

**Compassion Australia** ACN 001 692 566  
**Annual report – 30 June 2013**

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This is a supplement of the full annual report.  
For more information please refer to the full annual report, which is available at:  
[www.compassion.com.au/annualreport](http://www.compassion.com.au/annualreport)

## Compassion Australia

Compassion Australia is a company limited by guarantee and not having share capital, incorporated and domiciled in Australia. ABN 67 001 692 566.

Your directors present their report on the company for the year ended 30 June 2013.

### Directors

The following persons were directors of the company at any time during the financial year and up to the date of this report:

Rev J Bond (Chairman of The Board)  
Mr M Jeffs (Vice Chairman of The Board)  
Mr J Horn (Secretary of The Board)  
Mr I Moody (Board member since 2008)  
Ms A Jackson (Board member since 2008)  
Mr K Medwin (Board member since 2010)  
Ms M Chua (Board member since October 2012)  
Dr R Sonderegger (Retired in October 2012)

### Directors' meetings

The below table details the number of directors' meetings held this financial year, as well as the number of meetings attended by each director of the company.

<i>Director</i>	<i>No. of meetings held *</i>	<i>No. of meetings attended</i>
Mr M Jeffs	4	4
Rev J Bond	4	4
Mr J Horn	4	4
Mr I Moody	4	3
Ms A Jackson	4	2
Mr K Medwin	4	4
Dr R Sonderegger (Retired in October 2012)	1	1
Ms M Chua	4	4

\* Reflects the number of meetings held whilst the director was in office.

### Objectives

Compassion's objectives stem from our 2020 Vision, which is about bearing good fruit and bearing much fruit for the glory of God. It is about developing the systems and processes needed for future growth, and about developing the four programs to fully realise Compassion's mission.

Compassion's global 2020 Vision aims to:

- Produce definitive and measurable program results based on outcomes in the lives of babies, children, students, sponsors, and our church partners
- Build Compassion's brand and reputation as the global standard in holistic child development, in child sponsorship and in the alleviation of childhood poverty
- Challenge Christians to heed the biblical mandate of reaching out to the poor, as sponsors and donors become authentic advocates for children
- Challenge the Church to mobilise in unforeseen ways to respond to the issues of children in poverty

For more information on Compassion's objectives, please refer to page 46 in Compassion Australia's annual report for financial year 2012-2013, which can be found at [www.compassion.com.au/annualreport](http://www.compassion.com.au/annualreport)

## **Compassion's strategy for achieving our objectives**

To help lead us toward the 2020 Vision, Compassion International identified five essential global moves, or large strategic decisions or investments:

1. Maximise the ministries: By 2016, we will redesign an integrated world-class ministry model that: empowers Implementing Partners to most effectively deliver age-appropriate holistic child development programming, engages supporters more deeply, and continuously builds Compassion's brand.
2. Transform core processes with technology: We will innovate our global core processes and apply effective technology while replacing ineffective systems to enable the 2020 Vision.
3. Mobilise the church: We will leverage our expertise, reputation and tools to mobilise the Church to effectively respond to the needs of children in poverty.
4. Strengthen sponsor engagement: We will transform our connections between: sponsors and beneficiaries; supporters and Compassion; supporters with one another; and supporters and potential supporters in order to maximise engagement.
5. Seize global opportunities for expansion: We will seize opportunities for growth to increase global funding.

As part of a global network, each partner country has its own strategy to help achieve the 2020 Vision. For Compassion Australia, we have divided this strategy across three distinct phases:

- Phase 1: Building Capacity
- Phase 2: Transition
- Phase 3: Growth

In financial year 2013 - 2014, Compassion Australia will commence the second and final year of a capacity building phase that focuses on reviewing our processes, systems and people. Based on Compassion International's global moves, Compassion Australia has identified five strategic focus areas for Phase 1: Building Capacity: God, our staff, His Church, our supporters and children.

For more information on Compassion's Strategy for achieving our objectives, please refer to page 46 in Compassion Australia's annual report for financial year 2012-2013, which can be found at [www.compassion.com.au/annualreport](http://www.compassion.com.au/annualreport)

## **Principal activities**

The principal activity of the company during the course of the financial year was releasing children from poverty in developing countries.

There were no significant changes in the nature of the activities of the company during the year.

## **Review and result of operations**

Compassion Australia's customised scorecard measures our progress against our strategic goals for four of our five focus areas: children, supporters, staff and church. The quantitative metrics are based on different service level agreements and statistical measures from our reporting systems, while the qualitative metrics are based on survey feedback to assist with ongoing supporter and staff development. Compassion has chosen not to develop metrics for our fifth focus area, God, because we believe that spirituality cannot be, and shouldn't be, measured in human terms. This scorecard can be found on page 56 in Compassion Australia's annual report for financial year 2012-2013, which can be found at [www.compassion.com.au/annualreport](http://www.compassion.com.au/annualreport)

Key results for the year include:

- The operating surplus for the year amounted to \$1,064,111 (2012 surplus: \$709,350).
- The total income for the year amounted to \$68,130,117 (2012 income: \$64,973,986).
- The number of beneficiaries grew to 102,289 (2012: 99,167) which represents an increase of 3.15% (2012: 4.03%). This increase is the primary driver in income increasing by 4.86% (2012: 3.33% increase).
- The commitment of our sponsors and donors is evidenced by a low cancellation rate of 6.72% (2012: 6.66%) for the year.
- Within the year, 20.27% of the total expenses were spent on administration and fundraising expenses.

Compassion's Board appreciates the continuing dedication of staff and advice of consultants, which has enabled the organisation to maintain a solid financial position.

#### **Environmental regulations**

The company is subject to environmental regulation in respect to ownership of land and buildings. These regulations are those that apply to all land holding businesses and had no significant impact on the operation of the organisation during the financial year.

The directors are not aware of any breaches of environmental regulations.

#### **Significant changes in the state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

#### **Likely developments**

In the opinion of the directors, the company is likely to pursue its policy of releasing children from poverty in Jesus' name. It is expected that the company will continue to grow at its rate of ordinary growth.

#### **Matters subsequent to the end of the financial year**

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and usual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

#### **Information on Directors**

##### **Mr M Jeffs**

Compassion Australia Director since July 1995

##### ***Experience and expertise***

Business involvement in either management or director roles for 36 years.

##### ***Other current directorships***

Managing Director of the following Companies: Network Communications Pty Limited, Australian Christian Channel Pty Limited; and is a director in the following Companies: Southern Cross Institute Pty Limited

##### ***Former directorships in the last three years***

Immanuel College, ceased 2009

##### ***Special responsibilities***

Vice Chairman of the Board of Directors

Chairman of the Finance & Audit Committee

Member of the Board of Directors Compassion International

##### **Dr J Bond**

Compassion Australia Director since June 2002

##### ***Experience and expertise***

Minister of Religion; international experience in governance and formation with Youth for Christ International, Motor Racing Outreach, Sports and Leisure Ministries and Dynamic Church Planting International

##### ***Other current directorships***

Founding Director of Sonlife Ministries Inc

##### ***Former directorships in the last three years***

None

##### ***Special responsibilities***

Chairman of the Board of Directors

Member of the Governance and CEO Committee

## **Compassion Australia Directors' report (continued)**

### **Mr J Horn**

Compassion Australia Director since October 2005

#### ***Experience and expertise***

Business owner and company director since 1998, with broad experience in Australian media and extensive experience in web-services and business systems

#### ***Other current directorships***

Netstrategies Pty Ltd; Clarety Pty Ltd; HHBW Pty Ltd

#### ***Former directorships in the last three years***

Hope Incorporated Pty Ltd, ceased 2009

#### ***Special responsibilities***

Secretary; Chairman of the Governance and CEO Committee

Member of the Constituents and Impact Committee

### **Mr I Moody**

Compassion Australia Director since October 2008

#### ***Experience and expertise***

Manager Gabbinbar Homestead

#### ***Other current directorships***

Easterfest Ltd; PreTHINK Pty Ltd; Vice Chairman of St Andrews Hospital Toowoomba; Chairman of Family Week

#### ***Former directorships in the last three years***

Emily's Voice Ltd; Gospel Music Association Australia and New Zealand Ltd

#### ***Special responsibilities***

Member of the Culture and Capacity Committee

### **Ms A Jackson**

Compassion Australia Director since October 2008

#### ***Experience and expertise***

Campaigns and Advocacy Director, Micah Challenge International

#### ***Other current directorships***

None

#### ***Former directorships in the last three years***

None

#### ***Special responsibilities***

Member of the Culture and Capacity Committee

### **Mr K Medwin**

Compassion Australia Director since July 2010

#### ***Experience and expertise***

Managing Director of Rock Property, a residential property investment adviser company; Director of Medkes Unit Trust

#### ***Other current Directorships***

Chairman of Live Free Tassie, a residential drug rehabilitation facility; Chairman of Pathways Tasmania and Ultra 106.5 community radio station; Vice Chair of Common Ground Tasmania; Director of St Michaels Collegiate

#### ***Former directorships in the last three years***

None

#### ***Special responsibilities***

Member of the Finance and Audit Committee

### **Dr R Sonderegger**

Compassion Australia Director from October 2011 until October 2012

#### ***Experience and expertise***

Managing Director of Family Challenge Australia (Psychology Clinic and Charitable Trust)

#### ***Other current Directorships***

None

#### ***Former directorships in the last three years***

None

#### ***Special responsibilities***

Member of the Constituents and Impact Committee

## Compassion Australia Directors' report (continued)

### Ms M Chua

Compassion Australia Director since October 2012

#### **Experience and expertise**

Legal practice director

#### **Other current Directorships**

Managing director of M 6:8 Legal Pty Ltd

#### **Former directorships in the last three years**

None

#### **Special responsibilities**

Member of the Constituents and Impact Committee

### Members Guarantee

The company (Compassion Australia) is limited by guarantee. Each member of the company undertakes to contribute to the property of the company in the event of the same being wound up while he/she is a member, or within one year after he/she ceases to be a member.

Each member's contribution covers the payment of the debts and liabilities of the company contracted before he/she ceases to be a member, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, provided the required adjustment amount does not exceed one hundred dollars (\$100).

The number of members at 30 June 2013 was seven (and in 2012, seven).

### Indemnification and insurance of officers

#### *Indemnification*

The company has agreed to indemnify the following current directors of the company—Mr M Jeffs, Rev J Bond, Mr J Horn, Mr I Moody, Ms A Jackson, Mr K Medwin, Dr R Sonderegger and Ms M Chua—against all liabilities to another person (other than the company) that may arise from their position as directors of the company. The only exception is where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

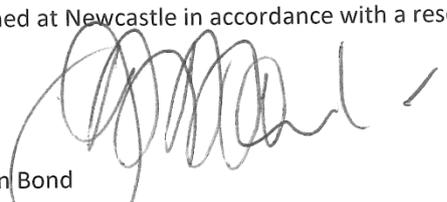
#### *Insurance Premiums*

Since the end of the previous financial year, the company has paid insurance premiums under an Association Liability Policy. The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Association Liability Policy, as such disclosure is prohibited under the terms of the contract.

### Auditors' independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6.

Signed at Newcastle in accordance with a resolution of the Directors:



John Bond  
Director  
18<sup>th</sup> October 2013



Mike Jeffs  
Director  
18<sup>th</sup> October 2013

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO  
THE DIRECTORS OF  
COMPASSION AUSTRALIA**

I declare that, to the best of my knowledge and belief, for the year ended 30 June 2013 there has been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



P M Power  
Director  
Brisbane  
18 October 2013

# Compassion Australia ACN 001 692 566

## Financial report – 30 June 2013

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This financial report covers Compassion Australia as an individual entity. The financial report is presented in Australian currency.

Compassion Australia is a company limited by guarantee and not having share capital, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Compassion Australia  
30 Warabrook Boulevard, Warabrook NSW 2304

A description of the nature of the company's operations and its principal activities is included in the directors' report on page 2, which is not part of this financial report.

The financial report was authorised for issue by the directors on the date that the directors' declaration was signed. The directors have the power to amend and reissue the financial statements.

**Compassion Australia**  
**Statement of comprehensive income**  
For the year ended 30 June 2013

	Notes	2013 \$	2012 \$
<b>Revenue from continuing operations</b>	2	67,700,982	64,647,513
Other income	2	429,135	326,473
Program expenses		(44,038,319)	(42,312,231)
Program support expenses		(6,222,678)	(6,103,839)
Local program expenses		(2,153,814)	(1,580,936)
Administration expenses		(5,867,671)	(5,933,084)
Fundraising expenses		(7,727,031)	(7,157,513)
Advocacy expenses		(1,056,493)	(1,177,033)
		<hr/>	<hr/>
<b>Excess/(shortfall) of revenue over expenditure</b>	1(r)	1,064,111	709,350
Other comprehensive income			<hr/> -
Total comprehensive income for the year		<hr/> 1,064,111	<hr/> 709,350
Total comprehensive income for the year is attributable to: Compassion Australia		<hr/> 1,064,111	<hr/> 709,350

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Compassion Australia**  
**Statement of financial position**  
As at 30 June 2013

	Notes	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	9,198,327	8,559,767
Other receivables	6	314,160	636,416
<b>Total current assets</b>		<u>9,512,487</u>	<u>9,196,183</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	11,031,820	11,578,504
Investment properties	8	1,660,687	1,725,332
Other financial assets at fair value through profit or loss	9	218,734	202,293
<b>Total non-current assets</b>		<u>12,911,241</u>	<u>13,506,129</u>
<b>Total assets</b>		<u>22,423,728</u>	<u>22,702,312</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	8,453,597	10,078,550
Borrowings	11	-	390,000
Provisions	12	639,818	66,464
<b>Total current liabilities</b>		<u>9,093,415</u>	<u>10,535,014</u>
<b>Non-current liabilities</b>			
Provisions	12	368,960	270,056
<b>Total non-current liabilities</b>		<u>368,960</u>	<u>270,056</u>
<b>Total liabilities</b>		<u>9,462,375</u>	<u>10,805,070</u>
<b>Net assets</b>	1(r)	<u>12,961,353</u>	<u>11,897,242</u>
<b>Equity</b>			
Retained earnings		<u>12,961,353</u>	<u>11,897,242</u>
<b>Total equity</b>	1(r)	<u>12,961,353</u>	<u>11,897,242</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Compassion Australia**  
**Statement of changes in equity**  
For the year ended 30 June 2013

	Notes	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2011</b>	1(r)	11,187,892	11,187,892
Total comprehensive income for the year as reported in the 2012 financial statements	1(r)	709,350	709,350
<b>Balance at 30 June 2012</b>		<hr/> 11,897,242	<hr/> 11,897,242
Total comprehensive income for the year		1,064,111	1,064,111
<b>Balance at 30 June 2013</b>		<hr/> 12,961,353	<hr/> 12,961,353

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Compassion Australia**  
**Statement of cash flows**  
For the year ended 30 June 2013

	<b>2013</b>	<b>2012</b>
<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts (inclusive of goods and services tax)	67,783,045	64,561,753
Payments in the course of operations (inclusive of goods and services tax)	<u>(66,986,754)</u>	<u>(62,555,966)</u>
<b>Net cash inflow from operating activities</b>	13(a) <u>796,291</u>	<u>2,005,787</u>
<b>Cash flows from investing activities</b>		
Interest received	317,400	314,709
Proceeds from sale of plant and equipment	150,544	33,554
Payments for property, plant and equipment	<u>(235,675)</u>	<u>(358,656)</u>
<b>Net cash inflow (outflow) from investing activities</b>	<u>232,269</u>	<u>(10,393)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(390,000)	(260,000)
Interest paid		<u>(29,675)</u>
<b>Net cash inflow (outflow) from financing activities</b>	<u>(390,000)</u>	<u>(289,675)</u>
<b>Net increase (decrease) in cash held</b>	638,560	1,705,719
Cash at the beginning of the financial year	<u>8,559,767</u>	<u>6,854,048</u>
<b>Cash at the end of the financial year</b>	13(b) <u>9,198,327</u>	<u>8,559,767</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**Compassion Australia**  
**Notes to the financial statements**  
30 June 2013

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## **Note 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, Australian Accounting Interpretations and the *Corporations Act 2001*, the *Charitable Fundraising Act 1991*, the Charitable Collections Act 1946 (WA) and the Australian Council for International Development (ACFID) Code of Conduct. Compassion Australia is a not-for-profit entity for financial reporting purposes.

#### *Compliance with Australian Accounting Standards: Reduced Disclosure Requirements*

Compassion Australia has early adopted AASB 1053 Application of Tiers of Australian Accounting Standards and all amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements including:

- AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements;
- AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements;
- AASB 2012-7: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements;
- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets; and
- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.

The financial statements of Compassion Australia comply with the Australian Accounting Standards: Reduced Disclosure Requirements as issued by Australian Accounting Standards Board (AASB). 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.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

### **(b) Taxation**

The company, being a Public Benevolent Institution, is currently exempt from income tax under Section 50-5, Item 1.1 of the Income Tax Assessment Act 1997.

### **(c) Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

## **Note 1 Summary of significant accounting policies (continued)**

### **(d) Acquisitions of assets**

The historical cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### **(e) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Tax Office (ATO).

#### *Sponsorships and donations*

Sponsorship income is recognised in the period in which it is received. Donation income is recognised in the period in which it is received.

#### *Endowment operations and undesignated funds*

Income from endowment operations and undesignated funds is recognised in the period in which it is received.

#### *Gifting policies*

Increases in the surrender value of gifting policies are recognised in the period to which they relate.

#### *Sale of non-current assets*

The net profit arising from non-current asset sales is included as other income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

#### *Interest revenue*

Interest revenue is recognised as it accrues.

### **(f) Investments**

Life assurance policies included in the financial statements are based on the surrender value of the policies, as advised by the insurer. These amounts arise from transactions outside the usual operating activities of Compassion.

These policies are treated as financial assets at fair value through profit and loss and are non-interest bearing. Compassion is only entitled to receive the investment once the insured passes and the life assurance policy is actioned.

Changes in fair values of financial assets at fair value through profit and loss are recorded in other income or other expense in the statement of comprehensive income.

## **Note 1 Summary of significant accounting policies (continued)**

### **(g) Property, plant and equipment**

#### **Freehold property**

Freehold land and buildings are recorded at cost less accumulated depreciation.

Freehold land and buildings that have been contributed at no cost or for nominal cost are valued and recognised 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 the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

### **(h) Depreciation**

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The expected useful lives are as follows:

	<b>2013</b>
Buildings	50 years
Motor Vehicles	4.44 years
Office Furniture and equipment	10 years
Computer equipment	3 years
Fundraising equipment	3.3 years

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

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

## **Note 1      Summary of significant accounting policies (continued)**

### **(i)      Investment property**

Investment property, principally comprising freehold land and buildings, is held for long-term rental yields and is not occupied by the company. Investment property is stated at historical cost less depreciation. Land is not depreciated. Depreciation is calculated using the straight-line method to allocate the cost over the useful life of the buildings. The expected life of the building is 10 years.

### **(j)      Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **(k)      Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

### **(l)      Employee benefits**

#### *Wages, salaries and annual 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 other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with 'wages, salaries and annual leave' above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### **(m)      Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Note 1      Summary of significant accounting policies (continued)**

### **(n)      Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **(o)      Derivatives**

From time to time, Compassion enters into forward exchange contracts to make payments overseas for charitable purposes. For forward contracts, funds are transferred overseas either at the contracted exchange rate or the rate of exchange ruling at the date of the transaction, depending on whether certain conditions are satisfied under the forward exchange contract.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in the fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Compassion have not designed any derivative contracts as hedging instruments and as such changes in the fair value of the instruments are taken to the income statement.

Compassion did not enter into any derivative contracts during the 2013 financial year (2012: nil).

### **(p)      Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are expected to be settled no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income.

### **(q)      Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## Note 1 Summary of significant accounting policies (continued)

### (r) Changes in Accounting Policy, Accounting Estimates, Prior Period Adjustments and Comparatives

The company has identified three adjustments to the prior period financial report which have been adjusted in the 2013 financial year:

1. The company has reviewed the accounting for sponsorship contributions under "Australian Accounting Standard AASB1004: Contributions" and has determined that revenue from such contributions meets the definition of non-reciprocal income which qualifies for recognition on receipt of the money from sponsors. As a result, unearned income previously reported in the 2012 financial report has been reclassified to revenue in the 2012 comparative statement of comprehensive income with a corresponding adjustment to opening retained earnings at 1 July 2011. The effect was a net increase in revenue of \$69,018.
2. The company reviewed its constructive obligation to Compassion US as at 30 June and determined there is an additional obligation to Compassion US that should be reported as a liability in the 2012 financial report. As a result, an additional liability was recognised and the expense recognised in the 2012 year which related to the 2011 year was adjusted to opening retained earnings as at 1 July 2011. The effect was a net increase of expenses of \$432,537.
3. The resulting changes to excess of revenue over expenditure together with the liability balance adjustments has resulted in a decrease in opening retained earnings of \$466,152.
4. Outstanding deposits had been classified as a negative liability in prior years. On review, it has now been classified within Cash and Cash Equivalents. This resulted in a corresponding decrease in trade and other payables and increase in cash and cash equivalents of \$243,755.
5. Provision for make good has been reclassified from Trade and Other Payables to Provisions.

A reconciliation between the published and restated 2012 comparatives for affected line items is as follows:

	<b>Restated 2012</b>	<b>Change</b>	<b>Published 2012</b>
	\$	\$	\$
<b>Statement of Comprehensive Income</b>			
Revenue from continuing operations	64,647,513	69,018	64,578,495
Programme expenses	(42,312,231)	(465,313)	(41,846,918)
Programme support expenses	(6,103,839)	32,777	(6,136,616)
<b>Excess/(shortfall) of revenue over expenditure</b>	<b>709,351</b>	<b>(363,518)</b>	<b>1,072,869</b>
<b>Statement of Financial Position</b>			
Cash and Cash Equivalents	8,559,767	243,755	8,316,012
Trade and other payables (Current and Non-Current)	10,078,550	1,043,426	9,035,124
Provisions (Current)	66,464	30,000	36,464
<b>Net Assets</b>	<b>11,897,242</b>	<b>(829,671)</b>	<b>12,726,913</b>
<b>Statement of changes in equity</b>			
Balance as at 1 July 2011	11,187,892	(466,152)	11,654,044
Total comprehensive income for the year	709,350	(363,519)	1,072,869
<b>Balance at 30 June 2012</b>	<b>11,897,242</b>	<b>(829,671)</b>	<b>12,726,913</b>

## Note 2 Revenue and other income

	2013	2012
	\$	\$
<b>Revenue from continuing operations</b>		
Sponsorships and donations	67,340,129	64,308,416
Interest received	360,853	339,097
	<u>67,700,982</u>	<u>64,647,513</u>
<b>Other income</b>		
Gifting policies	16,441	8,248
Other income	388,618	318,225
Profit on disposal of non-current assets	24,076	-
	<u>429,135</u>	<u>326,473</u>
 Total Revenue and other income	 <u>68,130,117</u>	 <u>64,973,986</u>

## Note 3 Expenses

	2013	2012
	\$	\$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense	9,104,271	8,485,653
Interest expense	-	29,675
Depreciation expense	720,536	1,129,953
(Gain)/loss from derivative financial instruments	-	(1,257,373)

## Note 4 Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditors:

	2013	2012
	\$	\$
Audit services:		
Audit and review of financial reports	28,000	26,840
Taxation services	-	-
Other services	4,000	5,410
	<u>32,000</u>	<u>32,250</u>

## Note 5 Cash and cash equivalents

	2013	2012
	\$	\$
Cash on hand	19,203	26,959
Cash at bank	3,176,809	797,454
Deposits at call	6,002,315	7,735,354
	<u>9,198,327</u>	<u>8,559,767</u>

## Note 6 Other receivables

	2013	2012
	\$	\$
Other receivables	<u>314,160</u>	<u>636,416</u>

These amounts generally arise from transactions outside the usual operating activities of the Company. Other receivables are unsecured with no collateral obtained. There are no impaired receivables for the Company at 30 June 2013 (2012: Nil).

## Note 7 Property, plant and equipment

(a) Carrying amounts at balance date	2013	2012
	\$	\$
Land	409,490	409,490
Buildings		
At cost	10,145,684	10,145,684
Less: Accumulated depreciation	(415,619)	(217,046)
Buildings	9,730,065	9,928,638
Total land and buildings	10,139,555	10,338,128
<b>Motor vehicles</b>		
At cost	183,677	531,312
Less: Accumulated depreciation	(66,235)	(227,478)
Motor Vehicles	117,442	303,834
<b>Fundraising equipment</b>		
At cost	-	-
Less: Accumulated depreciation	-	-
Fundraising Equipment	-	-
<b>Office furniture and equipment</b>		
At cost	1,102,664	1,067,310
Less: Accumulated depreciation	(671,330)	(575,847)
Office Furniture and Equipment	431,334	491,463
<b>Computer equipment</b>		
At cost	784,467	952,985
Less: Accumulated depreciation	(440,978)	(507,906)
Computer Equipment	343,489	445,079
<b>Total plant and equipment at net book value</b>	<b>11,031,820</b>	<b>11,578,504</b>

### (b) Reconciliation of carrying amounts at the beginning and end of the period

	Land	Buildings	Motor Vehicles	Office Furniture	Computer Equipment	Total
				\$	\$	\$
<b>2013</b>						
Carrying amount opening balance	409,490	9,928,638	303,834	491,463	445,079	11,578,504
Add: additions at cost				70,353	165,320	235,673
Subtract: carrying amount of disposals			(149,000)			(149,000)
Subtract: depreciation expense		(198,573)	(37,392)	(130,482)	(266,910)	(633,357)
Subtract: impairment charges						
Carrying amount closing balance	409,490	9,730,065	117,442	431,334	343,489	11,031,820

## Note 8 Investment properties

	2013	2012
	\$	\$
<b>At Cost</b>		
Opening balance at 1 July	1,725,332	1,789,977
Depreciation	(64,645)	(64,645)
Closing balance at 30 June	<u>1,660,687</u>	<u>1,725,332</u>

### (a) Valuation basis

Investment properties are valued at cost. However, at the end of each reporting period the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations, to ensure that this is not significantly different to the book value.

### (b) Leasing arrangements

All of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows

	2013	2012
	\$	\$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	135,257	144,697
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-

## Note 9 Other financial assets at fair value through profit or loss

	2013	2012
	\$	\$
<b>Non-Current</b>		
Gifting policies, at surrender value	<u>218,734</u>	<u>202,293</u>

## Note 10 Trade and other payables

	2013	2012
	\$	\$
<b>Current</b>		
Trade Creditors	175,048	223,363
Annual leave	767,923	713,721
Accruals	7,478,526	9,016,769
Holding fund	32,100	124,697
<b>Total trade and other payables</b>	<u>8,453,597</u>	<u>10,078,550</u>

## Note 11 Borrowings

	2013 \$	2012 \$
<b>Current</b>		
Commercial Bills (secured)	-	390,000

## Note 12 Provisions

	2013 \$	2012 \$
<b>Current</b>		
Long service leave	49,818	36,464
Provision for demolition	560,000	-
Provision for make good	30,000	30,000
<b>Total</b>	<u>639,818</u>	<u>66,464</u>
<b>Non- Current</b>		
Long service leave	368,960	270,056
<b>Total</b>	<u>368,960</u>	<u>270,056</u>

Analysis of total provisions:

	Demolition	Make Good	Employee Benefits	Total
	\$	\$	\$	\$
Opening balance as at 1 July 2012	-	30,000	306,520	336,520
Additional provisions raised during the year	560,000	-	112,258	672,258
Amounts used	-	-	-	-
<b>Balance as at 30 June 2013</b>	<u>560,000</u>	<u>30,000</u>	<u>418,778</u>	<u>1,008,778</u>

### Employee Provisions

Employee provisions represent amounts accrued for long service leave.

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

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

### Make-good Provision

This provision is for returning the leased property at Unit 8, 40 Brodie Street, Rydalmere NSW back to its original state. It is expected to be settled in the 2014 financial year.

### Demolition Provision

This provision is for the demolition of the buildings located at 31 Warabrook Boulevard, Warabrook NSW. It is expected to be settled in the 2014 financial year.

## Note 13 Statement of cash flows information

### (a) Reconciliation of excess/(shortfall) of revenue over expenditure from ordinary activities to net cash inflow from operating activities

Excess/(shortfall) of revenue over expenditure	1,064,112	709,350
Add/ (less) items classified as investing/financing activities:		
Interest received	(317,400)	(314,709)
Interest paid	-	29,675
Add/ (less) non-cash items:		
Net (Profit) on sale of non-current assets	(24,076)	(54,081)
Depreciation	720,536	1,165,151
Increase/(decrease) in provision for employee benefits	112,259	(243,011)
Net cash provided by continuing activities before change in assets and liabilities	1,555,431	1,292,375
Change in assets and liabilities during the financial year:		
(Increase)/ decrease in receivables and derivative financial instruments	305,813	(1,517,560)
(Decrease)/increase in accounts payable and other provisions	(1,064,953)	2,230,972
Net cash provided by operating activities	796,291	2,005,787

### (b) Reconciliation of cash and cash equivalents

For the purposes of the Cash flow statement, cash includes cash on hand, cash at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Cash flow statement is reconciled in the Statement of Financial Position as follows:

Statement of Financial Position	2013	2012
	\$	\$
Cash and cash equivalent assets (note 5)	9,198,327	8,559,767

## Note 14 Additional disclosures required by the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulations 1993

### Fundraising appeals

Fundraising appeals conducted during the year consisted of:

Promotion of sponsorship of needy children including:

- Public meetings
- Conventions
- Paid advertising
- Compassion magazine
- Concerts
- Advocates
- Internet

## Note 14 Additional disclosures required by the Charitable Fundraising Act 1991 and the Charitable Fundraising Regulations 1993 (continued)

### Details of aggregate gross income and total expenses of fundraising appeals

	2013 \$	2012 \$
<b>Income from fundraising</b>		
Donations and gifts- monetary & non-monetary	67,346,839	64,186,400
Legacies & bequests	89,655	192,369
	67,436,494	64,378,769
<b>Less: Total cost of fundraising appeals</b>		
Fundraising costs	(7,727,031)	(7,157,513)
Net surplus obtained from fundraising appeals	59,709,463	57,221,256
<b>Other income</b>		
Interest, life insurance and other income	693,623	595,217
	68,130,117	64,973,986
<b>Gross income</b>		
	68,130,117	64,973,986
<b>Statement showing how funds received were applied to charitable purposes</b>		
This was applied to charitable purposes in the following manner:		
Programme expenditure	52,414,811	49,997,006
Administration	5,867,670	5,933,084
Advocacy	1,056,493	1,177,033
	59,338,974	57,107,123
<b>Total expenditure</b>	67,066,006	64,264,636
<b>Surplus/(Loss)</b>	1,064,111	709,350

### Comparison of monetary figures and percentages:

	Total cost of fundraising	Gross income from fundraising	%
<b>2013</b>	\$7,727,031	\$67,436,494	11%
<b>2012</b>	\$7,157,513	\$64,378,769	11%

	Net surplus from fundraising	Gross income from fundraising	%
<b>2013</b>	\$59,709,463	\$67,436,494	89%
<b>2012</b>	\$57,221,256	\$64,378,769	89%

	Total cost of services	Total expenditure	%
<b>2013</b>	\$52,414,811	\$67,066,006	78%
<b>2012</b>	\$49,997,006	\$64,264,636	78%

	Total cost of services	Total income received	%
<b>2013</b>	\$52,414,811	\$68,130,117	77%
<b>2012</b>	\$49,997,006	\$64,973,986	77%

## Note 15 Funds movements Schedule

For the year ended June 30, 2013	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	1,903,682	50,428,629	(13,813,720)	35,612,023	1,002,886	2,906,568
Child Survival Program	810,260	2,203,740	(555,127)	1,351,400	297,213	1,107,473
Christmas Fund	185,820	2,112,439	(211,241)	2,000,000	(98,802)	87,018
Special Grants	356	-	0	0	0	356
Gifts	580,012	2,425,535	0	2,576,862	(151,327)	428,685
Life Assurance	5,816	-	0	930	(930)	4,886
Living Sponsorship	730,841	72,211	0	0	72,211	803,052
CIV Fund	2,598,402	8,598,104	(2,331,923)	6,909,712	(643,531)	1,954,871
Relief	688,912	119,407	(10,357)	376,323	(267,273)	421,639
Special O'seas Proj	33,433	13,080	0	0	13,080	46,513
Un-sponsored Children	100,081	447,388	(122,562)	419,447	(94,621)	5,460
Transformation Fund	600,000	-	672,797	36,480	636,317	1,236,317
Operating Fund	592,173	693,754	16,474,029	16,768,530	399,253	991,426
Endowment Operations	2,214,520	101,158	0	0	101,158	2,315,678
LDP	776,543	836,194	(80,852)	759,162	(3,820)	772,723
Bibles	186,050	65,550	(17,503)	209,504	(161,457)	24,593
Indigenous	(109,659)	12,928	(3,541)	45,633	(36,246)	(145,905)
<b>Total</b>	<b>11,897,242</b>	<b>68,130,117</b>	<b>0</b>	<b>67,066,006</b>	<b>1,064,111</b>	<b>12,961,353</b>

For the year ended June 30, 2012	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	1,323,962	48,752,349	(13,184,807)	34,987,822	579,720	1,903,682
Child Survival Program	745,094	1,924,662	(439,571)	1,419,925	65,166	810,260
Christmas Fund	158,040	1,970,545	(197,055)	1,745,710	27,780	185,820
Special Grants	356	-	0	0	0	356
Gifts	505,226	2,227,591	0	2,152,805	74,786	580,012
Life Assurance	5,616	200	0	0	200	5,816
Living Sponsorship	615,019	115,822	0	0	115,822	730,841
CIV Fund	3,670,858	7,640,553	(2,274,425)	6,438,584	(1,072,456)	2,598,402
Relief	783,386	451,130	(112,365)	433,239	(94,474)	688,912
Special O'seas Proj	35,167	(834)	0	900	(1,734)	33,433
Un-sponsored Children	73,768	444,862	174,781	593,330	26,313	100,081
Transformation Fund	0	-	600,000	-	600,000	600,000
Operating Fund	405,394	540,470	15,494,875	15,848,566	186,779	592,173
Endowment Operations	2,110,373	104,147	0	0	104,147	2,214,520
LDP	636,267	700,656	(61,433)	498,947	140,276	776,543
Bibles	186,612	59,992	0	60,553	(562)	186,050
Indigenous	(67,245)	41,841	0	84,255	(42,414)	(109,659)
<b>Total</b>	<b>11,187,893</b>	<b>64,973,986</b>	<b>0</b>	<b>64,264,636</b>	<b>709,350</b>	<b>11,897,242</b>

## Note 16 Related party transactions

### Directors

The names of each person who held the position of Director of the company during the financial year are:

Dr J Bond  
Mr M Jeffs  
Mr J Horn  
Mr I Moody  
Ms A Jackson  
Mr K Medwin  
Dr R Sonderegger  
Ms M Chua

	<b>2013</b>	<b>2012</b>
	\$	\$
There were transactions with directors during the year as follows:		
Mr J Horn - for internet development, hosting and maintenance services	32,798	103,439
Mr M Jeffs – for television advertising	19,141	23,108
Mr I Moody – for Prethink project	-	18,058
Mr I Moody - Easterfest	28,600	-
Mr K Medwin – for radio advertising	6,111	6,989

The above transactions were performed on arms length commercial terms and conditions.

## Note 17 Key management personnel compensation

### Directors

The directors act in an honorary capacity and do not receive any remuneration from the company.

Key management personnel are those persons with the authority and responsibility for planning, directing and controlling the activities of the entity. Compensation includes the following staff:

Rev T Hanna (CEO)  
Mrs B McQuillan (Director: Prayer)  
Mr J Nagle (COO)  
Mrs D Adams (Executive Director: Ministry Services)  
Mr D Ward (Director: Ministry Improvement and technology)  
Mr B Dodd (Director: Finance)  
Mr J Byrnes (Acting Manager: Human Resources)  
Mr D J Konz (Executive Director: Child Advocacy)  
Mr P Mergard (Manager: Strategies and Tactics)  
Mr A Streat (Director: Marketing)  
Mr C Zaarour (National Director of Church and Partner Relations)  
Mr D Zammit (Director: Supporter Ministries)  
Mr B Cannings (Area Manager: South East)  
Mr A Holland (Executive Director: Ministry Relationships)  
Mr S Hawkins (Area Manager: South)  
Ms J Daly (Area Manager: Sydney Metro)  
Mr A Conomos (Area Manager: North East)

	<b>2013</b>	<b>2012</b>
	\$	\$
Total Key Management Personnel Compensation	<u>1,800,055</u>	<u>1,536,114</u>

## Note 18 Financial risk management

Compassion's financial instruments consist mainly of deposits with banks, receivables and payables, derivative instruments and borrowings.

The carrying amounts 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:

	Note	2013 \$	2012 \$
<b>Financial assets</b>			
Cash on hand	5	9,198,327	8,559,767
Accounts receivable and other debtors	6	314,162	636,416
Financial assets at fair value through profit or loss:			
– Gifting policies at surrender value	9	218,734	202,293
Derivative Instruments		-	-
<b>Total financial assets</b>		<u>9,731,223</u>	<u>9,398,476</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
– accounts payable and other payables		8,453,597	10,078,550
– borrowings		-	390,000
<b>Total financial liabilities</b>		<u>8,453,597</u>	<u>10,468,550</u>

### Fair Values

For financial assets at fair value through profit and loss, the fair value has been based on current surrender value. The carrying amount of all other financial assets and liabilities approximates net fair value.

## Note 19 Commitments and Contingencies

### (a) Capital commitments

Capital expenditure contract for at the report date but not recognised as liabilities is as follows:

	2013	2012
	\$	\$
<b>Future Lease Commitments</b>		
Lease Payable:		
Within one year	22,200	84,561
Greater than one year but less than five years	22,200	-
	<u>44,400</u>	<u>84,561</u>

### (b) Contingent Assets

#### Members Guarantee

The company (Compassion Australia) is limited by guarantee. Each member of the company undertakes to contribute to the property of the company in the event of the same being wound up while he/she is a member, or within one year after he/she ceases to be a member.

Each member's contribution covers the payment of the debts and liabilities of the company contracted before he/she ceases to be a member, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, provided the required adjustment amount does not exceed one hundred dollars (\$100).

The number of members at 30 June 2013 was seven (and in 2012, seven).

### (c) Contingent Liabilities

The company has no contingent liabilities at 30 June 2013 (2012: nil).

<u>Nil</u>	<u>Nil</u>
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## Compassion Australia Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; 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.

This declaration is made in accordance with a resolution of the directors.



\_\_\_\_\_  
John Bond  
Director



\_\_\_\_\_  
Mike Jeffs  
Director

Newcastle  
18<sup>th</sup> October 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPASSION AUSTRALIA**

### ***Report on the financial report***

We have audited the accompanying financial report of Compassion Australia (the company), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### ***Auditor's Opinion***

In our opinion, the financial report of Compassion Australia is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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

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

The accounting records and data relied upon for the fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for the year end financial report preparation. The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial statements. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

***Auditor's Opinion***

In our opinion:

- (a) the financial report of Compassion Australia has been properly drawn up, and associated records have been properly kept, during the financial year ended 30 June 2013, in accordance with:
  - (i) sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*; and
  - (ii) sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*.
- (b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2013 has been properly accounted for and applied in accordance with the above mentioned Act and Regulations.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



P M Power  
Director

18 October 2013

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**Declared Opinion**

I, Timothy Hanna, Chief Executive Officer of Compassion Australia declare, in my opinion:

- (a) the financial report, set out on pages 5 to 28, gives a true and fair view of all income and expenditure of Compassion Australia with respect to fundraising appeals;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals conducted by Compassion Australia;
- (c) the provisions of the Charitable Fundraising Act 1991 and the Regulations under that Act and the conditions attached to the authority have been complied with for the year 1 July 2012 to 30 June 2013; and
- (d) the internal controls exercised by Compassion Australia are appropriate and effective in accounting for all income received and applied by Compassion Australia from all of its fundraising appeals.



Timothy Hanna  
*Chief Executive Officer*

18<sup>th</sup> October 2013