

Compassion Australia ACN 001 692 566

Annual report – 30 June 2019

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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

Compassion Australia Directors' report

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 2019.

Directors

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

Dr J Bond (Chair of the Board, Board member since 2002)
Mr I Moody (Vice Chair of the Board, Board member since 2008)
Mr M Jeffs (Board member since 1995)
Ms M Chua (Secretary of the Board, Board member since 2012)
Mr K Medwin (Board member since 2010)
Ms S Valich (Board member since October 2015)
Mr M McCrindle (Board member since October 2015)

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
Dr J Bond	4	4
Mr I Moody	4	4
Mr K Medwin	4	4
Ms M Chua	4	4
Ms S Valich	4	2
Mr M McCrindle	4	3

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

Objectives

Compassion's objectives stem from our global multiyear vision. This vision is grounded in our mission to release children from poverty in Jesus' name. It focuses on the Christian holistic development of children living in poverty, in partnership with supporters and churches, with the intent to release the most children possible from poverty with ever-increasing effectiveness and efficiency.

Compassion's strategy for achieving our objectives

In financial year 2018-2019, Compassion Australia focused on our overarching goals to:

- Improve all of our supporter interactions;
- Integrate and develop digital strategies;
- Review current systems and processes; and
- Live out ministry values among staff and volunteers.

The financial year 2019-2020 will see Compassion Australia again focusing on these overarching goals as we remain open to all the opportunities God has for us in the coming years.

Compassion Australia's annual report for financial year 2018-2019, can be found at:
www.compassion.com.au/annualreport

Compassion Australia Directors' report (Continued)

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

Key results for the year include:

- The operating surplus for the year amounted to \$672,247 (2018 surplus: \$707,220).
- The total income for the year amounted to \$91,255,369 (2018 income: \$85,034,543). This is an increase of 7.32% (2018: 4.94%) in total income for the year. The primary drivers of this increase were increased sponsorship and support.
- The number of beneficiaries grew to 122,889 (2018: 117,946) which represents an increase of 4.19% (2018: 4.46%).
- The cancellation rate for the Child Sponsorship Program was steady during financial year 2018-2019, ending the year at 9.29% (2018: 9.35%). However, this cancellation rate is still higher than it has been in the past. This has been due to many reasons including the recent tightening of the Australian economy. It is anticipated that the cancellation rate will continue to return to normal levels in the coming years due to the continued commitment of our sponsors and donors.
- Within the year, 18.78% (2018: 19.49%) of the total expenses were spent on administration and fundraising expenses.

Compassion's Board appreciates the continuing dedication of staff, volunteers, advocates 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 developing countries. 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 unusual nature that is 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.

Compassion Australia Directors' report (continued)

Information on Directors

Mr I Moody

Compassion Australia Director since October 2008

Experience and expertise

Extensive experience in marketing, major event management, strategic planning and cross denominational church engagement.

Other current directorships

Managing Director of the Prethink Group. Director of the Toowoomba Chamber of Commerce.

Former directorships in the last three years

Director of Darling Downs Tourism

Special responsibilities

Chair of the Board of Directors

Member of the CEO and Governance Committee

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; currently serving as Asia South East Pacific World Zone leader of Dynamic Church Planting International

Other current directorships

Founding Director of Sonlife Ministries Inc

Former directorships in the last three years

None

Special responsibilities

Vice-Chair of the Board of Directors

Member of the CEO and Governance Committee

Member of the Ministry Relations and Supporter Engagement Committee

Ms M Chua

Compassion Australia Director since October 2012

Experience and expertise

Extensive experience in representing and advising businesses and individuals in the areas on corporate, commercial, property, estates and litigation matters.

Other current Directorships

Managing Director of M 6:8 Legal Pty Ltd

Former directorships in the last three years

None

Special responsibilities

Secretary of the Board

Member of the Ministry Services and Finance Committee

Mr K Medwin

Compassion Australia Director since July 2010

Experience and expertise

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

Other current Directorships

Director of St Michaels Collegiate

Former directorships in the last three years

None

Special responsibilities

Member of the Ministry Services and Finance Committee

Compassion Australia Directors' report (continued)

Mr M Jeffs

Compassion Australia Director since July 1995

Experience and expertise

Business involvement in either management or director roles for over 40 years

Other current directorships

Founder and Director Network Communications Pty Limited and the Australian Christian Channel Pty Limited; Director Southern Cross Institute Pty Limited

Former directorships in the last three years

None

Special responsibilities

Member of the Ministry Services and Finance Committee

Member of the Board of Directors Compassion International

Ms S Valich

Compassion Australia Director since October 2015

Experience and expertise

Founder of Monostory, a value driven brand tool enabling organisations and individuals to have a clear voice that is understood across every area of business and life. Over 20 years of industry experience in marketing and communications.

Other current Directorships

Director of Christian Media and Arts Australia

Former directorships in the last three years

None

Special responsibilities

Member of the Ministry Relations and Supporter Engagement Committee

Mr M McCrindle

Compassion Australia Director since October 2015

Experience and expertise

Founder of McCrindle, an advisory, communications and research company, which count among its clients more than 100 of Australia's largest companies.

Other current Directorships

Director, McCrindle Research

Advisory Board Member, Medicines Australia

Trustee, Responsible Gambling fund, NSW Government

Chairman, Pacific Hills Christian Education

Director, The Australian Leadership Foundation

Former directorships in the last three years

None

Special responsibilities

Member of the Ministry Relations and Supporter Engagement 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 2019 was seven (and in 2018, seven).

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

Indemnification and insurance of officers

Indemnification

The company has agreed to indemnify the following current directors of the company—Mr M Jeffs, Dr J Bond, Mr I Moody, Mr K Medwin, Ms M Chua, Ms S Valich, and Mr M McCrindle—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 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, is set out on page 6.

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



*Isaac Moody
Director
31 October 2019*



*Mabel Chua
Director
31 October 2019*

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE
AUSTRALIAN CHARITIES AND NOT-FOR-PROFIT COMMISSION ACT 2012
TO THE DIRECTORS OF COMPASSION AUSTRALIA**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there has been:

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

Bentleys.

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle

Ashley Carle
Director
Brisbane
31 October 2019

Compassion Australia ACN 001 692 566

Financial report – 30 June 2019

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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 1, 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 profit and loss and other comprehensive income
For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from continuing operations	2	91,239,523	84,965,686
Other income	2	15,846	68,857
Program expenses		(60,237,098)	(56,308,100)
Program support expenses		(9,950,604)	(8,364,165)
Local program expenses		(2,503,219)	(2,439,941)
Administration expenses		(5,425,425)	(5,128,587)
Fundraising expenses		(11,587,866)	(11,309,888)
Advocacy expenses		(878,910)	(776,642)
		<hr/>	<hr/>
Operating surplus/(deficit)	3,4	672,247	707,220
Other comprehensive income		<hr/> -	<hr/> -
Total comprehensive income for the year		<hr/> 672,247	<hr/> 707,220
Total comprehensive income for the year is attributable to: Compassion Australia		<hr/> 672,247	<hr/> 707,220

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Compassion Australia
Statement of financial position
As at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	20,921,144	17,140,680
Other receivables	6	1,418,024	1,265,086
Total current assets		<u>22,339,168</u>	<u>18,405,766</u>
Non-current assets			
Property, plant and equipment	7	10,715,921	10,836,995
Investment properties	8	633,040	637,226
Intangible assets	9	907,954	1,530,451
Total non-current assets		<u>12,256,915</u>	<u>13,004,672</u>
Total assets		<u>34,596,083</u>	<u>31,410,438</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	16,094,935	13,647,650
Borrowings	11	4,768	4,768
Provisions	12	406,464	288,917
Total current liabilities		<u>16,506,167</u>	<u>13,941,335</u>
Non-current liabilities			
Borrowings	11	7,947	12,715
Provisions	12	269,015	315,681
Total non-current liabilities		<u>276,962</u>	<u>328,396</u>
Total liabilities		<u>16,783,129</u>	<u>14,269,731</u>
Net assets		<u>17,812,954</u>	<u>17,140,707</u>
Equity			
Retained earnings		<u>17,812,954</u>	<u>17,140,707</u>
Total equity		<u>17,812,954</u>	<u>17,140,707</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Compassion Australia
Statement of changes in equity
For the year ended 30 June 2019

	Retained earnings \$	Total equity \$
Balance at 30 June 2017	16,433,487	16,433,487
Total comprehensive income for the year ended 30 June 2018	707,220	707,220
Balance at 30 June 2018	<u>17,140,707</u>	<u>17,140,707</u>
Total comprehensive income for the year ended 30 June 2019	672,247	672,247
Balance at 30 June 2019	<u>17,812,954</u>	<u>17,812,954</u>

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 2019

	2019	2018
Notes	\$	\$
Cash flows from operating activities		
Receipts (inclusive of goods and services tax)	90,668,009	84,281,234
Payments in the course of operations (inclusive of goods and services tax)	(86,733,190)	(80,872,073)
Interest Expense	-	-
Net cash inflow/ (outflow) from operating activities	13(a) 3,934,819	3,409,161
Cash flows from investing activities		
Interest received	489,279	385,063
Proceeds from sale of investment property	-	1,000,000
Proceeds from sale of property, plant and equipment	1,523	409
Payments for property, plant and equipment	(592,339)	(1,002,651)
Payments for Intangibles	(46,863)	(230,115)
Net cash inflow (outflow) from investing activities	(148,400)	152,706
Cash flows from financing activities		
Repayment of borrowings	(4,768)	(1,589)
Interest paid	(1,187)	(395)
Net cash inflow (outflow) from financing activities	(5,955)	(1,984)
Net increase (decrease) in cash held	3,780,464	3,559,883
Cash at the beginning of the financial year	17,140,680	13,580,797
Cash at the end of the financial year	13(b) 20,921,144	17,140,680

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

Compassion Australia
Notes to the financial statements
30 June 2019

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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 the Australian Accounting Standards: Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Australian Charities and Not-for-profits Commission Act 2012*, the *Charitable Fundraising Act 1991*, the *Charitable Collections Act 1946 (WA)* and the Australian Council for International Development (ACFID) Code of Conduct.

Compliance with Australian Accounting Standards: Reduced Disclosure Requirements

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012 under AASB 1053: “*Application of Tiers of Australian Accounting Standards.*” The company is a non-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements of Compassion Australia comply with the Australian Accounting Standards: Reduced Disclosure Requirements as issued by Australian Accounting Standards Board (AASB) as they pertain to not-for-profit entities. 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 company’s accounting policies. The major estimates and judgments are as follows:

Estimation of useful lives of assets

The estimate of useful lives and related depreciation and amortisation charges are considered annually by the directors and adjusted if required to reflect changes in the useful life of assets. Details of useful life assessments are detailed in Note 1(g).

Impairment of assets

The directors determine annually whether there are any indicators of impairment by evaluating conditions applicable to financial and non-financial assets. If an impairment trigger exists, the recoverable amount of the asset is determined as either fair value less costs to sell or value-in-use calculations. Details of useful life assessments are detailed in Note 1(i).

Employee benefits

As discussed in Note 1(j), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases are taken into account.

(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*.

Note 1 Summary of significant accounting policies (continued)

(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.

(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 in cash contributions. Donation income is recognised in the period in which it is received. To allow for supporter's best intentions, Compassion processes Cheques received by mail up to 7 business days after the 30th June into the previous year to allow for legitimate posted items post marked pre 30 June.

Endowment operations and undesignated funds

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

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) 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.

Note 1 Summary of significant accounting policies (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than 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(i) 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.

(g) 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:

	2019
Buildings	50 years
Motor Vehicles	5 years
Office Furniture and equipment	5-10 years
Computer equipment	3-6 years
Fundraising equipment	2-5 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.

(h) 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.

(i) 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.

Note 1 Summary of significant accounting policies (continued)

(j) 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.

(k) 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, term deposits, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) 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 statement of financial position.

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.

(m) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The majority of trade receivables are for the prepayment of supporter group trips to Compassion projects overseas. These receivables are invoiced under specific payment terms which are settled before the goods and services are provided. All other trade receivables are expected to be settled no more than 30 days from the date of recognition.

The Entity recognises a loss allowance for expected credit losses on trade receivables. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a trade receivable. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the receivable. In measuring the expected credit loss, a provision matrix for trade receivables has been used, taking into consideration various data to get to an expected credit loss.

(n) 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)

(o) Intangibles

Significant costs associated with software acquired are deferred and amortised on a straight-line basis over the period of their expected benefit and are classified as a finite life intangible asset. Software is amortised over a 2 to 5 year period, beginning once the asset is configured and available for use by the organisation.

(p) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases. Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Where the company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(q) New and revised accounting standards

AASB 9 Financial Instruments

Compassion has applied AASB 9 Financial Instruments for the first time in 2019. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and applies to the recognition, classification, measurement and impairment of financial assets and liabilities.

On 1 July 2018 (the date of initial application), Compassion reassessed the classification, measurement category and carrying amount of each financial instrument in accordance with AASB 9. There were no changes to classification or measurement categories. Carrying amounts remain unchanged.

Standards issued but not yet effective

The impact and effective date of Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not yet been adopted by Compassion for the year ended 30 June 2019 are outlined below.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 clarifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the majority of income recognition requirements relating to Compassion, previously in AASB 118 Revenue and AASB 1004 Contributions.

Compassion intends to apply AASB15, AASB 1058 and AASB 2016-8 initially on 1 July 2019. No significant impact on the measurement or disclosure requirements for revenue is expected.

Note 1 Summary of significant accounting policies (continued)

AASB 16 Leases

The impacts of the application of AASB 16 have been assessed and will have an impact on the financial statements. However, the actual impacts may differ as the new accounting policies are subject to change until the first financial statements that include the date of initial application are published.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Leases where Compassion is the lessee:

New assets and liabilities for operating leases of land, property, plant and equipment will be recognised (refer note 19). The nature of expenses related to those leases will change because the right-of-use asset will be depreciated, and there will be an interest expense on lease liabilities. Previously, the operating lease expense was recognised on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Transition method:

AASB 16 will apply from 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

All practical expedients permitted under this transition method will be applied including the grandfathering of leases previously not recognised as leases (under the change of definition included within AASB 16), excluding leases which have less than 12 months left to run and use of retrospective information to conclude on whether a lease will take up the option to extend.

Based on the current assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts.

- Lease assets and financial liabilities amounting to approximately \$900k will need to be recognised on the statement of financial position (based on current facts available at the date of assessment).
- There may be an opening equity adjustment on assessment of the lease asset compared to the lease liability. This difference is expected to be minimal given the facts currently known.
- Operating lease expenses will be presented as interest and depreciation within note 3.

Leases in which Compassion is a lessor:

No significant impact is expected for leases in which Compassion is a lessor.

Note 2 Revenue and other income

	2019	2018
	\$	\$
Revenue from continuing operations		
Sponsorships and donations	90,724,321	84,237,330
Interest received	444,251	372,201
Profit on disposal of Investment Property	-	300,000
Rent Received	70,951	56,155
	<u>91,239,523</u>	<u>84,965,686</u>
Other income		
Other income	14,323	68,448
Profit on disposal of non-current assets	1,523	409
	<u>15,846</u>	<u>68,857</u>
Total Revenue and other income	<u>91,255,369</u>	<u>85,034,543</u>

Note 3 Expenses

	2019	2018
	\$	\$
Operating surplus/(deficit) includes the following specific expenses:		
Employee benefits expense	11,634,018	11,446,434
Interest expense	1,187	395
Depreciation and amortisation expense	1,379,226	1,262,328

Note 4 Auditor's Remuneration

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

	2019	2018
	\$	\$
Audit services:		
Audit and review of financial reports	29,500	29,500
Taxation and other services	-	-
	<u>29,500</u>	<u>29,500</u>

Note 5 Cash and cash equivalents

	2019	2018
	\$	\$
Cash on hand	51,152	62,167
Cash at bank and cash equivalent assets	20,869,992	17,078,513
	<u>20,921,144</u>	<u>17,140,680</u>

Note 6 Other receivables

	2019	2018
	\$	\$
Other receivables	<u>1,418,024</u>	<u>1,265,086</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 2019 (2018: Nil).

Note 7 Property, plant and equipment

(a) Carrying amounts at balance date	2019 \$	2018 \$
Land at cost	409,490	409,490
Buildings		
At cost	10,145,684	10,145,684
Less: Accumulated depreciation	(1,607,062)	(1,408,488)
Buildings	8,538,622	8,737,196
Total land and buildings	<u>8,943,112</u>	<u>9,146,686</u>
Motor vehicles		
At cost	28,763	28,763
Less: Accumulated depreciation	(28,763)	(28,763)
Motor Vehicles	-	-
Office furniture and equipment		
At cost	1,557,722	1,388,789
Less: Accumulated depreciation	(413,676)	(252,256)
Office Furniture and Equipment	1,144,046	1,136,533
Computer equipment		
At cost	1,061,840	897,130
Less: Accumulated depreciation	(480,150)	(394,923)
Computer Equipment	581,690	502,207
Fundraising equipment		
At cost	98,393	64,973
Less: Accumulated depreciation	(56,320)	(13,404)
Fundraising Equipment	42,073	51,569
Total plant and equipment at net book value	<u>10,715,921</u>	<u>10,836,995</u>

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

	Land \$	Buildings \$	Fundraising \$	Office Furniture \$	Computer Equipment \$	Total \$
2019						
Carrying amount opening balance	409,490	8,737,196	51,569	1,136,533	502,207	10,836,995
Add: additions	-	-	33,420	188,696	370,223	592,339
Less: carrying amount of disposals/other adjustments	-	-	-	(7,733)	-	(7,733)
Less: depreciation expense	-	(198,574)	(42,916)	(173,450)	(290,740)	(705,680)
Carrying amount closing balance	<u>409,490</u>	<u>8,538,622</u>	<u>42,073</u>	<u>1,144,046</u>	<u>581,690</u>	<u>10,715,921</u>

Note 8 Investment properties

	2019 \$	2018 \$
At Cost		
Opening balance at 1 July	637,226	1,400,876
Less: carrying amount of disposals	-	(700,000)
Depreciation	(4,186)	(63,650)
Closing balance at 30 June	<u>633,040</u>	<u>637,226</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

Investment properties are currently leased to tenants under monthly operating leases with rentals payable monthly.

(c) Sale of Investment property

Early in Financial year 2017-2018 Compassion agreed to sell one of its investment properties. The results of this sale are as follows:

	2018 \$
Sale of Investment property (GST Exc)	1,000,000
Less: Cost of Investment property	<u>(700,000)</u>
Profit on disposal of non-current asset	<u>300,000</u>

There was no sale or disposal of investment property during 2018-2019.

Note 9 Intangible assets

	2019 \$	2018 \$
Software at cost	2,777,216	2,982,252
Accumulated amortisation	(1,869,262)	(1,451,801)
Carrying amount closing balance	<u>907,954</u>	<u>1,530,451</u>

Note 10 Trade and other payables

	2019 \$	2018 \$
Current		
Trade Creditors	480,637	201,272
Annual leave	992,402	972,566
Rostered Day Off	155,781	137,633
Accruals	14,410,366	12,326,090
Holding fund	55,749	10,089
Total current trade and other payables	<u>16,094,935</u>	<u>13,647,650</u>

Note 11 Borrowings

	2019	2018
	\$	\$
Current		
Lease liability	4,768	4,768
Total	<u>4,768</u>	<u>4,768</u>
Non- Current		
Lease liability	7,947	12,715
Total	<u>7,947</u>	<u>12,715</u>

Analysis of total Lease Liability:

	2019	2018
	\$	\$
Opening balance as at 1 July	17,483	-
Additional Lease liability raised during the year	-	19,072
Amounts used	(4,768)	(1,589)
Balance as at 30 June	<u>12,715</u>	<u>17,483</u>

Lease Liability

The lease liability is held for an office equipment finance lease. There is a corresponding asset held in property, plant and equipment.

Note 12 Provisions

	2019	2018
	\$	\$
Current		
Long service leave	406,464	288,917
Total	<u>406,464</u>	<u>288,917</u>
Non- Current		
Long service leave	269,015	315,681
Total	<u>269,015</u>	<u>315,681</u>

Analysis of total provisions:

	2019	2018
	\$	\$
Opening balance as at 1 July	604,598	558,108
Additional provisions raised during the year	154,179	169,228
Amounts used	(83,298)	(122,738)
Balance as at 30 June	<u>675,479</u>	<u>604,598</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.

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

	2019	2018
	\$	\$
Excess/(shortfall) of revenue over expenditure	672,247	707,220
Add/ (less) items classified as investing/financing activities:		
Interest received	(489,279)	(385,063)
Interest paid	1,187	395
Add/ (less) non-cash items:		
Net (Profit) on sale of Investment property	-	(300,000)
Net (Profit) on sale of property, plant and equipment	6,210	(409)
Depreciation and amortisation	1,379,226	1,262,328
Net cash provided by continuing activities before change in assets and liabilities	1,569,591	1,284,471
Change in assets and liabilities during the financial year:		
(Increase)/ decrease in receivables	(152,938)	5,204
(Decrease)/increase in accounts payable and other provisions	2,518,166	2,119,486
Net cash provided by/ (used in) operating activities	3,934,819	3,409,161

(b) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand, cash at bank, on demand deposits at call and deposits, term deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (net of outstanding bank overdrafts). Cash as at the end of the financial year as shown in the statement of cash flows is reconciled in the statement of financial position as follows:

	2019	2018
	\$	\$
Cash and cash equivalent assets (Note 5)	20,921,144	17,140,680

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

	2019 \$	2018 \$
Income from fundraising		
Donations and gifts- monetary & non-monetary	89,068,922	83,572,415
Legacies & bequests	1,658,694	666,650
	<u>90,727,616</u>	<u>84,239,065</u>
Less: Total cost of fundraising appeals		
Fundraising costs	(11,587,866)	(11,309,888)
Net surplus obtained from fundraising appeals	<u>79,139,750</u>	<u>72,929,177</u>
Other income		
Interest, life insurance and other income	<u>527,753</u>	<u>795,478</u>
Gross income	<u>91,255,369</u>	<u>85,034,543</u>

Statement showing how funds received were applied to charitable purposes

This was applied to charitable purposes in the following manner:

Programme expenditure	72,690,921	67,112,206
Administration	5,425,425	5,128,587
Advocacy	878,910	776,642
	<u>78,995,256</u>	<u>73,017,435</u>
Total expenditure	<u>90,583,122</u>	<u>84,327,323</u>
Surplus/(Loss)	672,247	707,220

Comparison of monetary figures and percentages:

	Total cost of fundraising	Gross income from fundraising	%
2019	\$11,587,866	\$90,727,616	13%
2018	\$11,309,888	\$84,239,065	13%

	Net surplus from fundraising	Gross income from fundraising	%
2019	\$79,139,750	\$90,727,616	87%
2018	\$72,929,177	\$84,239,065	87%

	Total cost of services	Total expenditure	%
2019	\$72,690,921	\$90,583,122	80%
2018	\$67,112,206	\$84,327,323	80%

	Total cost of services	Total income received	%
2019	\$72,690,921	\$91,255,369	80%
2018	\$67,112,206	\$85,034,543	79%

Note 15 Funds movements schedule

For the year ended June 30, 2019	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	2,566,184	68,371,256	(16,711,544)	51,424,849	234,863	2,801,047
Child Survival Program	1,441,269	1,906,152	(480,288)	2,228,574	(802,710)	638,559
Christmas Fund	91,049	2,853,875	(285,436)	2,605,000	(36,561)	54,488
Gifts	117,290	3,716,948	-	3,719,854	(2,906)	114,384
Living Sponsorship	1,380,209	25,540	-	-	25,540	1,405,749
CIV Fund	1,454,385	13,195,503	(2,783,840)	9,688,423	723,240	2,177,625
Relief	27,574	83,326	(8,333)	100,000	(25,007)	2,567
Un-sponsored Children	5,558	221,641	(58,715)	117,075	45,851	51,409
Future Fund	3,136,889	-	913,669	654,393	259,276	3,396,165
Operating Fund	3,335,964	462,566	19,454,636	19,741,024	176,178	3,512,142
Endowment Operations	3,277,645	46,360	-	-	46,360	3,324,005
LDP	176,041	19,646	(1,962)	27,689	(10,005)	166,036
Bibles	69,310	208,396	-	213,214	(4,818)	64,492
Indigenous (PBI)	61,340	144,160	(38,187)	63,027	42,946	104,286
Total	17,140,707	91,255,369	-	90,583,122	672,247	17,812,954

For the year ended June 30, 2018	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	2,410,745	63,358,051	(15,704,161)	47,498,451	155,439	2,566,184
Child Survival Program	1,206,881	1,566,335	(390,498)	941,449	234,388	1,441,269
Christmas Fund	62,310	2,620,821	(262,082)	2,330,000	28,739	91,049
Gifts	144,183	3,159,346	-	3,186,239	(26,893)	117,290
Living Sponsorship	1,353,898	26,311	-	-	26,311	1,380,209
CIV Fund	1,964,615	12,706,325	(3,138,959)	10,077,596	(510,230)	1,454,385
Relief	129,134	53,822	(5,382)	150,000	(101,560)	27,574
Un-sponsored Children	68,688	242,531	(61,482)	244,179	(63,130)	5,558
Future Fund	2,929,070	-	850,088	642,269	207,819	3,136,889
Operating Fund	3,102,019	452,304	18,794,429	19,012,788	233,945	3,335,964
Endowment Operations	2,805,610	472,035	-	-	472,035	3,277,645
LDP	171,711	88,144	(8,814)	75,000	4,330	176,041
Bibles	43,753	186,719	(47,333)	113,829	25,557	69,310
Indigenous (PBI)	40,870	101,799	(25,806)	55,523	20,470	61,340
Total	16,433,487	85,034,543	-	84,327,323	707,220	17,140,707

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 I Moody
Mr M Jeffs
Mr K Medwin
Ms M Chua
Mr M McCrindle
Ms S Valich

	2019	2018
	\$	\$
There were transactions with directors during the year as follows:		
Mr M Jeffs – For television advertising	28,776	8,976
Mr M McCrindle – For research services	-	4,076
Ms S Valich – For Christian media development and collaboration	8,127	34,528

The above transactions were performed on arm's 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 during the relevant financial year. Compensation includes the following staff:

Rev T Hanna (CEO)	Mr D Brereton (Manager: Strategy and Execution)
Mrs B McQuillan (Manager: Prayer)	Ms H Cockram (Acting Area Manager: West)
Mr D Adams (Executive Director: Ministry Services)	Mr E Figueroa (Acting Manager: Human Resources)
Mr B Dodd (Executive Director: Finance)	Mr M Fletcher (Manager: Finance)
Mr S Johnson (Manager: Human Resources)	Ms L Porter (Manager: Projects)
Mr J Harris (Manager: Projects)	Mr J Thompson (Area Manager: South)
Mr M Darvas (Manager: Communications and Creative)	Mrs D Gregory (Manager: Travel)
Mr B Cannings (Area Manager: South East)	Mrs M Wayman (Manager: Marketing)
Mr A Holland (Executive Director: Ministry Relationships)	Mr S Smith (Manager: Ministry Relationships)
Mr R De Vries (Manager: Technology Enablement)	Mr B Hope (Manager: Field Experience)
Ms J Daly (Executive Director: Supporter Engagement)	Mr J Eggins (Manager: Financial Improvement and Budgets)
Mr A Conomos (Area Manager: North East)	Mr B Lowe (Manager: Risk and Compliance)
Mr D Gock (Area Manager: Sydney Metropolitan)	Mr J Kirk (Manager: Supporter Engagement Centre)
Mrs M French (Area Manager: West)	Mrs A Hutchins (Area Manager: Sydney Metropolitan)
Mr J Horn (Executive Advisor)	Mr O Schofield (Manager: Technology Enablement)

	2019	2018
	\$	\$
Total Key Management Personnel Compensation	2,522,230	2,337,958

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 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 \$	2018 \$
Financial assets			
Cash on hand, at bank and cash equivalents	5	20,921,144	17,140,680
Accounts receivable and other debtors	6	1,418,024	1,265,086
Total financial assets		<u>22,339,168</u>	<u>18,405,766</u>
Financial liabilities			
Financial liabilities at amortised cost:			
- Accounts payable and other payables	10	16,093,935	13,647,650
- Borrowings	11	12,715	17,483
Total financial liabilities		<u>16,106,650</u>	<u>13,665,133</u>

Fair Value Disclosures

The company does not measure any assets or liabilities at fair value on a recurring basis after initial recognition. The carrying amount of financial assets and financial liabilities as disclosed in the statement of financial position and notes to the financial statements approximates their fair value.

Note 19 Commitments and Contingencies

(a) Capital commitments

Capital expenditure contracted for at the report date but not recognised as liabilities is as follows: 2019: Nil (2018: Nil)

	2019	2018
	\$	\$
(b) Future Lease Commitments		
Lease Payable:		
Within one year	388,951	333,386
Greater than one year but less than five years	586,912	457,882
Five years and greater	-	24,742
	<u>975,863</u>	<u>816,010</u>

(c) 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 2019 was seven (and in 2018, seven).

(d) Contingent Liabilities

The company has no contingent liabilities at 30 June 2019 (2018: nil)

Nil	Nil
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Note 20 Operating Lease Receivable

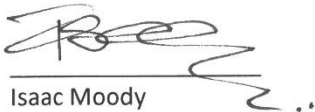
	2019	2018
	\$	\$
Future Operating Lease Receivable		
Lease Receivable:		
Within one year	15,333	-
Greater than one year but less than five years	77,226	-
Five years and greater	-	-
	<u>92,559</u>	<u>-</u>

**Compassion Australia
Directors' declaration**


In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 29 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) complying with Australian Accounting Standards Reduced Disclosure Requirements and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2019 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 in accordance with section 60.15 (2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.



Isaac Moody
Director



Mabel Chua
Director

Newcastle
31 October 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPASSION AUSTRALIA



Report on the Audit of the Financial Report

Auditor's Opinion on the Financial Report

We have audited the financial report of Compassion Australia (the "Company"), which comprises the statement of financial position as at 30 June 2019 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the financial report of the Company is in accordance with Division 60 of 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 2019 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulations 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 Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Australian Charities and Non-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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COMPASSION AUSTRALIA
(Continued)**



**Auditor's Responsibilities for the Audit of the Financial Report
(Continued)**

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

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

We communicate with those charged with governance 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 *NSW Charitable Fundraising Regulation 2008*

Opinion on the NSW Charitable Funding Obligations

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).

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COMPASSION AUSTRALIA
(Continued)**



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 2019, 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 2019 has been properly accounted for and applied in accordance with the above mentioned Act and Regulations.

Responsibilities

The directors of the company are responsible for preparing a financial report that has been properly drawn up, preparing associated records that have been properly kept, and properly accounting for money received in accordance with the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulation 2008*.

Our responsibility is to express an opinion based on our audit conducted in accordance with Australian Auditing Standards. 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.

Bentleys.

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

A handwritten signature in black ink, appearing to read "Ashley Carle".

Ashley Carle
Director
Brisbane,
31 October 2019

Compassion Australia
Declaration by Chief Executive Officer
30 June 2019

Declared Opinion

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

- (a) the financial report, set out on pages 7 to 29, 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 2018 to 30 June 2019; 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

31 October 2019