94,659	102,765
	<u>1,091,066</u>	<u>1,070,735</u>

### Note 16 Remuneration of auditors

Amounts received or due and receivable by Ernst & Young Australia for:	<b>2019</b>	<b>2018</b>
	\$	\$
An audit or review of the financial report of the Company	98,800	97,850
Other services in relation to the Company		
- USAID audits (reimbursed to CARE Australia by CARE USA)	-	86,860
	<u>98,800</u>	<u>184,710</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*

Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

*AASB 9 Financial Instruments AASB 2014-7 Amendments arising from AASB 9 (Dec 2014)*

There is no material impact on the transactions and balances recognized in the financial statements. The new hedging rules have no impact, as the Company currently does not use hedging contracts.

## 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 2019. 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><b>AASB 16</b>  <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"> <li>• 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.</li> <li>• 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.</li> </ul>	<p>The Company is undertaking detailed assessment of the impact of AASB 16. And 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"> <li>• a significant increase in lease assets and financial liabilities recognised on the balance sheet. Currently CARE Australia has lease commitments of \$3,973,930 as at 30 June 2019.</li> <li>• the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities</li> <li>• 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.</li> </ul>	<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
<b>AASB 1058</b> <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
<b>AASB 15</b> <i>Revenue from Contracts with Customers</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).	The Company undertook a detailed assessment of the impact of AASB 1058 and AASB 15. Based on a preliminary assessment, the likely impact on the first time adoption of these Standards for the year ending 30 June 2020 includes: <ul style="list-style-type: none"> <li>• No Change to public donation revenue, donations (both cash and in kind) will be recognised as revenue when the asset or service is received.</li> <li>• Management are assessing the impact of grants revenue, but there will be little to no impact.</li> </ul>	
<b>AASB 2015-8</b> <i>Amendments to Australian Accounting Standards – Effective Date of 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"> <li>a Contributions by owners;</li> <li>b Revenue, or a contract liability arising from a contract with a customer;</li> <li>c A lease liability;</li> <li>d A financial instrument; or</li> <li>e A provision.</li> </ul>		
<b>AASB 2016-3</b> <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>			
<b>AASB 2016-8</b> <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>			

## Notes to the financial statements cont'd

Title of standard	Nature of change	Assessment of impact	Application date
<b>Interpretation 23</b> <i>Uncertainty Over</i> <i>Income Tax</i> <i>Treatments</i>	Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 <i>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>	<b>2019</b>	<b>2018</b>
	\$	\$
Donations	10,862,744	12,513,880
Bequests	410,102	1,761,901
Gross proceeds from fundraising appeals	<u>11,272,846</u>	<u>14,275,781</u>
<u>Total expenses for fundraising appeals</u>		
Donations	4,174,323	6,232,169
Total expenses for fundraising appeals	<u>4,174,323</u>	<u>6,232,169</u>
Net surplus from fundraising appeals	<u>7,098,523</u>	<u>8,043,612</u>

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Net surplus obtained from fundraising appeals	<u>7,098,523</u>	<u>8,043,612</u>
Applied for charitable purposes as follows:		
International programs	55,019,311	44,036,268
Program support costs	3,535,990	2,933,037
Community education	996,844	1,056,947
Cost of raising program funds from government and multilateral agencies	186,025	191,873
Accountability and administration	2,158,358	2,201,891
Non-monetary expenditure	142,987	149,160
Total expenses	<u>62,039,515</u>	<u>50,569,176</u>
(Shortfall) / surplus	<u>(54,940,992)</u>	<u>(42,525,564)</u>

Shortfall was met from the following sources	<b>2019</b>	<b>2018</b>
	\$	\$
DFAT grants	11,609,530	11,625,472
Other Australian grants	17,660,638	6,820,732
Other overseas grants	23,607,299	23,576,542
Investment income	665,501	446,479
Other income	711,546	1,187,776
	<u>54,254,514</u>	<u>43,657,001</u>
Net surplus transferred to accumulated funds for future use	<u>(686,478)</u>	<u>1,131,437</u>

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	2019 %	2018 %
Total Cost of Public Fundraising/Revenue from the Australian Public	37	44
Net surplus from Fundraising/Revenue from the Australian Public	63	56

Commencing in 2016 and continuing through to 2018 CARE Australia has invested in public engagement in order to diversify sources of revenue. Coinciding with this was a thankfully quieter period in sudden onset disasters, which reduced income from Emergency appeals. Both factors have resulted in a higher fundraising ratio over the financial years from 2016-2018. This was forecast to reduce in financial year 2018-2019, which it has, largely as a result of pausing the investment to assess the fundraising strategy moving forward.

## 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 2019 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 black ink, appearing to read "Colin Galbraith".

Colin Galbraith AM  
Chair

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

Marcus Laithwaite  
Treasurer

1 November 2019

## AUDITOR'S INDEPENDENCE DECLARATION

## AUDITOR'S OPINION