



chartered accountants

TEAR Australia
ABN: 85 085 413 832

Financial Statements
For the Year Ended
30 June 2016

TEAR Australia

ABN 85 085 413 832

For the Year Ended 30 June 2016

CONTENTS

	<u>Page</u>
Financial Statements	
Director's report	1
Auditor's Independence Declaration under Section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	10
Notes to the Financial Statements	11
Responsible Entities' Declaration	26
Independent Audit Report	27

TEAR Australia

ABN 85 085 413 832

Directors' Report For the Year Ended

30 June 2016

The Directors submit the financial report of TEAR Australia (the Company) for the financial year ended 30 June 2016

The names of each person who has been a director during the year and to the date of this report are:

Joanna Betteridge (Chair)	
Brett Gresham (Deputy Chair)	Deputy Chair until November 2015
Matthew Maury (Secretary)	
David Bartlett	Term ended November 2015
Helen Beazley	Term ended November 2015
Jane Furniss	
Elizabeth Hill	Term ended November 2015
Gregory Manning	
Barry Morris	Appointed April 2016
Peter Noble (Deputy Chair)	Deputy Chair from November 2015
Brooke Prentis	
Peter Snowsill	Elected November 2015
Joanna Watts	Elected November 2015

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the Company during the financial year were responding to poverty and injustice around the world.

Short-term and Long-term objectives

The company's short-term objectives are to:

- Educate Australian Christians about poverty and injustice and give them practical ways to respond.
- Fund development projects in partnership with local Christian agencies.
- Mobilise Christians to participate in advocating political, church and business leaders. around campaigns achieving poverty alleviation goals.
- Achieve success in SDG targets and campaigns in partner countries.

The company's long-term objectives are to:

- Eliminate poverty and injustice in partner communities around the world.
- Mobilise Australian Christians to live more justly and sustainably.

Strategies

To achieve its stated objectives the company has adopted the following strategies

- Partnering with 75 agencies in 23 countries to implement development projects
- Working with advocacy coalitions focused on achieving policy change on poverty and justice issues
- Various supporter education and mobilisation strategies targeting Australian Christians
- Multiple fundraising campaigns and initiatives
- Church engagement work

Key Performance Measures

The company measures its own performance through the use of both quantitative and qualitative benchmarks.

These benchmarks are used by the directors to assess the financial sustainability of the company and

whether the company's short-term and long-term objectives are being achieved

- Project by project outcomes and impact indicators - ranging from water, health, income, education, food security
- Donations and Income raised to support poverty alleviation projects
- Number of supporters involved with advocacy campaigns
- Number of churches engaged with TEAR's work
- Number of TEAR Groups active across Australia

TEAR Australia

ABN 85 085 413 832

Information on Directors

Joanna Betteridge (Board Chair)

Qualifications BA, LLB, LLM, GAICD, Acc M LEADR
Experience Board Member since 2010. Principal of employment and safety law firm Betteridge Legal Consulting. Lecturer at Monash University.
Special Responsibilities Board Chair, Governance Committee member

Brett Gresham (Board Deputy Chair until Nov 2015)

Qualifications B.Eng (Civ), M.Lit. Dev Stud.
Experience Board Member since 2010. Background in international development and project management. Former TEAR fieldworker in Afghanistan.
Special Responsibilities Program Committee Chair

Matthew Maury

Qualifications BA (Hons), MBA (Dev Studies), GAICD
Experience Board Member since 2009. TEAR Australia's National Director. 20 years experience with Christian development agencies.
Special Responsibilities Board Secretary, Assurance Committee member, Governance Committee member, Membership Committee member

David Bartlett

Qualifications FCA; BEc; MEd; GradDipCS; Cert. Governance; JP
Experience Board Member from 2013 to 2015. Partner at Resolve Consulting Chartered Accountants with extensive Non-Profit Executive and Board experience
Special Responsibilities Assurance Committee Chair (until departure from the Board)

Helen Beazley

Qualifications BA, Grad Dip (Ed), M.Ed., M.Com Devt.
Experience Board Member from 2007 to 2015. Background in community sustainability, government policy and capacity building projects.
Special Responsibilities Membership Committee member, Program Committee member

Jane Furniss

Qualifications BA, LLB (Hons), M. Int Devt
Experience Board Member since 2013. Experience in International law, development and governance. Board & senior management experience in development, advocacy & education sectors.
Special Responsibilities Program Committee member

Elizabeth Hill

Qualifications PhD, BEc (Soc.Sc) (Hons), Grad Cert Community Adult Education
Experience Board Member from 2011 to 2015. Lecturer in Political Economy at The University of Sydney. Former TEAR fieldworker in India.
Special Responsibilities Membership Committee Chair (until departure from the Board), Assurance Committee member

Gregory Manning

Qualifications BE (Hons 1) MDevStuds
Experience Board Member since 2012. Worked with Micah Network Australia in HIV prevention and education. Former TEAR fieldworker in India.
Special Responsibilities Membership Committee (Chair); Program Committee member

Barry Morris

Qualifications Dip Tech (Comm); FCA
Experience Board member since 2016. Chief Financial Officer at Bible Society Australia; previous Director of Finance & Administration at The Institute of Chartered Accountants in Australia.
Special Responsibilities Assurance Committee member

Peter Noble (Voted in as Deputy Chair November 2015)

Qualifications BA LLB (UQ), MIntl & Community Dev (DU)
Experience Board Member since 2014. Executive Director, Services and Innovation, at Victoria Legal Aid (Bendigo).
Special Responsibilities Assurance Committee (Chair)

TEAR Australia

ABN 85 085 413 832

Information on Directors (continued)

Brooke Prentis

Qualifications	BCom, BA, Grad.Dip ICAA, CA
Experience	Board Member since 2012. Accountant with experience in the corporate and not-for-profit sector including Aboriginal and Torres Strait Islander organisations.
Special Responsibilities	Assurance Committee member

Peter Snowsill

Qualifications	BE (Hons), MAICD
Experience	Board member since 2015. Chemical Engineer with governance, management and project expertise in industrial water treatment and international aid.
Special Responsibilities	Governance Committee (Chair) & Membership Committee member

Joanna Watts

Qualifications	BA (Hons), Cert. Higher Education Administration
Experience	Associate Director of Services and Support in the Alumni and Advancement Office at La Trobe University; Chair of the University's Fair Trade Steering Committee. Worked in higher education for 23 years.
Special Responsibilities	Governance Committee member

Meetings of Directors

During the financial year six meetings of directors were held. Attendances of each director were as follows:

Name	Number eligible to attend	Number attended
Joanna Betteridge (Chair)	5	5
Matthew Maury (Secretary)	5	4
Brett Gresham (Deputy Chair until Nov 2015)	5	5
David Bartlett (ended Nov 2015)	2	1
Helen Beazley (ended Nov 2015)	2	2
Jane Furniss	5	3
Elizabeth Hill (ended Nov 2015)	2	2
Gregory Manning	5	5
Barry Morris	1	1
Peter Noble (Deputy Chair since Nov 2015)	5	5
Brooke Prentis	5	3
Peter Snowill	3	3
Joanna Watts	3	2

TEAR Australia

ABN 85 085 413 832

Members Guarantee

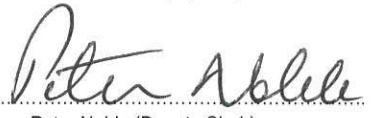
The company was incorporated under the Corporations Act 2001 on 12 December 2012 as a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstanding obligations of the entity. At 30 June 2016 the total amount that members of the company are liable to contribute if the company is wound up is \$121. (2015: \$117).

Auditors Independence Declaration

The auditors independence declaration for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Members of the Board:

Board member: 
Joanna Betteridge (Chair)

Board member: 
Peter Noble (Deputy Chair)

Dated: 14 September 2016

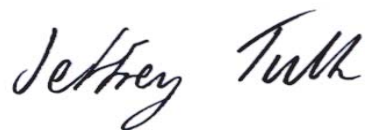
TEAR Australia

ABN 85 085 413 832

Auditor's Independence Declaration under Section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 To the Directors of TEAR Australia

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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

**Saward Dawson Chartered Accountants**

Jeffrey Tulk
Partner
Date: 14 September 2016

Blackburn, VIC

TEAR Australia

ABN 85 085 413 832

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
REVENUE		
Operating Activities		
Donations and gifts	9,969,371	11,276,230
Bequests and legacies	172,115	505,209
DFAT Grants	5,104,700	5,536,608
Other income	121,591	228,351
Non-operating Activities		
Investment income	171,655	219,610
Other investing income	85,791	33,912
Total Revenue	15,625,223	17,799,920
Funds to international programs	(12,191,739)	(12,511,609)
Domestic programs expenditure	(279,441)	(344,800)
Program support costs	(1,221,676)	(1,129,647)
Community education	(1,495,974)	(1,602,891)
Fundraising costs		
Public	(736,354)	(668,551)
Government	(55,323)	(27,160)
Accountability and administration	(1,255,439)	(1,293,272)
Total expenses	(17,235,946)	(17,577,930)
Surplus/(deficit) for the year	(1,610,723)	221,990
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:	-	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met	-	-
-Net Gains/(losses) on Revaluation of Available for Sale Financial Assets	7,630	63,580
Changes to Unrealised Gain/(Loss) on Foreign Exchange Contracts		
-Current year Gains/(Losses)	(173,985)	134,220
-Reclassified to Profit and Loss	(134,220)	190,205
Other comprehensive income	(300,575)	388,005
Total comprehensive income for the year	(1,911,298)	609,995

The accompanying notes form part of these financial statements.

TEAR Australia

ABN 85 085 413 832

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	5,632,031	3,869,919
Trade and other receivables	4	27,478	192,823
Financial assets	6	1,528,180	4,963,117
Inventory	5	7,999	6,316
Other assets	8	85,141	25,749
Total current assets		7,280,829	9,057,924
Non-current assets			
Financial assets	6	1,192,820	1,089,843
Property, plant and equipment	7	2,559,465	2,603,936
Total non-current assets		3,752,285	3,693,779
TOTAL ASSETS		11,033,114	12,751,703
LIABILITIES			
Current liabilities			
Trade and other payables	9	276,446	67,705
Short-term provisions	10	558,972	566,181
Total current liabilities		835,418	633,886
Non-current liabilities			
Other long-term provisions	10	50,297	59,120
Total non-current liabilities		50,297	59,120
TOTAL LIABILITIES		885,715	693,006
NET ASSETS		10,147,399	12,058,697
EQUITY			
Financial assets revaluation reserve	11	87,047	79,417
Property revaluation reserve	11	400,000	400,000
Foreign currency reserve	11	(173,985)	134,220
General reserve	11	4,800,000	4,900,000
Committed funds reserve	11	5,034,337	6,545,060
Retained surpluses		-	-
TOTAL EQUITY		10,147,399	12,058,697

The accompanying notes form part of these financial statements.

TEAR Australia

ABN 85 085 413 832

Statement of Changes in Equity

For the Year Ended 30 June 2016

2016

	Retained Surpluses \$	Property Revaluation Reserve \$	Foreign Currency Reserve \$	General Reserve \$	Committed Funds Reserve \$	Financial Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2015	-	400,000	134,220	4,900,000	6,545,060	79,417	12,058,697
Comprehensive income							
Surplus/(deficit) for the year	(1,610,723)	-	-	-	-	-	(1,610,723)
Other comprehensive income for the year							
Net unrealised losses on Foreign Exchange Contracts	-	-	(308,205)	-	-	-	(308,205)
Net Fair Value gains on Available-for-Sale Financial Assets	-	-	-	-	-	7,630	7,630
Total comprehensive income for the year	(1,610,723)	-	(308,205)	-	-	7,630	(1,911,298)
Transfers to and from reserves							
- Committed Funds Reserve	1,510,723	-	-	-	(1,510,723)	-	-
- General Reserve	100,000	-	-	(100,000)	-	-	-
Balance at 30 June 2016	-	400,000	(173,985)	4,800,000	5,034,337	87,047	10,147,399

The accompanying notes form part of these financial statements.

TEAR Australia

ABN 85 085 413 832

Statement of Changes in Equity

For the Year Ended 30 June 2016

2015

	Retained Surpluses \$	Property Revaluation Reserve \$	Foreign Currency Reserve \$	General Reserve \$	Committed Funds Reserve \$	Financial Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2014	-	400,000	(190,205)	4,900,000	6,323,069	15,837	11,448,701
Comprehensive income							
Surplus/(deficit) for the year	221,990	-	-	-	-	-	221,990
Other comprehensive income for the year							
Net Fair Value gains on Available-for-Sale Financial Assets	-	-	-	-	-	63,580	63,580
Net unrealised losses on Foreign Exchange Contracts	-	-	324,425	-	-	-	324,425
Total comprehensive income for the year	221,990	-	324,425	-	-	63,580	609,995
Transfers to and from reserves							
- Committed Funds Reserve	(221,990)	-	-	-	221,991	-	-
Balance at 30 June 2015	-	400,000	134,220	4,900,000	6,545,060	79,417	12,058,697

The accompanying notes form part of these financial statements.

TEAR Australia

ABN 85 085 413 832

Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FROM OPERATING ACTIVITIES:			
Donations received		9,969,371	11,276,230
Bequests and legacies received		172,115	505,209
Operating grants received		5,615,170	6,090,269
Other income received		117,293	249,018
Payments to suppliers and employees		(5,259,649)	(5,203,648)
Distribution to overseas partners and fieldworkers		(12,471,180)	(12,856,409)
Interest and dividends received		272,052	206,145
Net cash provided by (used in) operating activities		(1,584,828)	266,814
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of available-for-sale assets		(222,619)	(138,625)
Proceeds from sale of available-for-sale assets		157,697	14,497
Redemption/ (placement) of held-to-maturity financial assets		3,434,937	(2,071,036)
Purchase of property, plant and equipment		(23,074)	(53,784)
Net cash used by investing activities		3,346,941	(2,248,948)
Net increase (decrease) in cash and cash equivalents held		1,762,113	(1,982,134)
Cash and cash equivalents at beginning of year		3,869,918	5,852,052
Cash and cash equivalents at end of financial year	3	5,632,031	3,869,918

The accompanying notes form part of these financial statements.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Not-for-Profits Commission Act 2012. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is a registered member with the Australian Council for International Development (ACFID) and the financial statements are prepared in accordance with the ACFID code of conduct.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

These financial statements are presented in Australian Dollars, which is the Company's functional currency.

The financial statements were authorised for issue on the same date that the directors' declaration was signed.

(b) Income Tax

No current or deferred income tax assets or liabilities have been raised by the Company as it is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997. The Company is a registered charity under the Australian Charities and Not-for-profits Commission Act 2012.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, accumulated depreciation and impairment losses.

Freehold property

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(d) Property, Plant and Equipment continued

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised in the statement of profit and loss.

A formal assessment of recoverable amount is made when impairment indicators are present.

Plant and Equipment contributed at no or nominal cost are valued and recognised at the fair value of the asset on the date it was acquired.

Depreciation

The depreciable amount of all fixed assets (excluding freehold land), is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Buildings	2.5%
Office furniture and equipment	5-17%
Computer systems	25-34%
Motor vehicles	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit and Loss and other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained surpluses.

Revaluation Model

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

(e) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(f) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in the income statement.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

Loans and receivables

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Long-term employee benefits

The Company classifies employees' long service leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(g) Employee Benefits continued

Defined contribution superannuation benefits

All employees of the Company receive defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (currently 12% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Company's statement of financial position.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held-at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(j) Revenue and Other Income

Non-reciprocal grant revenue is recognised in profit or loss when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Trade payables

Trade and other payables represent the liabilities for goods and services received by the Company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

1 Summary of Significant Accounting Policies continued

(l) Foreign exchange gains/losses

The Company incurred gains and losses on foreign exchange through both the revaluation of foreign currencies held as assets at 30 June 2016 and on payments made in foreign currency. All realised gains or losses are recorded in the Statement of Profit or Loss and Other Comprehensive Income at date of transaction, gains or losses on assets held are recorded respectively as an income or expense transactions are included respectively as a reduction or increase in the transaction value item, gains or losses on and accounted for with the original transaction.

The company uses forward purchasing contracts to assist with planning overseas commitment levels and to insulate against currency downturns.

The unrealised gains or losses on open contracts at year end are held in equity reserves.

(m) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The board have decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Company.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Key Management Personnel Disclosures

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel. The Key Management Personnel during the year were:

Matthew Maury	National Director
James Burnet	Chief Financial Officer (commenced 1 June 2016)
Coby Hallas (0.857 EFT)	Communications Coordinator
Ashley Humphreys	Finance Director
Paul Flavel	Australian Program Coordinator
Jo Knight (0.7 EFT)	Advocacy Coordinator
Susan Vulling (0.6 EFT)	Human Resources Coordinator
Phil Wilkerson	International Program Coordinator

The total remuneration paid to key management personnel of the Company is \$ 646,360 (2015: \$ 642,111).

3 Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash on hand	3,718	5,184
Cash at bank	5,628,313	3,864,735
Total cash and cash equivalents	<u>5,632,031</u>	<u>3,869,919</u>

4 Trade and other receivables

CURRENT

Debtors	3,372	58,603
Franking credits receivable	24,106	-
Unrealised foreign currency gains	-	134,220
Total receivables	<u>27,478</u>	<u>192,823</u>

The Company forward purchases US dollars and at balance day has open contracts requiring re-valuation at year end. In financial year 2015 due to weakening exchange rates unrealised gains were booked as an asset. In financial year 2016 with stronger exchange rates unrealised losses were booked as a liability. See note 11.

Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. There are no indicators of impairment on receivables at year end and no provision for doubtful debts has been raised.

5 Inventories

At cost:		
Inventory	7,999	6,316

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

6 Financial Assets

	2016	2015
	\$	\$
CURRENT		
Held-to-maturity financial assets (Term deposits)	<u>1,528,180</u>	<u>4,963,117</u>
NON-CURRENT		
Available for sale financial assets:		
- Listed shares	717,857	651,346
- Convertible preference shares and hybrids	<u>474,963</u>	<u>438,497</u>
Total non-current assets	<u>1,192,820</u>	<u>1,089,843</u>

7 Plant and Equipment

LAND AND BUILDINGS		
Freehold land		
At independent valuation	<u>1,900,000</u>	<u>1,900,000</u>
Total land	<u>1,900,000</u>	<u>1,900,000</u>
Building		
At cost	737,934	737,934
Accumulated depreciation	<u>(135,936)</u>	<u>(117,488)</u>
Total buildings	<u>601,998</u>	<u>620,446</u>
Total land and buildings	<u>2,501,998</u>	<u>2,520,446</u>
Motor vehicles		
At cost	44,000	44,000
Accumulated depreciation	<u>(44,000)</u>	<u>(43,105)</u>
Total motor vehicles	<u>-</u>	<u>895</u>
Office furniture and equipment		
At fair value	124,423	131,267
Accumulated depreciation	<u>(111,567)</u>	<u>(109,117)</u>
Total office equipment	<u>12,856</u>	<u>22,150</u>
Computer equipment		
At cost	338,480	361,083
Accumulated depreciation	<u>(293,869)</u>	<u>(300,638)</u>
Total computer equipment	<u>44,611</u>	<u>60,445</u>
Total property, plant and equipment	<u>2,559,465</u>	<u>2,603,936</u>

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

7 Plant and Equipment continued

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Motor vehicles	Office furniture and equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
Carrying amount as at 1 July 2015	1,900,000	620,446	895	22,150	60,445	2,603,936
Additions	-	-	-	7,684	15,390	23,074
Disposals	-	-	-	(1,215)	-	(1,215)
Depreciation expense	-	(18,448)	(895)	(15,764)	(31,223)	(66,330)
Carrying amount as at 30 June 2016	1,900,000	601,998	-	12,855	44,612	2,559,465

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

8 Other Assets

	2016	2015
	\$	\$
CURRENT		
Prepayments	85,141	25,749

9 Trade and other payables

CURRENT		
Trade payables	85,258	50,435
Current tax liability	17,203	9,548
Micah Network funds received in advance	-	7,722
Unrealised foreign currency losses	(a) 173,985	-
	<u>276,446</u>	<u>67,705</u>

(a) The Company forward purchases US dollars and at balance day has open contracts requiring re-valuation at year end.

10 Provisions

CURRENT		
Employee benefits	558,972	566,181
NON-CURRENT		
Employee benefits	50,297	59,120

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

11 Reserves

Property Revaluation Reserve

The Property Revaluation Reserve records the revaluations of non-current assets. Where revaluations are deemed to represent profits of a permanent nature, amounts may be shifted to the income statement.

Foreign Currency Reserve

The Foreign Currency Reserve holds movements in currency valuations as at balance date for outstanding Forward Exchange Contracts designated as hedges.

General Reserve

TEAR's Reserve, Foreign Exchange Exposure and Investment Policy provides for potential needs such as essential funding commitments after a sudden or prolonged downturn in income receipts, or to meet a critical need of an overseas partner. As at 30 June this reserve was \$4.8M and forms part of financial assets.

Committed Funds Reserve

TEAR Australia has moral funding commitments to implementing partners for aid and development projects over the coming year totalling approximately \$12,640,000 (2015: \$12,845,000). These are in excess of the current reserves therefore TEAR continues to be reliant on future donations from supporters to fulfil these commitments.

Committed Funds Reserve also includes donations received for specific projects that have not been expended as at 30 June.' Donations received for specific projects but not expended as at 30 June amounted to \$559,090 (2015: \$924,925).

This figure includes \$472,582 (2015: \$907,768) received for the Vanuatu Cyclone and Nepal Earthquake Appeal in 2015, and the funds had not been forwarded to partners as at 30 June 2016. These funds will be distributed for rehabilitation work to field partners as per project budget timetables.

Financial Assets Reserve

The financial assets reserve records revaluation increments and decrements (that do not represent impairment write downs) that relate to financial assets that are classified as available for sale.

Retained Surplus

For improved disclosure, Retained Earnings are segregated into separate reserves. The balance of retained earnings is shown under Retained Surplus. As the balance of equity is absorbed into the Committed Funds Reserve, the Retained Surplus is nil.

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

12 Capital and Leasing Commitments

Operating Leases

	2016	2015
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	8,220	8,220
- between one year and five years	15,755	23,975
	<u>23,975</u>	<u>32,195</u>

The lease commitment is a non-cancellable operating lease for photocopiers contracted for but not capitalised in the financial statements with a five-year term. Increases in lease commitments may occur in line with the consumer price index (CPI). The lease has been active from 1 June 2014.

13 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

Cash and cash equivalents	3	5,632,031	3,869,918
Trade and other receivables	4	27,478	192,823
Held-to-maturity investments	6	1,528,180	4,963,117
Other financial assets	6	1,192,820	1,089,843
Total financial assets		<u>8,380,509</u>	<u>10,115,701</u>

Financial Liabilities

Trade and other payables	9	102,460	67,705
Total financial liabilities		<u>102,460</u>	<u>67,705</u>

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

14 Fair Value Measurement

The Company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The Company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

Recurring Fair Value Measurements

	2016	2015
	\$	\$
Financial Assets		
Available-for-sale financial assets		
- Shares in listed corporations	717,857	651,346
- Convertible preference shares and hybrids	474,963	438,967
Property Plant and Equipment		
- Freehold Land	1,900,000	1,900,000
- Freehold Building	601,998	620,446
	<u>2,501,998</u>	<u>2,520,446</u>

For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

For freehold land and buildings, the fair values are based on the external independent valuation performed in 2014.

15 Events After the Reporting Period

There were no material events that occurred since the end of the reporting period

16 Other Related Party Transactions

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the financial year no transactions were made to Related Parties.

17 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015: None).

TEAR Australia

ABN 85 085 413 832

Notes to the Financial Statements

For the Year Ended 30 June 2016

18 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstandings and obligations of the Company. At 30 June 2016 the amount that members of the company are liable to contribute if the company is wound up is \$121 (2015: \$117).

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

Public fundraising appeals conducted during the financial year

General donations through: Useful Gifts catalogue, regular giving, major & general donations and emergency appeals

	2016	2015
	\$	\$
Gross revenue from public activities	10,141,486	11,781,439
Less: public fundraising costs	(736,354)	(668,551)
Net public funds	9,405,132	11,112,889
Gross government, overseas, multilateral & corporate grants	5,104,700	5,536,608
Less government, overseas, multilateral & corporate fundraising costs	(55,324)	(27,160)
Net government, overseas, multilateral & corporate grants	5,049,376	5,509,448
Other revenue	379,037	481,872
Net funds raised	14,833,545	17,104,209
Overseas project disbursements	12,191,739	12,511,609
Domestic project disbursements	202,081	286,775
Program support costs	1,299,035	1,187,673
Community Education costs	1,495,974	1,602,891
Total funds distributed towards the objectives of the Company	(15,188,829)	(15,588,948)
Subtotal	(355,284)	1,515,261
Accountability and administration expenses	1,255,439	1,293,272
Surplus / (deficit) for the year	(1,610,723)	221,990

Percentages

	%	%
Total cost of public fundraising/gross public fundraising income	7.30	5.70
Surplus from public fundraising/gross public fundraising income	92.70	94.30
Funds disbursed towards objectives/total expenditure	88.10	88.70
Funds disbursed towards objectives/total revenue received	97.20	87.60

TEAR Australia

ABN 85 085 413 832

Responsible Entities' Declaration

The Directors of the Company declare that:

1. The financial report as set out on pages 6 to 25, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - (a) comply with applicable Australian Accounting Standards - Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position of TEAR Australia as at 30 June 2016 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that TEAR Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

Chair 

Vice Chair 

Dated 14 September 2016

TEAR Australia

ABN 85 085 413 832

Independent Audit Report to the members of TEAR Australia

Report on the Financial Statements

We have audited the accompanying financial statements of TEAR Australia (the Company) which comprises the statement of financial position as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement for the cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and responsible entities' declaration.

Responsible Entities' Responsibility for the Financial Statements

The Directors of the Company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirement, and *Australian Charities and Not-for-profits Commission Act 2012*. The Board's responsibility also includes such internal control as the Board determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion the financial report of TEAR Australia is in accordance with Division 60 of 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 2016 and of its performance and cash flows for the year ended on that date; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*

TEAR Australia

ABN 85 085 413 832

Independent Audit Report to the members of TEAR Australia

Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008

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

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.

Auditor's Opinion

In our opinion:

- (i) the financial statements show a true and fair view of the financial result of fundraising appeals conducted during the year;
- (ii) the accounting and associated records have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* and the Regulations;
- (iii) money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991* and the Regulations; and
- (iv) at the date of this report, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Seward Dawson Chartered Accountants

Jeffrey Tulk
Partner
Date 14 September 2016

Blackburn, VIC