



Compassion Australia ACN 001 692 566 Annual report – 30 June 2020

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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 2020.

Directors

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

Mr I Moody (Chair of the Board, Board member since 2008)
Dr J Bond (Vice Chair of the Board, Board member since 2002)
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 until June 2020)
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	5	5
Dr J Bond	5	3
Mr I Moody	5	5
Mr K Medwin	5	5
Ms M Chua	5	5
Ms S Valich	5	5
Mr M McCrindle	5	5

* 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 2019-2020, Compassion Australia focused on the completion of a 2-year plan with 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.

In the financial year 2020-2021, under the new leadership of Clare Steele, Compassion Australia will consider a new multi-year plan to drive deeper impact as we look to God for new opportunities in delivering on our mission.

Compassion Australia's annual report for financial year 2019-2020, 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 \$226,335 (2019 surplus: \$672,247).
- The total income for the year amounted to \$93,746,979 (2019 income: \$91,255,369). This is an increase of 2.73% (2019: 7.32%) in total income for the year. While the increase is lower than initially expected, this is a good result in the current climate. The primary drivers of this increase were increased sponsorship and support.
- The number of beneficiaries grew to 125,427 (2019: 122,889) which represents an increase of 2.07% (2019: 4.19%).
- The cancellation rate for the Child Sponsorship Program dropped during financial year 2019-2020, ending the year at 8.09% (2019: 9.29%). The cancellation rate has been declining in recent years; however, it is still higher than in the past. It is anticipated that the effects of COVID may mean an increase of the cancellation rate in the new financial year.
- Within the year, 19.87% (2019: 18.78%) 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. Board member Highlands Church, early learning and Christian College.

Former directorships in the last three years

Director of Darling Downs Tourism

Special responsibilities

Chair of the Board of Directors

Chair of the CEO and Governance Committee

Chair of the Executive 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 Executive 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

Chair of the Risk Committee

Member of the CEO and Governance 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

Chair of the Finance Committee

Member of the Executive 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 Finance Committee

Member of the Board of Directors Compassion International

Ms S Valich

Compassion Australia Director since October 2015 until June 2020

Experience and expertise

Director of The Values Driven Co and 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 Executive 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 Risk 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 2020 was six (and in 2019, 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, 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
29 October 2020



Mabel Chua
Director
29 October 2020

**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 2020 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
29 October 2020

Compassion Australia ACN 001 692 566

Financial report – 30 June 2020

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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 2020

	Notes	2020 \$	2019 \$
Revenue from continuing operations	2	93,173,989	91,239,523
Other income	2	572,990	15,846
Program expenses		(60,878,053)	(60,237,098)
Program support expenses		(10,843,277)	(9,950,604)
Local program expenses		(2,329,492)	(2,503,219)
Administration expenses		(5,962,542)	(5,425,425)
Fundraising expenses		(12,622,824)	(11,587,866)
Advocacy expenses		(884,456)	(878,910)
Operating surplus/(deficit)	3,4	<u>226,335</u>	<u>672,247</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>226,335</u>	<u>672,247</u>
Total comprehensive income for the year is attributable to: Compassion Australia		<u>226,335</u>	<u>672,247</u>

*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 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	19,213,900	20,921,144
Other receivables	6	874,973	1,418,024
Total current assets		<u>20,088,873</u>	<u>22,339,168</u>
Non-current assets			
Property, plant and equipment	7	10,199,769	10,715,921
Right of use Assets	8	692,071	-
Investment properties	9	633,040	633,040
Intangible assets	10	717,734	907,954
Total non-current assets		<u>12,242,614</u>	<u>12,256,915</u>
Total assets		<u>32,331,487</u>	<u>34,596,083</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	12,703,903	16,094,935
Borrowings	12	335,303	4,768
Provisions	13	528,715	406,464
Total current liabilities		<u>13,567,921</u>	<u>16,506,167</u>
Non-current liabilities			
Borrowings	12	365,884	7,947
Provisions	13	358,393	269,015
Total non-current liabilities		<u>724,277</u>	<u>276,962</u>
Total liabilities		<u>14,292,198</u>	<u>16,783,129</u>
Net assets		<u>18,039,289</u>	<u>17,812,954</u>
Equity			
Retained earnings		<u>18,039,289</u>	<u>17,812,954</u>
Total equity		<u>18,039,289</u>	<u>17,812,954</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 2020

	Retained earnings \$	Total equity \$
Balance at 30 June 2018	17,140,707	17,140,707
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>
Total comprehensive income for the year ended 30 June 2020	226,335	219,932
Balance at 30 June 2020	<u><u>18,039,289</u></u>	<u><u>18,032,886</u></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 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts (inclusive of goods and services tax)		93,868,688	90,668,009
Payments in the course of operations (inclusive of goods and services tax)		(94,924,946)	(86,733,190)
Interest Expense		-	-
Net cash inflow/ (outflow) from operating activities	14(a)	<u>(1,056,258)</u>	<u>3,934,819</u>
Cash flows from investing activities			
Interest received		282,474	489,279
Proceeds from sale of investment property		-	-
Proceeds from sale of property, plant and equipment		6,521	1,523
Payments for property, plant and equipment		(210,110)	(592,339)
Payments for Intangibles		<u>(371,516)</u>	<u>(46,863)</u>
Net cash inflow (outflow) from investing activities		<u>(292,631)</u>	<u>(148,400)</u>
Cash flows from financing activities			
Repayment of borrowings		-	-
Repayment of leases		(334,603)	(4,768)
Interest paid		<u>(23,752)</u>	<u>(1,187)</u>
Net cash inflow (outflow) from financing activities		<u>(358,355)</u>	<u>(5,955)</u>
Net increase (decrease) in cash held		(1,707,244)	3,780,464
Cash at the beginning of the financial year		<u>20,921,144</u>	<u>17,140,680</u>
Cash at the end of the financial year	14(b)	<u><u>19,213,900</u></u>	<u><u>20,921,144</u></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 2020

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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:

Performance obligations

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

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.

Note 1 Summary of significant accounting policies (continued)

(a) Basis for Preparation (continued)

Lease Term and Option to Extend

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the entity will make. The entity determines the likelihood to exercise the options on a lease-by-lease basis looking at various factors such as which assets are strategic, and which are key to future strategy of the entity.

(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.

(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).

Compassion has applied AASB15, AASB 1058 and AASB 2016-8 on 1 July 2019. There has been no significant impact on the measurement or disclosure requirements for revenue

Sponsorships and donations

When operating grant revenue, donations or bequests is received, it is assessed whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, Compassion:

- identifies each performance obligation relating to the grant
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, Compassion:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (eg AASB 9, AASB 16, AASB 116, AASB 138 and AASB 1058);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above Compassion recognises income in profit or loss when or as it satisfies its obligations under the contract.

Note 1 Summary of significant accounting policies (continued)

(e) Revenue Recognition (continued)

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.

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:

	2020
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.

Note 1 Summary of significant accounting policies (continued)

(g) Depreciation (continued)

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.

(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.

Note 1 Summary of significant accounting policies (continued)

(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 Company 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.

(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

As a Lessee

Compassion leases a number of assets including land and buildings (for regional office spaces), vehicles, office equipment and computer equipment.

a) Definition of a lease

At inception of a contract Compassion assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, Compassion assesses whether both of the following apply:

- i. Compassion has the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. Compassion has the right to direct the use of the identified asset.

Where a supplier has the substantive right to substitute the asset throughout the period of use, or the right to direct the use of the asset, the contract does not contain a lease and Compassion will recognise the contract as an operating expense on a straight-line basis over the term of the lease.

b) Measurement

Compassion recognises a right of use asset and a lease liability at the lease commencement date. If there is a lease present, a right of use asset and a corresponding lease liability is recognised by Compassion. Contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets (under \$10,000 in value) are recognised as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, Compassion's incremental borrowing rate. The RBA lending rate for large business (unadjusted) has been applied as the discount rate in lieu of an incremental borrowing rate.

Note 1 Summary of significant accounting policies (continued)

(p) Leases (Continued)

The lease payments included in the measurement of the lease liability comprise the following:

- i. Fixed payments, including in-substance fixed payments;
- ii. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. The amounts expected to be payable under a residual value guarantee; and
- iv. The exercise price of a purchase option if Compassion is reasonably certain to exercise that option, lease payments in an optional renewal period if Compassion is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Compassion is reasonably certain not to terminate early.

The right of use asset comprises the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term.

Compassion leases have typical lease terms of:

Land & Buildings	3-5 years
Motor Vehicles	3 years
Office Furniture and equipment	2-3 years
Computer equipment	2-3 years

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

As a Lessor

Compassion leases land and buildings, and office space to external parties.

Upon entering into each contract as a lessor, Compassion assesses if the lease is a finance or operating lease. The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease. Rental income due under finance leases are recognised as receivables at the amount of Compassion's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Entity applies AASB 15 to allocate the consideration under the contract to each component.

Note 1 Summary of significant accounting policies (continued)

(q) Impacts from the COVID-19 pandemic

Compassion's operations have been impacted by the COVID-19 pandemic. Compassion assessed the impacts on its financial statements for the current year, and further impacts which are expected to continue into 2021.

Compassion received Job Keeper and Cash Flow Boost of \$564,500. This amount is recognised as Other Income on the Statement of Profit and loss and other comprehensive income for the year.

As a direct response to the COVID-19 pandemic, a number of redundancies were made and totalled \$259,952. This is recognised within the total employee benefits expense for the year (refer to Note 3).

Domestic travel restrictions impacted Compassion's ability to promote the work of Compassion at church presentations and events across Australia. Major events, which typically result in large numbers of new acquisitions, were unable to be held, and churches across Australia faced restrictions on meeting in person. These domestic travel restrictions led to workforce changes, including stand-downs and redundancies. These changes were a contributing factor to the reduction in current Annual Leave and Rostered Day Off payable.

	2020 \$	2019 \$	Movement
Annual leave	921,166	992,402	(71,236)
Rostered Day Off	90,036	155,781	(65,745)
Total Leave Payable	1,011,202	1,148,183	(136,981)

International travel restrictions and the continued uncertainty and risk of travelling during the pandemic, led to all field experiences and international travel being cancelled. This meant that supporters were unable to witness Compassion's programs in action, gaining greater insight into the impact of their continued support of Compassion. Travel insurance claims and refunds from airlines has meant that these cancellations have had no material effect to the financial statements.

Compassion has observed a higher rate of cancellation of sponsorships, and a lower rate of new sponsorship acquisitions in the final quarter of the financial year. This is expected to continue into future months and has therefore impacted forecasted income for the 2020-21 financial year. Management are continually reviewing the impact on sponsorships and donations revenue and have set a conservative budget for the 2020-21 financial year.

(r) New and revised accounting standards

AASB 15 Revenue from Contracts with Customers; AASB 1058 Income of Not-for-Profit Entities; 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 has applied AASB15, AASB 1058 and AASB 2016-8 on 1 July 2019. There has been no significant impact on the measurement or disclosure requirements for revenue.

Note 1 Summary of significant accounting policies (continued)

(r) New and revised accounting standards (continued)

AASB 16 Leases

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. Compassion has applied AASB 16 using the modified retrospective approach. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated.

Compassion has recognised a lease liability and right of use asset for all leases (with the exception of short term and low value leases) recognised as operating leases under AASB 117: *Leases* where Compassion is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments.

Right of use assets are measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate;
- applying AASB 16 to leases previously identified as leases under AASB 117: *Leases* and Interpretation 4 : *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application;
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

When measuring lease liabilities, Compassion has used the RBA lending rate for large entities as at 1 July 2019 as the weighted average incremental borrowing rate (2.85%). The difference between the undiscounted amount of operating lease commitments at 30 June 2019 and the discounted operating lease commitments as at 1 July 2019 is shown below:

Undiscounted Operating Lease Commitments at 30 June 2019	\$ 975,863
Applied Discount Factor	(\$ 73,400)
Finance Lease reclassification	\$ 16,559
Opening Balance of Discounted Operating Lease Commitments as at 1 July 2019	<u>\$ 919,022</u>

Finance Lease for Office Equipment held as at 30 June 2019 was reclassified to lease liabilities and right of use assets as at 1 July 2019 in accordance with AASB 16. This reclassification has had no material change to their recognition and measurement.

Note 2 Revenue and other income

	2020 \$	2019 \$
Revenue from continuing operations		
Sponsorships and donations	92,853,104	90,724,321
Interest received	265,374	444,251
Profit on disposal of Investment Property	-	-
Rent Received	55,511	70,951
	<u>93,173,989</u>	<u>91,239,523</u>
Other income		
Other income	1,967	14,323
Profit on disposal of non-current assets	6,523	1,523
Government Grants	564,500	-
	<u>572,990</u>	<u>15,846</u>
Total Revenue and other income	<u>93,746,979</u>	<u>91,255,369</u>

Note 3 Expenses

	2020 \$	2019 \$
Operating surplus/(deficit) includes the following specific expenses:		
Employee benefits expense	14,085,083	11,634,018
Interest expense on lease liabilities	23,752	1,187
Depreciation and amortisation expense	1,600,895	1,379,226

Note 4 Auditor's Remuneration

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

	2020 \$	2019 \$
Audit services:		
Audit and review of financial reports	28,800	29,500
Taxation and other services	450	-
	<u>29,250</u>	<u>29,500</u>

Note 5 Cash and cash equivalents

	2020 \$	2019 \$
Cash on hand	18,770	51,152
Cash at bank and cash equivalent assets	19,195,130	20,869,992
	<u>19,213,900</u>	<u>20,921,144</u>

Note 6 Other receivables

	2020	2019
	\$	\$
Other receivables	874,973	1,418,024

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 2020 (2019: Nil).

Note 7 Property, plant and equipment

(a) Carrying amounts at balance date

	2020	2019
	\$	\$
Land at cost	409,490	409,490
Buildings		
At cost	10,145,684	10,145,684
Less: Accumulated depreciation	(1,805,637)	(1,607,062)
Buildings	8,340,047	8,538,622
Total land and buildings	8,749,537	8,943,112
Motor vehicles		
At cost	28,763	28,763
Less: Accumulated depreciation	(28,763)	(28,763)
Motor Vehicles	-	-
Office furniture and equipment		
At cost	1,598,794	1,557,722
Less: Accumulated depreciation	(533,122)	(413,676)
Office Furniture and Equipment	1,065,672	1,144,046
Computer equipment		
At cost	1,105,127	1,061,840
Less: Accumulated depreciation	(734,952)	(480,150)
Computer Equipment	370,175	581,690
Fundraising equipment		
At cost	98,393	98,393
Less: Accumulated depreciation	(84,008)	(56,320)
Fundraising Equipment	14,385	42,073
Total plant and equipment at net book value	10,199,769	10,715,921

Note 7 Property, plant and equipment (continued)

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

	Land	Buildings	Fundraising	Office Furniture	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
2020						
Carrying amount opening balance	409,490	8,538,622	42,073	1,144,046	581,690	10,715,921
Add: additions	-	-	-	132,758	77,352	210,110
Less: carrying amount of disposals/other adjustments	-	-	-	(24,466)	(6,359)	(30,825)
Less: depreciation expense	-	(198,575)	(27,688)	(186,666)	(282,508)	(695,437)
Carrying amount closing balance	409,490	8,340,047	14,385	1,065,672	370,175	10,199,769

Note 8 Right of Use Assets

(a) Carrying Amount of Right of Use Assets at balance date

2020

\$

Buildings – right of use

At cost	520,124
Less: Accumulated depreciation	(144,758)
Buildings – right of use	375,366

Motor vehicles – right of use

At cost	421,629
Less: Accumulated depreciation	(164,598)
Motor Vehicles – right of use	257,031

Office furniture and equipment – right of use

At cost	15,285
Less: Accumulated depreciation	(5,734)
Office Furniture and Equipment – right of use	9,551

Computer equipment – right of use

At cost	78,754
Less: Accumulated depreciation	(28,631)
Computer Equipment – right of use	50,123

Total Right of Use Assets at net book value

692,071

Note 8 Right of Use Assets (continued)

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

	Buildings – right of use	Motor Vehicles – right of use	Office Furniture – right of use	Computer Equipment – right of use	Total Right of use
	\$	\$	\$	\$	\$
2020					
Carrying amount on initial application of AASB16	520,124	303,585	16,559	78,754	919,022
Add: additions	-	118,044	2,570	-	120,614
Less: carrying amount of disposals/other adjustments	-	-	(3,844)	-	(3,844)
Less: depreciation expense	(144,758)	(164,598)	(5,734)	(28,631)	(343,721)
Carrying amount closing balance	375,366	257,031	9,551	50,123	692,071

Note 9 Investment properties

	2020 \$	2019 \$
At Cost		
Opening balance at 1 July	633,040	637,226
Less: carrying amount of disposals	-	-
Depreciation	-	(4,186)
Closing balance at 30 June	633,040	633,040

(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 the properties are not impaired.

(b) Leasing arrangements

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

(c) Depreciation

The building component of investment properties are depreciated on a straight-line basis over the useful life. As at 30 June 2019 the investment property had been fully depreciated, and the closing balance is the land component.

Note 10 Intangible assets

	2020 \$	2019 \$
Software at cost	3,148,733	2,777,216
Accumulated amortisation	(2,430,999)	(1,869,262)
Carrying amount closing balance	717,734	907,954

Software at cost includes WIP software of \$337,572 which is intended to be placed in service in FY21.

Note 11 Trade and other payables

	2020 \$	2019 \$
Current		
Trade Creditors	378,409	480,637
Annual leave	921,166	992,402
Rostered Day Off	90,036	155,781
Accruals	11,299,499	14,410,366
Holding fund	14,793	55,749
Total current trade and other payables	12,703,903	16,094,935

Note 12 Borrowings

	2020 \$	2019 \$
Current		
Lease Liability	335,303	4,768
Total	335,303	4,768
Non- Current		
Lease liability	365,884	7,947
Total	365,884	7,947

Analysis of total Lease Liability:

	2020 \$	2019 \$
Opening balance as at 1 July	915,177	17,483
Additional Lease liability raised during the year	120,613	-
Amounts used	(334,603)	(4,768)
Balance as at 30 June	701,187	12,715

As mentioned in Note 1 (r), the adoption of AASB 16 now requires leases to be recognised as a right of use asset, and subsequent lease liability recognised as at the beginning of the reporting period 1 July 2019. Compassion has adopted AASB 16 using the modified retrospective approach and therefore has not restated comparatives. Using this method, the opening liability at 1 July 2019 has been measured as the present value of remaining lease payments.

Note 13 Provisions

	2020 \$	2019 \$
Current		
Long service leave	400,449	406,464
Redundancy	128,266	-
Total	<u>528,715</u>	<u>406,464</u>
Non- Current		
Long service leave	358,393	269,015
Total	<u>358,393</u>	<u>269,015</u>

Analysis of total provisions:

	2020 \$	2019 \$
Opening balance as at 1 July	675,479	604,598
Additional provisions raised during the year	281,747	154,179
Amounts used	(70,118)	(83,298)
Balance as at 30 June	<u>887,108</u>	<u>675,479</u>

Employee Provisions

Employee provisions represent amounts accrued for long service leave and redundancy.

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 and redundancy payment due but not yet paid.

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 14 Statement of cash flows information

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

	2020	2019
	\$	\$
Excess/(shortfall) of revenue over expenditure	226,335	672,247
Add/ (less) items classified as investing/financing activities:		
Interest received	(282,474)	(489,279)
Interest paid	23,752	1,187
Proceeds on sale of assets	(6,521)	-
Add/ (less) non-cash items:		
Loss on disposal of assets	18,107	6,210
Depreciation and amortisation	1,600,895	1,379,226
Net cash provided by continuing activities before change in assets and liabilities	1,615,162	1,569,591
Change in assets and liabilities during the financial year:		
(Increase)/ decrease in receivables	543,051	(152,938)
(Decrease)/increase in accounts payable and other provisions	(3,179,403)	2,518,166
Net cash provided by/ (used in) operating activities	(1,056,258)	3,934,819

(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:

	2020	2019
	\$	\$
Cash and cash equivalent assets (Note 5)	19,213,900	20,921,144

Note 15 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 and one off giving for children in poverty:

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

Note 15 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

	2020 \$	2019 \$
Income from fundraising		
Donations and gifts- monetary & non-monetary	92,094,064	89,068,922
Legacies & bequests	760,951	1,658,694
	<u>92,855,015</u>	<u>90,727,616</u>
Less: Total cost of fundraising appeals		
Fundraising costs	(12,622,824)	(11,587,866)
Net surplus obtained from fundraising appeals	<u>80,232,191</u>	<u>79,139,750</u>
Other income		
Interest, life insurance and other income	<u>891,964</u>	<u>527,753</u>
Gross income	<u>93,746,979</u>	<u>91,255,369</u>

Statement showing how funds received were applied to charitable purposes

This was applied to charitable purposes in the following manner:

Programme expenditure	74,050,822	72,690,921
Administration	5,962,542	5,425,425
Advocacy	884,456	878,910
	<u>80,897,820</u>	<u>78,995,256</u>
Total expenditure	<u>93,520,644</u>	<u>90,583,122</u>
Surplus/(Loss)	226,335	672,247

Comparison of monetary figures and percentages:

	Total cost of fundraising	Gross income from fundraising	%
2020	\$12,622,824	\$92,855,015	14%
2019	\$11,587,866	\$90,727,616	13%

	Net surplus from fundraising	Gross income from fundraising	%
2020	\$80,232,191	\$92,855,015	86%
2019	\$79,139,750	\$90,727,616	87%

	Total cost of services	Total expenditure	%
2020	\$74,050,822	\$93,520,644	79%
2019	\$72,690,921	\$90,583,122	80%

	Total cost of services	Total income received	%
2020	\$74,050,822	\$93,746,979	79%
2019	\$72,690,921	\$91,255,369	80%

Note 16 Funds movements schedule

For the year ended June 30, 2020	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	2,801,047	69,964,140	(18,260,590)	50,367,590	1,335,960	4,137,007
Child Survival Program	638,559	1,504,041	(369,647)	1,111,214	23,180	661,739
Christmas Fund	54,488	2,805,230	(280,473)	2,500,000	24,757	79,245
Gifts	114,384	4,134,656	-	4,163,662	(29,006)	85,378
Living Sponsorship	1,405,749	(112,603)	-	-	(112,603)	1,293,146
CIV Fund	2,177,625	11,554,029	(1,969,136)	10,934,402	(1,349,509)	828,116
Relief	2,567	2,327,756	(468,383)	1,818,555	40,818	43,385
Un-sponsored Children	51,409	378,264	749	388,868	(9,855)	41,554
Future Fund	3,396,165	-	937,470	695,920	241,550	3,637,715
Operating Fund	3,512,142	863,781	20,483,333	21,103,394	243,720	3,755,862
Endowment Operations	3,324,005	25,423	-	-	25,423	3,349,428
LDP	166,036	10,281	(1,028)	175,289	(166,036)	-
Bibles	64,492	161,958	(40,101)	141,745	(19,888)	44,604
Indigenous (PBI)	104,286	130,023	(32,194)	120,005	(22,176)	82,110
Total	17,812,954	93,746,979	-	93,520,644	226,335	18,039,289

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

Note 17 Related party transactions

The following Transactions have been identified as being transacted by Related Parties during the 2020 Financial Year:

Name	Expense \$	Receivables \$	Payables \$	Description/Details
Christian Media and Arts Australia	8,800	-	6,600	Christian Media Development and Collaboration
The Values Driven Co.	33,000			Consultancy work
Australian Christian Channel (ACCTV)	30,800	-	1,650	Television advertising
McCrindle Research	1,279	-	-	Research services

The total amount donated for child sponsorship by key management personnel and related parties for FY20: \$ 91,976

The above transactions were performed on arm's length commercial terms and conditions.

Note 18 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.

Key Management Personnel remuneration includes the following expenses:

	2020 \$	2019 \$
Short term employee benefits	1,516,299	1,390,709
Post-employment benefits	-	-
Long-term employee benefits	18,232	7,169
Termination benefits	128,266	-
Total Remuneration	1,662,797	1,397,878

Note 19 Commitments and Contingencies

(a) Capital commitments

Capital expenditure contracted for at the report date but not recognised as liabilities is as follows: 2020: Nil (2019: Nil)

(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 2020 was six (and in 2019, seven).

(d) Contingent Liabilities

The company has no contingent liabilities at 30 June 2020 (2019: nil)

Nil	Nil
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Note 20 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	2020 \$	2019 \$
Financial assets			
Cash on hand, at bank and cash equivalents	5	19,213,900	20,921,144
Accounts receivable and other debtors	6	874,973	1,418,024
Total financial assets		<u>20,088,873</u>	<u>22,339,168</u>
Financial liabilities			
Financial liabilities at amortised cost:			
- Accounts payable and other payables	11	12,703,903	16,094,935
- Borrowings	12	701,187	12,715
Total financial liabilities		<u>13,405,090</u>	<u>16,107,650</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.

Compassion Australia Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 31 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 2020 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
29 October 2020

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 2020 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 2020 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 2020, 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 Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle
Director
Brisbane,
29 October 2020

Compassion Australia
Declaration by Chief Executive Officer
30 June 2020

Declared Opinion

I, Clare Steele, Chief Executive Officer of Compassion Australia declare, in my opinion:

- (a) the financial report, set out on pages 7 to 31, 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 2019 to 30 June 2020; 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.



Clare Steele
Chief Executive Officer

29 October 2020