Lowy Institute for International Policy

ABN 40 102 792 174

General Purpose Financial Report for the year ended 30 June 2020

Lowy Institute for International Policy
Contents to the General Purpose Financial Report
for the year ended 30 June 2020

Lowy Institute for International Policy
Corporate Information
ABN 40 102 792 174

Directors

Sir Frank P. Lowy AC (Chair)
David Gonski AC
Sir Allan (Angus) Houston AK, AC, AFC (Ret'd)
Ambassador Martin S. Indyk
David H. Lowy AM
Peter S. Lowy
Steven M. Lowy AM
Mark Ryan
The Hon. James Spigelman AC
Joanna Hewitt AO
The Hon. Penelope (Penny) Wensley AC
Glenn Stevens AC

Company Secretary

Milton Cockburn (Resigned 10 September 2019)
Sarah Hipsley (Appointed 10 September 2019)

Registered office

Level 4, 131 Macquarie Street
Sydney, NSW 2000

Principal place of business

31 Bligh Street
Sydney, NSW 2000

Postal Address

PO Box H-159
Australia Square NSW 1215, Australia

Contact Details

Website: www.lowyinstitute.org
Telephone: +61 2 8238 9000
Email: reception@lowyinstitute.org

Auditors

Ernst & Young
200 George Street
Sydney, NSW 2000

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200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Auditor's independence declaration to the directors of Lowy Institute for International Policy

In relation to our audit of the financial report of Lowy Institute for International Policy for the financial year ended 30 June 2020, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Ernst & Young

James Karekinian
Partner
22 September 2020

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Sydney NSW 2000 Australia
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Independent Auditor's Report to the Members of Lowy Institute for International Policy

Report on the Financial Report

Opinion

We have audited the financial report of Lowy Institute for International Policy (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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.

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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.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015*

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 2015*.

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

Opinion

In our opinion:

a) the financial report of Lowy Institute of International Policy has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2020, in all material respects, in accordance with:

   i. sections 20(1), 22(1-2), 24(1-3) of the NSW Charitable Fundraising Act 1991;

   ii. sections 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015;

b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2020 has been properly accounted for and applied, in all material respects, in accordance with the above-mention Act(s) and Regulations.

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
22 September 2020

Directors' Declaration

In accordance with a resolution of the Directors of The Lowy Institute for International Policy, I state that in the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profit Commission Act 2012*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Sir Frank P. Lowy AC
Director
Tel Aviv
22 September 2020

Declaration by Principal Officer in Respect to Fundraising Appeals

I, Michael Fullilove, Principal Officer of the Lowy Institute for International Policy declare that in my opinion:

(a) the attached statement of comprehensive income gives a true and fair view of all income and expenditure of the Lowy Institute for International Policy with respect to fundraising appeals;

(b) the Statement of Financial Position and accompanying notes give a true and fair view of the state of affairs of the Lowy Institute for International Policy with respect to fundraising appeals;

(c) the internal controls exercised by the Lowy Institute for International Policy are appropriate and effective in accounting for all income received;

(d) the provisions of the *NSW Charitable Fundraising Act 1991*, the *NSW Charitable Fundraising Regulation 2008* and the conditions attached to the authority have been complied with by the Lowy Institute for International Policy.

Michael Fullilove AM
Principal Officer
Sydney
22 September 2020

Lowy Institute for International Policy
Statement of Financial Position
for the year ended 30 June 2020

	Note	2020 $	2019 $ Restated
Current assets			
Cash and cash equivalents	5	11,284,175	11,232,590
Trade and other receivables	6	510,094	888,027
Total current assets		11,794,269	12,120,617
Non-current assets			
Property, plant and equipment	7	3,140,423	4,812,393
Right-of-use assets	8	8,067,197	-
Total non-current assets		11,207,620	4,812,393
Total assets		23,001,889	16,933,010
Current liabilities			
Trade payables	9	339,381	424,466
Provisions	10	676,163	906,459
Lease liabilities	11	419,381	-
Other current liabilities	12	2,696,679	2,204,569
Total current liabilities		4,131,604	3,535,494
Non-current liabilities			
Provisions	10	21,920	36,338
Lease liabilities	11	8,095,715	-
Other non-current liabilities	12	5,287,450	6,254,794
Total non-current liabilities		13,405,085	6,291,132
Total liabilities		17,536,689	9,826,626
Net assets		5,465,200	7,106,384
Equity			
Accumulated funds		5,465,200	7,106,384
Total equity		5,465,200	7,106,384

The above Statement of Financial Position should be read in conjunction with the accompanying notes 1 to 18.

Lowy Institute for International Policy
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 $	2019 $ Restated
Continuing operations			
Charitable/fundraising activities	3(a)	4,769,051	10,397,040
Research grants		2,225,661	2,198,113
Subscriptions and other income		321,978	187,221
Interest income		21,209	57,431
Total revenue		7,337,899	12,839,805
Expenses			
Internal research and management		(4,710,776)	(4,390,500)
Administration and operating expenses		(1,250,341)	(1,952,520)
Amortisation & Depreciation expense	3(b)	(1,124,872)	(483,063)
Accelerated depreciation of assets from old premises		-	(600,147)
Loss from disposal of fixed assets		(730)	(338,906)
Loss on lease modification		(89,024)	-
Conference and publication expenses		(672,157)	(795,926)
External commissioned research and donations		(625,957)	(605,941)
Marketing and other event expenses		(201,981)	(376,530)
Interest expenses		(303,245)	-
Surplus/(loss) before tax		(1,641,184)	3,296,272
Income tax expense	1(f)	-	-
Net surplus/(loss) for the year from continuing operations		(1,641,184)	3,296,272
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(1,641,184)	3,296,272
Total loss for the year excluding donation for fit-out of new premises and write down of assets of old premises		(1,641,184)	(312,432)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes 1 to 18.

Lowy Institute for International Policy
Statement of Changes in Equity
for the year ended 30 June 2020

	Accumulated Funds $
At 1 July 2019	7,106,384
Loss for the year	(1,641,184)
Other comprehensive income	-
Total comprehensive loss for the year	(1,641,184)
At 30 June 2020	5,465,200

	Accumulated Funds $ Restated
At 1 July 2018	2,898,205
Prior year transition adjustment on adoption of AASB 15 & 1058	911,907
Adjusted opening balance as at 1 July 2018	3,810,112
Surplus for the year	3,296,272
Other comprehensive income	-
Total comprehensive surplus for the year	3,296,272
At 30 June 2019	7,106,384

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes 1 to 18.

Lowy Institute for International Policy
Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Donations received		3,193,552	8,714,320
Research fees and other income		3,699,982	4,113,977
Payments to suppliers and employees		(7,765,263)	(8,960,175)
Interest received		260,803	273,353
Net cash used in operating activities	13	(610,926)	4,141,475
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,855,230)	(4,563,807)
Proceeds from sale of leasehold improvement to landlord		3,134,309	-
Proceeds from sale of property, plant and equipment		-	586
Net cash used in investing activities		1,279,079	(4,563,221)
Cash flows from financing activities			
Payments of interest on leases		(279,118)	-
Payments of principal on leases		(350,259)	-
Payments for lease incentive		91,767	-
Payments of lease termination		(89,390)	-
Net cash used in financing activities		(627,000)	-
Net increase/decrease in cash and cash equivalents		41,153	(421,746)
Cash and cash equivalents at the beginning of the financial year		11,232,590	11,650,186
Effects of exchange rate changes on cash		10,432	4,150
Cash and cash equivalents at the end of the financial year		11,284,175	11,232,590

The above Statement of Cash flows should be read in conjunction with the accompanying notes 1 to 18.

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1 Summary of significant accounting policies

(a) Basis of preparation

These general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards-Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profit Commission Act 2012* . The Financial Report has been prepared on a historical cost basis, except for the financial assets, which have been measured at fair value.

The accounting policies used in the preparation of this report are in accordance with the requirements of the *Charitable Fundraising Act 1991 (NSW)* and the regulations applying to that Act and the conditions of approval attached to our Authority to Fundraise (CFN/21106).

The functional and presentational currency of this financial report is Australian dollars ($).

The accounting policies have been consistently applied, unless otherwise stated.

(b) Compliance with Australian Accounting Standards-Reduced

The Financial Statements of the Lowy Institute complies with Australian Accounting Standards-Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The Financial Statements were authorised for issue by the Directors on 22 September 2020.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the Financial Statements are taken to the Statement of Comprehensive Income.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

(f) Income tax

The Lowy Institute for International Policy is endorsed by the Australian Taxation Office as exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997 (Cth)* .

(g) Trade and other payables

Trade and other payables are carried at amortised cost and arise when the Institute becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies (cont)

(h) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of

(i) Leasehold improvements 3 - 13 years

(ii) Plant and equipment 2 - 8 years

(i) Leases

The Institute assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date which the leased asset is available for use by the Institute. Each lease payment is allocated between the liability and finance costs.

Assets and liabilities arising from a lease are initially measured at the net present value. Lease liabilities include the net present value of the fixed lease payment less any incentives receivable.

Lease payments are discounted at the incremental borrowing rate, being the rate the lessee would have to pay to borrow funds necessary to obtain the asset of similar value in a similar economic environment with similar terms and conditions.

The Institute is required to remeasure the lease liability and make an adjustment to the right-of-use asset if the lease term is modified, in which case the lease liability is re-measured by discounting the revised lease payments using the revised discount rate. The remeasurement of the lease liability is also applied against the right-of-use asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The Institute has elected not to recognise the right-of-use assets and lease liabilities for short term leases that have a term or 12 months or less and leases of low-value assets. The Institute recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Provisions

Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Institute expects some or all of a provision to be recovered, the receivable is recognised as a separate asset but only when it is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any recoveries.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1 Summary of significant accounting policies (cont)

(k) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Donation income
Revenue from general or specific donations are brought to account when received.

(ii) Research grants and sponsorships
Research grants and sponsorships received to fund specific research programs arise from an agreement which is enforceable and contain specific performance obligations. Revenue is recognised as income when the performance obligations of the contracts are satisfied. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control, there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input method of cost is deemed to be the most appropriate method to reflect the transfer of the benefit. Any income received where the performance obligation is not yet satisfied as at reporting date, is recorded as deferred income.

(iii) Corporate and government membership
Membership income is recognised when invoiced in accordance with AASB 1058, as there are no amounts recognised in accordance with other standards.

(iv) Subscription income
Subscription income is recognised when performance obligations are met.

(v) Other Income
Other Income is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

(vi) Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest revenue includes interest earned on grant monies received.

(l) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2 Adoption of new and revised accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Institute for the annual reporting period ending 30 June 2020 and the Directors are yet to consider their likely impact.

Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to the changes in presentation for the current financial year. Comparatives in the Statement of financial position have been restated to reflect consistent treatment with current year disclosures.

New and amended standards and interpretations

For the year ended 30 June 2020, the Institute adopted AASB 16 Leases, AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

(a) IFRS 15 Revenue from Contracts with Customers & AASB 1058 Income of Not-for-Profit Entities

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine how much and when the revenue is recognised.

AASB 15 and AASB 1058 supersede the not-for-profit income recognition requirements previously in AASB 1004 Contributions and AASB 118 Revenue. The timing of income depends on whether a transaction gives rise to a liability, a performance obligation or a contribution by owners related to an asset received by the Institute.

The Institute has adopted a full retrospective approach whereby the comparative period has been restated.

	As reported 30 June 2019 $	AASB 15 Adjustments $	Adjusted 30 June 2019 $
Statement of Financial Performance impact on application:			
Donation Income	8,722,040	(5,000)	8,717,040
Corporate and government membership	1,236,667	203,333	1,440,000
Subscriptions and other income	192,763	(5,542)	187,221
Revenue	10,151,470	192,791	10,344,261

	As reported 30 June 2019 $	AASB 15 Adjustments $	Adjusted 30 June 2019 $
Statement of Financial Position impact on application:			
Other current liabilities	2,950,865	(746,296)	2,204,569
Other non-current liabilities	6,613,196	(358,402)	6,254,794
Total adjustment liabilities	9,564,061	(1,104,698)	8,459,363
Total liabilities	10,931,324	(1,104,698)	9,826,626
Equity	6,001,686	1,104,698	7,106,384

The nature of these adjustments are describes below:

(i) Corporate and government memberships

In previous reporting periods, corporate and government memberships were recognised over the period of the membership.

In accordance with the provisions of AASB 15 & 1058, the Institute considered whether AASB 15 applies to these transactions.

The Institute determined that the corporate and government memberships do not meet the definition of a contract under AASB 15 and can not be recognised under this standard.

AASB 1058 applies when a not-for profit entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. The asset is recognised and measured at fair value, the excess of that asset recognised over any 'related amounts' is recognised as income immediately.

The Institute has determined that there are no 'related amounts', which results in memberships being recognised as invoiced.

2 Adoption of new and revised accounting standards (cont)

(ii) Donations
In previous reporting periods, donations were recognised when earned.
As above, the Institute has determined that all donations, both general and specific will be recognised when received given there are no 'related amounts' to these transactions.

(b) AASB 16 Leases

AASB16 Leases requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease lability and right-of-use asset.

The straight-line operating lease expense under AASB 117 Leases is replaced by depreciation of the right to use asset and the interest on the lease liability.

The Institute has adopted the following approach and practical expedients:
- the modified retrospective approach is used on transition. Therefore the cumulative effect of adopting AASB 16 is recognised as the recognition of a right-of-use asset and lease liabilities as at 1 July 2019, with no restatement of comparative information;
- the right-of-use asset is measured at an amount equal to the lease liability; and
- optional exemptions for short-term (less than 12 months) and low-value assets is applied.
- None of the leases were determined to be onerous.

On adoption of AASB 16, the Institute recognised lease liabilities in relation to the leases which has previously been classified as operating leases under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019 (3.5%).

	$
Operating lease commitments disclosed as at 30 June 2019	185,045
Short-term leases recognised on a straight-line basis as an expense	(86,991)
Discounted using the incremental borrowing rate of initial application	(4,701)
Lease liability adjustments recognised as at 1 July 2019	93,353

	Restated as at 30 June 2019 $	AASB 16 Adjustments $	Adjusted 1 July 2019 $
Statement of Financial Position impact on application:			
Right-of-use assets	-	93,353	93,353
Total assets	16,933,010	93,353	17,026,363
Lease liabilities	-	93,353	93,353
Total liabilities	9,826,626	93,353	9,919,979

The right-of-use assets and liabilities above relate to plant and equipment.

The Institutes cash flow statement presentation has been impacted with the repayment of the principle and interest included in financing activities and reducing operating costs within the operating activities.

3 Revenue and expenses

	2020 $	2019 $ Restated
(a) Revenue from charitable/fundraising activities consists of the following items:		
Donation income	3,179,052	8,717,040
Sponsorships	310,000	240,000
Corporate and government membership	1,279,999	1,440,000
	4,769,051	10,397,040
(b) The surplus/(loss) from operations includes the following items of expenses from continuing operations:		
Depreciation expense	442,242	483,063
Amortisation of leased assets	682,630	-
Accelerated depreciation of assets	-	600,147
	1,124,872	1,083,210
Employee benefits expense:		
Wages & Salaries	4,228,692	3,889,988
Superannuation	345,356	342,562
	4,574,048	4,232,550

4 Charitable/fundraising activities

	2020 $	2019 $ Restated
Income from charitable/fundraising activities	4,769,051	10,397,040
Expenses from charitable/fundraising activities consist of the following:		
Wages & Salaries	(145,942)	(146,987)
Superannuation	(9,452)	(11,505)
Administration and operating expenses	(3,267)	(5,116)
Net surplus from charitable fundraising activities	4,610,390	10,233,432
(i) Comparison of total cost of fundraising to gross income from fundraising:		
Gross income	4,769,051	10,397,040
Total cost of fundraising	(158,661)	(163,608)
Percentage of gross income	3.33%	1.57%
(ii) Comparison of net surplus from fundraising to gross income from fundraising:		
Gross income	4,769,051	10,397,040
Net surplus from charitable fundraising activities	(4,610,390)	(10,233,432)
Percentage of gross income	96.67%	98.43%

4 Charitable/fundraising activities (cont)

	2020 $	2019 $
(iii) Comparison of total costs of research provided to total expenditure:		
Total expenditure	(8,604,115)	(9,532,987)
Total costs of research provided	(6,358,976)	(6,184,642)
Percentage of gross expenditure	73.91%	64.88%
(iv) Comparison of total costs of research provided to total income received:		
Total income	7,337,899	8,318,214
Total costs of research provided	(6,358,976)	(6,184,642)
Percentage of total income	86.66%	74.35%

The expenditure and income in note 4 (iii) and (iv) exclude one-off transactions relating to the Institutes move and fit-out of 31 Bligh St, Sydney.

5 Cash and cash equivalents

	2020 $	2019 $
Cash on hand and in bank	11,284,175	11,232,590

6 Trade and other receivables

	2020 $	2019 $
Trade receivables	149,900	44,330
Other receivables	122,565	165,774
Goods and Services tax (GST) receivable	121,586	407,761
Prepayments	116,043	270,162
	510,094	888,027

7 Property, plant and equipment

Year ended: 30 June 2020	**Leasehold Improvements**	**Leasehold Improvements WIP**	**Plant and Equipment**	**Total**
Property, plant and equipment at cost	**$**	**$**	**$**	**$**
Balance as at 1 July 2019	-	4,557,007	529,360	5,086,367
Additions	1,609,633	-	297,388	1,907,021
Transfers	1,414,263	(1,422,698)	8,435	-
Disposals	-	(3,134,309)	(47,470)	(3,181,779)
Balance as at 30 June 2020	3,023,896	-	787,713	3,811,609
Depreciation and impairment				
Balance as at 1 July 2019	-	-	(273,974)	(273,974)
Depreciation	(271,754)	-	(169,460)	(441,214)
Disposals	-	-	44,002	44,002
Balance as at 30 June 2020	(271,754)	-	(399,432)	(671,186)
Net carrying amount	2,752,142	-	388,281	3,140,423

During the year the LFG Investments Pty Limited (the lessor) paid a one off refurbishment capital rebate of $3,134,309 to the Institute. LFG Investment Pty Limited agreed to reimburse the Institute for building refurbishment costs relating to the lessor, taking ownership of those assets as part of the transaction.

Year ended: 30 June 2019	**Leasehold Improvements**	**Leasehold Improvements WIP**	**Plant and Equipment**	**Total**
Property, plant and equipment at cost	**$**	**$**	**$**	**$**
Balance as at 1 July 2018	1,301,190	60,950	1,093,082	2,455,222
Additions	-	4,496,057	8,053	4,504,110
Disposals	(1,301,190)	-	(571,775)	(1,872,965)
Balance as at 30 June 2019	-	4,557,007	529,360	5,086,367
Depreciation and impairment				
Balance as at 1 July 2018	(603,967)	-	(433,010)	(1,036,977)
Depreciation	(697,223)	-	(386,573)	(1,083,796)
Disposals	1,301,190	-	545,609	1,846,799
Balance as at 30 June 2019	-	-	(273,974)	(273,974)
Net carrying amount	-	4,557,007	255,386	4,812,393

8 Right-of-use Asset

Year ended: 30 June 2020	**Land & buildings**	**Plant & Equipment**	**Total**
Right-of-use asset at cost	**$**	**$**	**$**
Balance as at 1 July 2019	-	93,353	93,353
Additions	8,674,674	158,433	8,833,107
Lease incentive	-	(91,767)	(91,767)
Loss on modification	-	(93,353)	(93,353)
Balance as at 30 June 2020	8,674,674	66,666	8,741,340
Amortisation			
Balance as at 1 July 2019	-	-	-
Amortisation	(663,032)	(19,598)	(682,630)
Loss on modification	-	8,487	8,487
Balance as at 30 June 2020	(663,032)	(11,111)	(674,143)
Net carrying amount	8,011,642	55,555	8,067,197

During the year the Institute entered into a ten year lease for the rent of 31 Bligh Street and a five year lease for printers and photocopiers. The Institute also terminated its current printer and photocopier lease prior to entering into its new lease.

9 Trade payables

	2020 $	2019 $
Trade and other payables	228,320	305,369
GST Payable	111,061	119,097
	339,381	424,466

The average credit period on purchases is 30 days. The Institute has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

10 Provisions

	2020 $	2019 $
Current		
Employee entitlements	676,163	560,777
Make good provisions	-	345,682
	676,163	906,459
Non-current		
Employee entitlements	21,920	36,338
	21,920	36,338

11 Lease liabilities

	2020 $	2019 $
Current	419,381	-
Non-current	8,095,715	-
	8,515,096	-

Reconciliation of lease expense in the statement of financial position	2020 $	2019 $
Depreciation charge for right-of-use assets by class of assets:		
Land & buildings	663,032	-
Plant & Equipment	19,598	-
Total Depreciation	682,630	-
Interest on lease liabilities	303,245	-
Expenses for short-term leases	80,110	-
Expenses for low-value assets	1,560	-
Loss on termination of lease contract	84,866	-
Operating lease expense (included in Administration and operating expenses)	-	990,769
	1,152,411	990,769

12 Other liabilities

	2020 $	2019 $
Current		
Unearned revenue	2,696,679	2,204,569
Non-current		
Unearned revenue	5,287,450	6,254,794

In June 2013 the Institute received a grant from the Australian Government to provide long term strategic funding to support new research, dialogues and partnerships that deepen and broaden Australia's engagement with Asia. The use of these funds is restricted to activities that are consistent with the grant's objectives. These ongoing restrictions are the reason that $6,677,915 (2019: $7,486,338) of unspent funds associated with the grant was included in unearned revenue as at 30 June 2020. This balance includes interest accrued on funds during the grant period. The Institute intends to continue to use the funds in a manner consistent with the grant objectives.

13 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purpose of the statement cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2020 $	2019 $
Cash at bank	11,284,175	11,232,590

(b) Reconciliation of surplus for the period to net cash flows from operating activities

	2020 $	2019 $ Restated
Net surplus/(deficit) for the year	(1,641,184)	3,296,272
Depreciation expense	1,124,872	1,083,210
Loss from disposal of fixed assets	730	338,906
Interest expense	303,245	-
Loss from lease modification	89,024	-
Unrealised foreign exchange differences	(10,014)	(4,150)
(Increase)/decrease in trade and other receivables	299,473	(48,608)
Increase/(decrease) in trade payables	(57,124)	(108,360)
Increase in provisions	(244,714)	48,410
Decrease in other liabilities	(475,234)	(464,205)
Net cash flows from operating activities	(610,926)	4,141,475

14 Remuneration of auditors

	2020 $	2019 $
Auditing the financial report	14,500	14,500

15 Related party disclosures

Donations Received

During the year The Lowy Foundation made donations to the Institute of $2,926,352 (2019: $8,449,800).
The prior year donation included donations for the refurbishment of 31 Bligh Street plus $720,000 of prepaid donations relating to financial year 2020 and as a consequence the normal donations received from The Lowy Foundation were lower.

Donations Paid

During the year Institute made a donation of $144,896 (2019: $142,207) to the Council of Foreign Relations (“CFR”), a New York and Washington-based foreign policy institute with complementary research objectives, in order to support the research work of Ambassador Martin S. Indyk as a Distinguished Fellow of the CFR’s Middle East Program. Ambassador Indyk is a director of the Lowy Institute and was already an employee of the CFR prior to this donation. The Institute is seeking to expand its presence in the United States by strengthening ties with the CFR. Closer relations with the CFR has significant advantages for the Institute, including providing access to some of its facilities, conducting joint events in the United States and facilitating greater interaction between scholars from the two institutions.

Refurbishment Capital Rebate

During the year the Institute received a one off refurbishment capital rebate of $3,134,309 (2019: nil) from LFG Investments Pty Limited, which owns the building that houses the Lowy Institute. LFG Investments Pty Limited agreed to reimburse the Institute for building refurbishment costs relating to the lessor.

15 Related party disclosures (cont)

Rent and Consulting services
During the year the Institute was charged rent of $593,138 (2019: nil) by LFG Investments Pty Limited. The institute was also charged $94,220 (2019: $90,000) for IT and financial services provided by LFG Services Pty Limited.

Rent is charged monthly and is payable in advance, other services are charged in arrears.

LFG Investments Pty Limited and LFG Services Pty Limited are companies associated with Sir Frank P. Lowy AC, Mr David H. Lowy AM, Mr Peter S. Lowy and Mr Steven M. Lowy AM.

The Directors of the Institute hold directorships in a range of other entities and there may be transactions between these entities and Institute within the ordinary course of business. Any such transactions are completed under normal trading terms.

	2020 $	2019 $
Key management personnel		
Short-term employee benefits	1,324,190	1,287,008
Post-employment benefits	85,119	97,154
Total compensation	1,409,309	1,384,162

16 Significant accounting adjustments, estimates and assumptions

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

Management has identified the following key accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience.

Long service leave
The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Incremental borrowing rate
The Institute cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Institute would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain the asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Institute "would have to pay" which requires estimation given the Institute does not enter into financing transactions and there is no direct observable rate. The Institute estimates the IBR using observable market interest rates and is required to make certain entity-specific estimates such as credit rating.

Recognition of grant revenue
Research grants require judgement in determining performance obligations and the transfer of control of those obligations on a contract by contract basis. The Institute considers most grant performance obligations to be transferred over time and uses the input method as the most appropriate method to reflect the transfer of benefit.

17 Subsequent events

No matter or circumstance has arisen since the end of the financial year which has or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

18 Additional company information

The Lowy Institute for International Policy is a company limited by guarantee which was incorporated in New South Wales. The Constitution of the Institute provides that the liability of members is limited.

Each member guarantees to contribute up to a maximum of ten dollars to the assets of the Institute if it is wound up while he or she is a member, or within one year afterwards, and at the time of winding up the debts and liabilities of the Institute exceed its assets. The liability of each member is limited to making such contribution and no more.

As at 30 June 2020 the Institute had seven ordinary members (2019: seven).