



TEAR Australia
ABN: 85 085 413 832

Financial Statements
For the Year Ended
30 June 2017

TEAR Australia

ABN 85 085 413 832

For the Year Ended 30 June 2017

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Directors' Report

For the Year Ended 30 June 2017

The Directors submit the financial report of TEAR Australia (the Company) for the financial year ended For the Year Ended 30 June 2017

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

Joanna Betteridge (Chair)	
Peter Noble (Deputy Chair)	
Barbara Deutschmann	Elected November 2016
Brett Gresham	
Graham Hall	Appointed May 2017
Matthew Maury (also CEO)	
Barry Morris	
Peter Snowsill	
Joanna Watts	
Jane Furniss	Term ended (resigned) February 2017
Greg Manning	Term ended November 2016
Brooke Prentis	Term ended November 2016

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 sustainable development goals 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 64 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

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Information on Directors

Joanna Betteridge (Board Chair)	Qualifications	BA, LLB, LLM, GAICD, PRIMed
	Experience	Board Member since 2010. Principal of employment and safety law firm Betteridge Legal Consulting. Senior Fellow and Lecturer at Monash University.
	Special Responsibilities	Board Chair, Governance Committee member
Peter Noble	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	Board Deputy Chair, Membership Committee Chair, Assurance Committee member
Barbara Deutschmann	Qualifications	BA, DipEd, MTh
	Experience	Board Member since November 2016. Barbara is currently completing a PhD in Theology. Former coordinator of TEAR's Fieldworker and Indigenous support programs.
	Special Responsibilities	Governance Committee member
Jane Furniss	<i>(Resigned February 2017)</i>	
	Qualifications	BA, LLB (Hons), M. Int Devt
	Experience	Board Member 2013 to 2017. Experience in International law, development and governance. Board & senior management experience in development, advocacy & education sectors.
	Special Responsibilities	Program Committee member
Brett Gresham	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
Graham Hall	Qualifications	B. Bus, CPA, GAICD
	Experience	Board Member since May 2017. General Manager, Corporate Services, at BaptistCare. Previously worked as Chief Financial Officer in a listed financial services organisation.
	Special Responsibilities	Assurance Committee member
Gregory Manning	<i>(Term ended November 2016)</i>	
	Qualifications	BE (Hons 1), MDevStuds
	Experience	Board Member 2012 to 2016. Worked with Micah Network Australia in HIV prevention and education. Former TEAR fieldworker in India.
	Special Responsibilities	Membership Committee (Chair); Program Committee member
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	Assurance Committee member, Governance Committee member, Membership 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, and now Fellow, at The Institute of Chartered Accountants in Australia.
	Special Responsibilities	Assurance Committee Chair

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Information on Directors (continued)

Brooke Prentis	<i>(Term ended November 2016)</i>	
	Qualifications	BCom, BA, Grad.Dip ICAA, CA
	Experience	Board Member 2012 to 2016. Chartered Accountant and Senior finance professional with experience in the corporate and not-for-profit sector including Aboriginal and Torres Strait Islander Assurance Committee member
	Special Responsibilities	
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	Membership Committee member, Program Committee member
Joanna Watts		
	Qualifications	BA (Hons), PG Cert (Higher Education Administration)
	Experience	Director of Operations in the University of Melbourne Advancement Office. Former Associate Director of Services and Support in the Alumni and Advancement Office at La Trobe University.
	Special Responsibilities	Governance Committee Chair

Meetings of Directors

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

Name	Number eligible to attend	Number attended
Joanna Betteridge (Chair)	5	4
Peter Noble (Deputy Chair)	5	5
Barbara Deutschmann	2	2
Brett Gresham	5	5
Graham Hall	1	1
Matthew Maury	5	5
Barry Morris	5	5
Peter Snowsill	5	5
Joanna Watts	5	4
Jane Furniss	3	3
Greg Manning	2	2
Brooke Prentis	2	1

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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 2017 the total amount that members of the company are liable to contribute if the company is wound up is \$122. (2016: \$121).

Auditors Independence Declaration

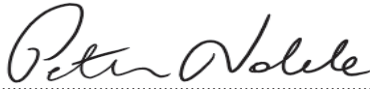
The auditors independence declaration for the year ended 30 June 2017 has been received and can be found on page 5 of the financial report.

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



Board member:

Joanna Betteridge (Chair)



Board member:

Peter Noble (Deputy Chair)

Dated: 13 September 2017

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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 2017, 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



Jeffrey Tulk
Partner
Date: 13 September 2017

Blackburn, VIC

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Statement of Income and Expenditure and Other Comprehensive Income

For the Year Ended 30 June 2017

	2017	2016
	\$	\$
REVENUE		
Operating Activities		
Donations and Gifts		
Monetary	10,278,251	9,969,371
Non monetary	12 276,489	-
Bequests and legacies	843,819	172,115
DFAT Grants	5,104,700	5,104,700
Other income	35,971	121,591
Non-operating Activities		
Investment income	173,912	257,446
Total Revenue	<u>16,713,142</u>	<u>15,625,223</u>
Funds to international programs	(11,336,088)	(12,191,739)
Domestic programs expenditure	(243,475)	(279,441)
Program support costs	(1,453,718)	(1,221,676)
Community education	(1,839,289)	(1,495,974)
Fundraising costs		
Public	(858,597)	(736,354)
Government	(39,096)	(55,323)
Accountability and administration	(944,600)	(1,255,439)
Non-monetary expenditure	12 (276,489)	-
Total expenses	<u>(16,991,352)</u>	<u>(17,235,946)</u>
Deficit for the year	<u>(278,210)</u>	<u>(1,610,723)</u>
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
-Net Gains/(losses) on Revaluation of Property, Plant and Equipment	444,323	-
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	59,817	7,630
Changes to Unrealised Gain/(Loss) on Foreign Exchange Contracts		
-Current year Gains/(Losses)	(496,375)	(173,985)
-Reclassified to Profit and Loss	173,985	(134,220)
Other comprehensive income	<u>181,750</u>	<u>(300,575)</u>
Total comprehensive income for the year	<u>(96,460)</u>	<u>(1,911,298)</u>

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	4,469,911	5,632,031
Trade and other receivables	4	61,068	27,478
Inventories	5	6,655	7,999
Financial assets	6	2,512,223	1,528,180
Other assets	8	62,190	85,141
Total current assets		7,112,047	7,280,829
Non-current assets			
Financial assets	6	1,266,787	1,192,820
Property, plant and equipment	7	3,005,890	2,559,465
Total non-current assets		4,272,677	3,752,285
TOTAL ASSETS		11,384,724	11,033,114
LIABILITIES			
Current liabilities			
Trade and other payables	9	684,765	276,446
Short-term provisions	10	562,014	558,972
Total current liabilities		1,246,779	835,418
Non-current liabilities			
Other long-term provisions	10	87,006	50,297
Total non-current liabilities		87,006	50,297
TOTAL LIABILITIES		1,333,785	885,715
NET ASSETS		10,050,939	10,147,399
EQUITY			
Financial assets revaluation reserve	11	146,864	87,047
Property revaluation reserve	11	844,323	400,000
Foreign currency reserve	11	(496,375)	(173,985)
General reserve	11	4,800,000	4,800,000
Committed funds reserve	11	4,756,127	5,034,337
Retained surpluses		-	-
TOTAL EQUITY		10,050,939	10,147,399

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2017

2017

	Retained Surpluses	Property Revaluation Reserve	Foreign Currency Reserve	General Reserve	Committed Funds Reserve	Financial Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	-	400,000	(173,985)	4,800,000	5,034,337	87,047	10,147,399
Comprehensive income							
Deficit for the year	(278,210)	-	-	-	-	-	(278,210)
Other comprehensive income for the year							
Net Fair Value gains on revaluation of Property, Plant and Equipment	-	444,323	-	-	-	-	444,323
Net Fair Value gains on Available-for-Sale Financial Assets	-	-	-	-	-	59,817	59,817
Net unrealised losses on Foreign Exchange Contracts	-	-	(322,390)	-	-	-	(322,390)
Total comprehensive income for the year	(278,210)	444,323	(322,390)	-	-	59,817	(96,460)
Transfers to and from reserves							
- Committed Funds Reserve	278,210	-	-	-	(278,210)	-	-
Balance at 30 June 2017	-	844,323	(496,375)	4,800,000	4,756,127	146,864	10,050,939

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2017

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							
Deficit for the year	(1,610,723)	-	-	-	-	-	(1,610,723)
Other comprehensive income for the year							
Net Fair Value gains on Available-for-Sale Financial Assets	-	-	-	-	-	7,630	7,630
Net unrealised losses on Foreign Exchange Contracts	-	-	(308,205)	-	-	-	(308,205)
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.

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Statement of Cash Flows

For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
CASH FROM OPERATING ACTIVITIES:		
Donations received	10,278,251	9,969,371
Bequests and legacies received	843,819	172,115
Operating grants received	5,615,170	5,615,170
Other income received	30,228	117,293
Payments to suppliers and employees	(5,446,768)	(5,259,649)
Distribution to overseas partners and fieldworkers	(11,579,563)	(12,471,180)
Interest and dividends received	155,550	272,052
Net cash provided by (used in) operating activities	(103,313)	(1,584,828)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available-for-sale assets	(153,106)	(222,619)
Proceeds from sale of available-for-sale assets	140,809	157,697
Redemption/ (placement) of held-to-maturity financial assets	(984,043)	3,434,937
Purchase of property, plant and equipment	(64,480)	(23,074)
Proceeds from sale of property, plant and equipment	2,013	-
Net cash used by investing activities	(1,058,807)	3,346,941
Net increase (decrease) in cash and cash equivalents held	(1,162,120)	1,762,113
Cash and cash equivalents at beginning of year	5,632,031	3,869,918
Cash and cash equivalents at end of financial year	4,469,911	5,632,031
3		

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

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.

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 company operates its overseas development and aid activities through the TEAR Fund (Australia) Developing Countries Aid Fund.

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

(b) Australian Council for International Development

The company is a registered member with the Australian Council for International Development (ACFID) and the financial statements are prepared 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 Implementation Guide available at www.acfid.asn.au

(c) 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.

(d) Inventories

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

(e) 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 property revaluation reserve 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(e) Property, Plant and Equipment

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.

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.

(f) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(g) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(g) Financial instruments

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.

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Notes to the Financial Statements

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1 Summary of Significant Accounting Policies

(g) Financial instruments

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.

(h) 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, annual leave and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(h) Employee Benefits

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.

(i) 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.

(j) 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.

(k) 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.

Volunteer services income is recognised when received, and when the fair value of those services can be reliably measured.

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

TEAR Australia

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Summary of Significant Accounting Policies

(l) 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.

(m) 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 2017 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.

(n) 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 a material impact on the reported position or performance of the Company.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

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
Ashley Humphreys	Finance Director
Paul Flavel	Australian Program Coordinator
Jo Knight (0.7 EFT)	Advocacy Coordinator
Phil Lindsay	Acting International Program Coordinator (from Jan 2017)
Kelly Rae	South Asia Regional Team Leader (from Jan 2017)
Susan Vulling (0.6 EFT)	Human Resources Coordinator
Phil Wilkerson	International Program Coordinator (to Jan 2017)

The total remuneration paid to key management personnel of the Company is \$ 769,327 (2016: \$ 646,360).

3 Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash on hand	3,455	3,718
Cash at bank	4,466,456	5,628,313
Total cash and cash equivalents	<u>4,469,911</u>	<u>5,632,031</u>

4 Trade and other receivables

CURRENT

Debtors	47,943	3,372
Franking credits receivable	13,125	24,106
Total receivables	<u>61,068</u>	<u>27,478</u>

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

Inventories at cost	6,655	7,999
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Notes to the Financial Statements

For the Year Ended 30 June 2017

6 Financial Assets

	2017	2016
	\$	\$
CURRENT		
Held-to-maturity financial assets (Term deposits)	2,512,223	1,528,180
NON-CURRENT		
Available for sale financial assets at fair value:		
- Listed shares	787,422	717,857
- Convertible preference shares and hybrids	479,365	474,963
Total non-current assets	1,266,787	1,192,820

7 Property, Plant and Equipment

Freehold land & building		
At independent valuation	2,941,797	2,637,934
Accumulated depreciation	(7,076)	(135,936)
Total land and buildings	2,934,721	2,501,998
Motor vehicles		
At cost	23,855	44,000
Accumulated depreciation	(23,855)	(44,000)
Total motor vehicles	-	-
Office furniture and equipment		
At fair value	155,337	124,423
Accumulated depreciation	(127,073)	(111,567)
Total office equipment	28,264	12,856
Computer equipment		
At cost	365,248	338,480
Accumulated depreciation	(322,343)	(293,869)
Total computer equipment	42,905	44,611
Total property, plant and equipment	3,005,890	2,559,465

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Notes to the Financial Statements

For the Year Ended 30 June 2017

7 Property, Plant and Equipment

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 and Buildings	Motor vehicles	Office furniture and equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$
Carrying amount as at 1 July 2016	2,501,998	-	12,856	44,611	2,559,465
Additions	6,798	-	30,914	26,768	64,480
Depreciation expense	(18,398)	-	(15,506)	(28,474)	(62,378)
Revaluation increase recognised in equity	444,323	-	-	-	444,323
Carrying amount as at 30 June 2017	2,934,721	-	28,264	42,905	3,005,890

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Notes to the Financial Statements

For the Year Ended 30 June 2017

8 Other Assets

	2017	2016
	\$	\$
CURRENT		
Prepayments	62,190	85,141

9 Trade and other payables

	2017	2016
CURRENT		
Trade and other payables (excluding conference funds received in advance and unrealised foreign currency losses)	93,214	85,258
Current tax liability	16,784	17,203
Conference funds received in advance	77,454	-
Micah Network funds received in advance	888	-
Unrealised foreign currency losses (a)	496,375	173,985
Other payables	50	-
	<u>684,765</u>	<u>276,446</u>

(a) The Company forward purchases US dollars and at balance day has open contracts requiring re-valuation at year end. In financial year 2017 with stronger exchange rates unrealised losses were booked as a liability. See note 11.

10 Provisions

	2017	2016
CURRENT		
Employee benefits	562,014	558,972
NON-CURRENT		
Employee benefits	87,006	50,297

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

11 Reserves

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 totaling approximately \$10,670,418 (2016: \$12,640,000). 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 \$396,809 (2016: \$599,090). This figure includes \$264,390 (2016: \$0) for the East Africa Appeal and \$97,055 (2016: \$472,582) received for the Vanuatu Cyclone and Nepal Earthquake Appeal. 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 Surpluses

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

12 Donated volunteer services

The Company receives donated services from volunteers. Where the fair value of the non monetary donation is reasonably determinable, the revenue and corresponding expense are recognised when the non-monetary donation is received. Volunteer services are valued based on guidelines received from the Department of Foreign Affairs and Trade. The company implemented appropriate systems to reliably measure donated services in the current year. During the year, the total volunteer services received were valued at \$276,489. Of this amount \$245,501 is considered community education expenditure and \$30,988 considered program support costs.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Capital and Leasing Commitments

Operating Leases

	2017	2016
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	8,220	8,220
- between one year and five years	7,535	23,975
	<u>15,755</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.

14 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	4,469,911	5,632,031
Trade and other receivables	4	61,069	27,478
Held-to-maturity investments	6	2,512,223	1,528,180
Available-for-sale financial assets	6	1,266,787	1,192,820
Total financial assets		<u>8,309,990</u>	<u>8,380,509</u>

Financial Liabilities

Trade and other payables (excluding conference funds received in advance and unrealised foreign currency losses)	9	110,936	102,460
Total financial liabilities		<u>110,936</u>	<u>102,460</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2017

15 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

	2017	2016
	\$	\$
Financial Assets		
Available-for-sale financial assets		
- Shares in listed corporations	787,423	717,857
- Convertible preference shares and hybrids	479,365	474,963
Property Plant and Equipment		
- Freehold Land and Building	2,934,721	2,501,998

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 February 2017.

16 Events After the Reporting Period

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

17 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.

18 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016: None).

19 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 outstanding obligations of the Company. At 30 June 2017 the amount that members of the company are liable to contribute if the company is wound up is \$121 (2016: \$117).

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Notes to the Financial Statements

For the Year Ended 30 June 2017

20 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.

As non monetary donation is not a cash donation, the value of the non monetary donation and corresponding expense have been excluded from the analysis below.

	2017	2016
	\$	\$
Gross revenue from public activities	11,122,070	10,141,486
Less: public fundraising costs	(858,597)	(736,354)
Net public funds	10,263,473	9,405,133
Gross government, overseas, multilateral & corporate grants	5,104,700	5,104,700
Less government, overseas, multilateral & corporate fundraising costs	(39,096)	(55,324)
Net government, overseas, multilateral & corporate grants	5,065,604	5,049,376
Other revenue	209,883	379,037
Net funds raised	15,538,960	14,833,546
Overseas project disbursements	11,336,088	12,191,739
Domestic project disbursements	243,475	279,441
Program support costs	1,453,718	1,221,676
Community Education costs	1,839,289	1,495,974
Total funds distributed towards the objectives of the Company	(14,872,570)	(15,188,830)
Subtotal	666,390	(355,283)
Accountability and administration expenses	944,600	1,255,439
Surplus / (deficit) for the year	(278,210)	(1,610,723)

Percentages

	%	%
Total cost of public fundraising/gross public fundraising income	7.72	7.30
Surplus from public fundraising/gross public fundraising income	92.28	92.74
Funds disbursed towards objectives/total expenditure	88.98	88.10
Funds disbursed towards objectives/total revenue received	90.48	97.20

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Directors' 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 2017 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 13 September 2017

TEAR Australia

ABN 85 085 413 832

Independent Audit Report to the members of TEAR Australia

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of TEAR Australia (the Company), being a General Purpose- Reduced Disclosure Requirements financial report, which comprises the statement of financial position as at 30 June 2017, the statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards- Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The directors of the Company are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

TEAR Australia

ABN 85 085 413 832

Independent Audit Report to the members of TEAR Australia

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Saward Dawson

Saward Dawson

Jeffrey Tulk

Jeffrey Tulk
Partner

Blackburn, VIC
Dated: 13 September 2017