

# **Sydney Children's Hospital Foundation**

## **Combined Financial Statements**

**For the 12 months ended 31 December 2017**

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**For the 12 months ended 31 December 2017**

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## **Director's Report**

The Directors of Sydney Children's Hospital Foundation Limited present its report for the combined financial statements of Sydney Children's Hospital Foundation Limited (Trustee) and Sydney Children's Hospital Foundation (Trust), collectively referred to as 'the Foundation' for the 12 months ended 31 December 2017.

A copy of the auditor's independence declaration as required under subdivision 60-C section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is on page 9.

### **Review of results and operations**

In 2017 we celebrated the 20<sup>th</sup> anniversary of our signature fundraising event, Gold Dinner, so it is fitting that founding Gold Committee Chair Skye Leckie also received an Order of Australia last year in recognition of her philanthropy and fundraising. She remains a passionate ambassador for the event and for the Foundation. \$1.9m was raised on the night to support the Centre for Clinical Genetics within the Bright Alliance, bringing the total over the history of the event to an incredible \$25 million.

The Bright Alliance was the beneficiary of several Foundation events and a direct mail appeal during the past 12 months and so far, the Foundation has contributed \$6.0m overall to support the 3 floors dedicated to Sydney Children's Hospital, Randwick. The building was officially opened on 18 April 2017 by the NSW Premier, The Hon Gladys Berejiklian MP and is now home to a paediatric research centre, an expanded clinical genetics service and the first purpose-built outpatients service for adolescents and young adults in Australia.

Our community cycling event Pedal 4 Klds had a record year, raising \$400,000. A significant portion of the total was raised by an individual cyclist whose daughter has been receiving care from the Kids Cancer Centre. He has continued to provide generous support to the Foundation and is now working with us on a new fundraising event to be held in 2018.

In September, our community partner Highland Property achieved Hall of Champions status having raised more than \$1m during their lifetime of giving to the Foundation: an impressive result after only four years of partnership. This significant milestone will be recognised when they are formally inducted at our next Champions for Children event.

### **Grant contributions**

During 2017 the Foundation contributed \$13.52m in support of Sydney Children's Hospital, Randwick. This compares to contributions of \$12.33m during 2016. These vital funds have been invested in line with the Foundation's 2017-2022 Strategic Direction and guided by priority needs identified by the Hospital.

#### ***Strategic Goal 1: Research for Tomorrow***

Our vision is to improve children's lives by investing in paediatric researchers, innovative projects that diagnose, prevent and cure childhood illnesses and world-class infrastructure that attracts the best and brightest talent.

The Foundation funded 16 Research positions and a further 16 Clinical Education and Support positions across the Hospital at a combined cost of \$3.61m. We provided funding of \$0.92m for the Australasian Centre for Cystic Fibrosis Personalised Medicine (miCF), \$3.0m for the new Bright Alliance facility and \$0.44m for the Zero Childhood Cancer (ZCC) Program. We also contributed \$0.05m for research priorities, \$0.15m for minor facilities upgrades, \$0.15m for the Health Sciences Precinct Group (Sphere), \$0.21m for specified patient and family support and a further \$0.10m for additional training.

#### ***Strategic Goal 2: Clinical care for today***

As well as investing in the future of paediatric medicine, we also nurture the health and wellbeing of children and families who need the Hospital now. Our aim is to ensure every child has access to the highest quality clinical care, the latest equipment and technology and the best Hospital experience possible.

A total of \$3.05m was used to purchase new state of the art medical equipment, ranging from new medical imaging and diagnostic technology to the latest generation of critical care monitors. The Foundation also funded 15 Fellowships across the Hospital at total cost of \$1.84m. These Fellows will go on to become the specialists of the future, treating tens of thousands of children.

### **Financial Results**

#### ***Surplus and retained equity***

Overall surplus retained for 2017 after grant contributions of \$13.52m was \$6.32m. This compares to retained surplus of \$2.89m in 2016, after grant contributions of \$12.33m. Retained equity at 31 December 2017 strengthened to \$54.44m compared to \$48.12m at 31 December 2016, primarily because of property disposals during the year.

## **Income**

Gross income for the year was \$27.66m compared to \$22.93m for 2016. On a net basis, the growth in gross income of \$4.73m was driven entirely by the gain of \$5.57m on the sale of various properties held by the Foundation.

Other material differences in gross income were bequest income and other donation and fundraising income which were respectively \$1.38m and \$1.10m lower than 2016, partially offset by higher receipts for capital programs of \$1.00m and higher investment income of \$0.72m.

The Foundation faced a particularly challenging year for fundraising across all channels. The not-for-profit sector is crowded and the market increasingly competitive and cuts in Government funding created additional pressure. In response, the Foundation has invested more resources in digital fundraising and corporate partnerships and new strategies such as a revitalised bequest program.

Given the current stage of the property cycle, a strategic decision was taken to divest the Foundation's property portfolio and relocate our Fundraising and Marketing Communications staff into the Hospital, while also seeking alternative low-cost leasehold accommodation for the Operations Team. The investment of the property disposal proceeds and the consolidation of funds under one manager, JB Were, led to a higher investment result for the year compared to 2016.

## **Expenditure**

Total gross expenditure for the year was \$7.82m compared to \$7.72m for 2016. Fundraising expenses and retail (cafe and gift shop) expenses were \$0.24m and \$0.04m respectively below 2016. Other operational expenses were \$0.38m higher than in 2016. The higher operative expenses resulted from the need to undertake some important compliance projects and explore the feasibility of a new strategic opportunity to significantly expand the Foundation's remit, which is still in progress at the date of this report.

## **Balance Sheet**

Overall the Foundation is in a strong and sustainable financial position with total net assets of \$54.44m, including the specified and unspecified reserves of \$19.82m and \$33.80m respectively, and an asset revaluation reserve of \$0.82m.

Currently, the Foundation has a policy of holding significant unspecified reserves. At 31 December 2017 these amounted to \$33.80m. These reserves allow the Foundation to fund major multi-year capital programs, sustain program grant levels regardless of market conditions, invest in new systems and respond to major strategic opportunities as they arise.

Specified reserves at 31 December 2017 of \$19.82m are tagged for use as directed by donors and must be acquitted within a reasonable timeframe for the specified purposes.

## Likely developments

As at the date of this report we are actively pursuing opportunities to significantly expand the scale of the Foundation. Commercial discussions are proceeding to this effect but to this date, no transactions have been finalised.

## Insurance and indemnification of officers and auditor

Sydney Children's Hospital Foundation Ltd (SCHF Ltd) holds an insurance policy which indemnifies the Directors and Officers of SCHF Ltd to the extent they carry out their fiduciary duties as Directors of SCHF Ltd, which in its capacity also acts as the Trustee of the Sydney Children's Hospital Foundation Trust. The Directors and Officers will be indemnified out of the assets of SCHF Ltd against any losses incurred whilst acting in such capacity. No insurance premiums are paid out of the assets of the Foundation in regards to the auditor of the Foundation.

## Events after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future financial years.

## Directors' Profiles

D Makeig (Chairman)	Duncan Makeig is Chief Executive Officer of China Road Pty Limited and Chair, Heineken Lion Australia (in liquidation). Mr Makeig was previously Managing Director of Lion Pty Limited's Asia Dairy business, General Counsel of Kirin's International Advisory Board, Lion's Group General Counsel and Sustainability Director, General Counsel for Pepsi Co Australasia / Africa and Senior Vice President and General Counsel for Tricon Restaurants International based in Dallas, Texas with responsibility for all of Tricon's legal and governance obligations across its operations in 160 countries.
Professor L White AM	Emeritus Professor Les White served as the inaugural NSW Chief Paediatrician from 2010 to 2016. He had been Executive Director of Sydney Children's Hospital from 1995 to 2010, following a clinical and academic career, with emphasis on childhood cancer. Other positions have included President of Children's Hospitals Australasia (1999-2004) and the John Beveridge Professor of Paediatrics (2005-2010). He has over 130 publications and many more abstracts, awards, grants and invited presentations on his CV. Les serves on 8 not-for-profit boards relating to children's health or medical research. He was awarded a Doctorate of Science for research contributions related to childhood cancer and holds a Master of Health Administration. In 2007 he received an Order of Australia award for services to medicine, medical administration and the community in the field of paediatrics. In December 2016, Les was honoured as the inaugural Patron of the Foundation. Les retired as a Director in February 2017.
S Hickey (Deputy Chairman)	Simon Hickey has been appointed Chief Executive Officer & Managing Director of Greencross Limited (Greencross) effective 5 March 2018. Greencross is Australasia's largest integrated consumer facing pet care company with over 300 veterinary clinics, pet specialty retail stores and vet related entities in Australia and New Zealand and is listed on the Australian Securities Exchange (ASX). Prior to Mr Hickey's appointment as CEO of Greencross, Mr Hickey was Group CEO and Managing Director of Campus Living Villages (CLV). Prior to joining CLV Mr Hickey was CEO of Qantas International & Freight, responsible for turning around the international business. Mr Hickey joined Qantas in September 2004 as Group General Manager Strategy and Fleet, and between 2007 and 2012 Mr Hickey was appointed CEO of Qantas Frequent Flyer, responsible for establishing the Loyalty business. Mr Hickey began his career with Arthur Anderson as a business consultant working in Sydney, Melbourne and London. Between 2001 and 2004, he was CFO for Bovis Lend Lease Americas. Prior to this, he held various roles with Lend Lease including Bovis Lend Lease CFO Asia Pacific.
M Brydon	Dr. Michael Brydon is Chief Executive of the Sydney Children's Hospitals Network and has worked at Sydney Children's Hospital, Randwick, for 32 years after completing his undergraduate Medical Degree at UNSW and his Fellowship of Paediatrics in the Randwick Program. His other postgraduate qualifications include a Masters of Paediatrics and a Masters of Health Administration from UNSW. Over the past two decades, Michael has advocated for children, highlighting the differences in their needs and the importance of quality care in all that is delivered to these families.
Dr M O'Meara	Dr. Matthew O'Meara is a paediatric emergency physician and has been a staff specialist in Emergency for over 20 years and has been head of the Emergency department and director of critical care. He is the NSW Chief Paediatrician. Through roles in the Hospital, in NSW and nationally, he has been an advocate for improving the acute care of children.
J Freudenstein	<p>After a career of 15 years in advertising, marketing, strategy and management, Jane undertook directorships for not-for-profit organisations. She is a graduate of the Australian Institute of Company Directors and has more than 10 years' experience in board governance roles that have allowed her to champion cultural arts and paediatric health in Australia.</p> <p>Jane is currently Co-Chair of The Australian Ballet Foundation Board. She first joined the board of the Sydney Children's Hospital Foundation in 2012, leaving in 2016 as Deputy Chair and returning in August 2017 to continue supporting the Foundation's strategic objectives and the work of Sydney Children's Hospital Randwick. She has previously held directorships on the boards of Sydney Children's Choir, Gondwana Voices and Sydney Dance.</p>

- G Cass-Gottlieb** Gina Cass-Gottlieb is a senior partner in Gilbert + Tobin's Competition and Regulation practice. She specialises in competition law and economic regulation advice working with corporate clients, industry associations and government agencies. She is a Board member of the Payment Systems Board of the Reserve Bank of Australia and a member of the Advisory Board Graduate Program in Competition Law, Melbourne Law School.
- R Malek** Ron Malek has extensive investment banking experience having advised local and international companies on mergers and acquisitions and capital markets strategy for over 25 years. Ron is a Co-Founder and Executive Co-Chairman of Luminis Partners, a leading independent corporate advisory firm. Ron was previously a co-founder of the firm Caliburn in 1999, which merged with New York Stock Exchange listed Greenhill and was previously Co-Chief Executive of Caliburn and Greenhill Caliburn. Ron is currently a director of the National Institute of Dramatic Art, a member of the Australian Takeovers Panel and a member of the UNSW Council's Investment Committee. Ron retired as a Director in August 2017.
- B Ward** Barbara Ward is a non-executive director of Qantas Airways Limited, Caltex Australia Limited and various Brookfield Multiplex Group Companies. She is an experienced company director, having served on the boards of a number of public companies including the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited and Data Advantage Limited. She has also been a director of a range of public sector entities including as Chairman of Country Energy. Barbara retired as a Director in February 2018.
- G Barnes** Glenn Barnes was appointed to the Board of Sydney Children's Hospital Foundation in April 2016. Glenn has over twenty years of governance experience in banking and financial services, business information, healthcare and wellbeing, body protection and consumer goods. Glenn has been involved in the in the packaged goods, banking and financial services sectors for over 30 years, as an executive, business leader and director in Australia, New Zealand, the United Kingdom, United States of America, Republic of Ireland, Japan and China. Glenn also has broad experience in other governance roles including as non-executive director, chairman, committee member and committee chairman. He has been involved in and led successful takeover defences, sales and purchases of businesses, and served on and chaired audit, finance, risk, leadership, nomination, remuneration, strategy, governance and investment committees. He is also the Chairman of Ansell Ltd.
- J Brindley** James Brindley was appointed to the Board of Sydney Children's Hospital Foundation in April 2016 and appointed Chair of the Audit and Risk Committee in February 2017. James has worked with Lion for over twenty years and is currently Managing Director of Lion Australia. James holds a degree in economics and an MBA. He is Chair of Brewers Association of Australia, a director of DrinkWise and a member of Alcohol Beverages Australia.
- P Wiggs** Peter Wiggs was appointed to the Board of Sydney Children's Hospital Foundation in April 2016. Peter was a founding Partner of Archer at its establishment in 1997. He is Chairman of their Investment Committee and oversees the fundraising program. He is also Chairman of Aerocare, V8 Supercars and Brownes Dairy, and a Director of Allity Aged Care. Prior to Archer, Peter was a member of the private equity team at Rothschild Australia. Peter's achievements in private equity were recognised at the Asian Private Equity and Venture Capital Awards when he was selected as Private Equity professional of the year. Prior to Rothschild, he spent five years at Booz Allen specialising in strategic and operational assignments for Australia and New Zealand companies in healthcare, banking, insurance and FMCG industries. Peter holds a Master of Business Administration from Harvard Business School and a Bachelor of Economics (Hons) from the University of Sydney.

Directors' meetings

Director	Board		Audit and Risk	
	Number held	Number attended	Number held	Number attended
Makeig, Duncan	6	6	3	1
Freudenstein, Jane	3	2	-	-
Hickey, Simon	6	6	3	3
Cass-Gottlieb, Gina	6	4	-	-
Malek, Ron	4	2	-	-
O'Meara, Matthew	5	4	-	-
Ward, Barbara	6	2	3	1
White, Les	1	1	-	-
Brydon, Michael	5	4	-	-
Barnes, Glenn	6	4	-	-
Brindley, James	6	4	3	3
Wiggs, Peter	6	5	-	-

Signed in accordance with a resolution of the directors:

Director 

Dated this

19th

day of

April 2018

Sydney

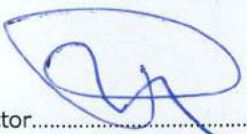
# Sydney Children's Hospital Foundation

## Director's Declaration

In the opinion of the directors of Sydney Children's Hospital Foundation Limited:

- (a) the Combined Financial Statements and notes, as set out on pages 10 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - (i) giving a true and fair view of the financial position of the Foundation as at 31 December 2017 and of its performance, as represented by the results of its operations for the financial year ended on that date in accordance with the basis of preparation described in Note 1; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

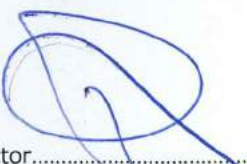
Signed in accordance with a resolution of the directors:

Director   
Dated this 19th day of April 2018 Sydney

## Declaration by Chairperson of Sydney Children's Hospital Foundation Limited in Respect of Fundraising Appeals

I, Duncan Makeig, Chairperson of Sydney Children's Hospital Foundation Limited, declare that in my opinion:

- (a) the combined financial statements give a true and fair view of all income and expenditure of the Sydney Children's Hospital Foundation Limited with respect to fundraising appeals for the 12 month period ended 31 December 2017;
- (b) the combined statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the provisions of the Charitable Fundraising (NSW) Act 1991 and the regulations under that Act and the conditions attached to the authority have been complied with, and
- (d) the internal controls exercised by the Sydney Children's Hospital Foundation Limited are appropriate and effective in accounting for all income received and applied from fundraising appeals.

Director   
Dated this 19th day of April 2018 Sydney





# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Members of Sydney Children's Hospital Foundation

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 there have been:

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

KPMG

KPMG

Julian McPherson  
Partner

Sydney  
19 April 2018

# Sydney Children's Hospital Foundation

## Combined Statement of Surplus and Deficit and Other Comprehensive Income For the 12 Months ended 31 December 2017

	1 January 2017 - 31 December 2017 (12 months) \$	1 January 2016 - 31 December 2016 (12 months) \$
	Note	
<b>Revenue</b>		
Bequests	1,272,277	2,649,775
Donations and fundraising	14,069,554	15,169,292
Capital appeals	2,222,222	1,222,257
Net investment revenue	2(b) 2,597,102	1,879,500
Cafe and gift shop operations	1,862,727	1,851,941
Gain on disposal	5,571,992	3,050
Rental income	26,898	52,885
Administration fee	42,000	105,000
<b>Total revenue</b>	<u>27,664,772</u>	<u>22,933,700</u>
<b>Expenses</b>		
Fundraising expenses	2,958,269	3,198,652
Cafe and gift shop operations	1,409,748	1,446,995
Operational expenses	3,453,852	3,073,976
<b>Total expenses</b>	<u>7,821,869</u>	<u>7,719,623</u>
<b>Surplus for the year</b>	<u>19,842,903</u>	<u>15,214,077</u>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Revaluation changes for property, plant and equipment	-	4,829
<b>Other comprehensive income for the period</b>	<u>-</u>	<u>4,829</u>
<b>Total comprehensive income for the period</b>	<u>19,842,903</u>	<u>15,218,906</u>
Less: Contributions distributed	(13,524,157)	(12,331,567)
Trfrd to specified and unspecified funds reserves	6,318,746	2,887,339
Add: Total equity brought forward	48,117,444	45,230,105
<b>Total Equity Carried Forward</b>	<u>54,436,190</u>	<u>48,117,444</u>

# Sydney Children's Hospital Foundation

## Combined Statement of Financial Position As at 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	6,689,658	11,905,669
Trade and other receivables	5	571,247	472,000
Inventories		76,788	90,023
Financial assets	6	-	5,020,417
<b>TOTAL CURRENT ASSETS</b>		<b>7,337,693</b>	<b>17,488,109</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	6	46,356,219	27,012,796
Property, plant and equipment	7	1,270,213	2,931,972
Investment property	8	-	1,127,568
Computer software	7	163,530	196,092
<b>TOTAL NON-CURRENT ASSETS</b>		<b>47,789,962</b>	<b>31,268,428</b>
<b>TOTAL ASSETS</b>		<b>55,127,655</b>	<b>48,756,537</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	444,905	410,613
Employee benefits		207,661	188,151
<b>TOTAL CURRENT LIABILITIES</b>		<b>652,566</b>	<b>598,764</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		38,899	40,329
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>38,899</b>	<b>40,329</b>
<b>TOTAL LIABILITIES</b>		<b>691,465</b>	<b>639,093</b>
<b>NET ASSETS</b>		<b>54,436,190</b>	<b>48,117,444</b>
<b>EQUITY</b>			
Settlement capital		100	100
Asset realisation reserves		824,469	824,469
Specified funds reserves		19,815,108	19,302,566
Unspecified funds reserves		33,796,513	27,990,309
<b>TOTAL EQUITY</b>		<b>54,436,190</b>	<b>48,117,444</b>

# Sydney Children's Hospital Foundation

## Combined Statement of Changes in Equity For the 12 months ended 31 December 2017

1 January 2017 – 31 December 2017

	Specified Funds Reserves	Unspecified Funds Reserves	Asset Realisation Reserves	Settlement Capital	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	19,302,566	27,990,309	824,469	100	48,117,444
Surplus attributable to the entity	14,921,676	4,921,227	-	-	19,842,903
Contributions	(13,522,822)	(1,335)	-	-	(13,524,157)
Re-allocation of administration fee on specified donations	(886,312)	886,312	-	-	-
<b>Balance at 31 December 2017</b>	<u>19,815,108</u>	<u>33,796,513</u>	<u>824,469</u>	<u>100</u>	<u>54,436,190</u>

1 January 2016 – 31 December 2016

	Specified Funds Reserves	Unspecified Funds Reserves	Asset Realisation Reserves	Settlement Capital	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2016</b>	20,627,032	23,783,333	819,640	100	45,230,105
Surplus attributable to the entity	9,192,692	6,021,385	-	-	15,214,077
Revaluation of art works	-	-	4,829	-	4,829
Contributions	(9,826,714)	(2,504,853)	-	-	(12,331,567)
Re-allocation of administration fee on specified donations	(690,444)	690,444	-	-	-
<b>Balance at 31 December 2016</b>	<u>19,302,566</u>	<u>27,990,309</u>	<u>824,469</u>	<u>100</u>	<u>48,117,444</u>

# Sydney Children's Hospital Foundation

## Combined Statement of Cash Flows For the 12 months ended 31 December 2017

		1 January 2017 – 31 December 2017 (12 months)	1 January 2016 – 31 December 2016 (12 months)
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Bequests, donations, appeals and other receipts		17,555,668	19,149,021
Receipts from cafe and gift shop customers		1,862,727	1,851,941
Payments to suppliers and employees		(7,601,103)	(7,213,931)
Interest received		131,013	285,555
Contributions made		(13,524,157)	(12,331,567)
Net cash used in/provided by operating activities	14(b)	<u>(1,575,852)</u>	<u>1,741,019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of plant and equipment		8,505,613	3,050
Purchase of property, plant and equipment		(332,418)	(70,697)
Payments for investments		<u>(11,813,354)</u>	<u>2,000,664</u>
Net cash used by investing activities		<u>(3,640,159)</u>	<u>1,933,017</u>
Net (decrease)/increase in cash and cash equivalents held		(5,216,011)	3,674,036
Cash and cash equivalents at beginning of year		<u>11,905,669</u>	<u>8,231,633</u>
Cash and cash equivalents at end of financial year	14(a)	<u><u>6,689,658</u></u>	<u><u>11,905,669</u></u>

The accompanying notes form part of these financial statements.

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies

#### (a) Reporting entity

Sydney Children's Hospital Foundation reporting group is a combination of the following two entities:

- Sydney Children's Hospital Foundation Limited, a company limited by guarantee; and
- Sydney Children's Hospital Foundation ('Trust'), a trust

Hereinafter the above are collectively referred to as 'the Foundation'

The Combined Financial Statements have been prepared as special purpose financial statements. The Foundation is a not-for-profit entity and its primary purpose is to raise funds for the Sydney Children's Hospital Randwick.

#### (b) Basis of accounting

The special purpose Combined Financial Statements have been prepared for the purpose of reporting in accordance with the requirements of the Australian Charities and Not-for-Profits Commission (ACNC) Act 2012 and comprise the Foundation.

The Combined Financial Statements comply with Australian Accounting Standards-Reduced Disclosure Requirements and would meet the definition of Tier 2 general purpose financial statements with the exception of compliance with AASB 10 *Consolidated Financial Statements* as the aggregation of the Combined Financial Statements does not meet the definition of a group under AASB 10 *Consolidated Financial Statements*. In all other respects the Combined Financial Statements have been prepared in accordance with the recognition, measurement, classification and disclosure requirements of Australian Accounting Standards-Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-Profit Commission Act 2012.

The Combined Financial Statements were authorised for issue by the Directors of Sydney Children's Hospital Foundation Limited on 19 April 2018. They have been prepared by the Directors who have determined that the accounting policies are appropriate for the users of the Combined Financial Statements. Details of the Foundation's accounting policies are described in Note 1.

##### *Basis of combination*

The Combined Financial Statements are an aggregation of the financial position of Sydney Children's Hospital Foundation Limited and the Trust as at 31 December 2017 and the financial performance and the cash flows for the financial year ended on that date.

Any intragroup (between the combining entities) balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Combined Financial Statements. No goodwill results from this aggregation.

#### (c) Basis of measurement

The Combined Financial Statements, except for cash flow information, have been prepared on an accruals basis and are based on a historical cost basis except for non-current financial assets measured at fair value through profit and loss.

#### (d) Functional and presentation currency

These Combined Financial Statements are presented in Australian dollars, which is also the functional currency of the Foundation.

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (e) Use of judgements and estimates

In preparing the Combined Financial Statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised prospectively.

#### (f) Income Tax

The Foundation is a charitable institution for the purposes of Australian taxation legislation and is therefore exempt from income tax. This exemption has been confirmed by the Australian Taxation Office. The Foundation holds deductible gift recipient status.

#### (g) Inventories

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

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition, which is the deemed cost.

#### (h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Land and buildings are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

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 recognized either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Artworks are measured at their fair value based on valuations by an independent valuer. Increases in the carrying amount arising on revaluation of artworks are recognized in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets are recognized in other comprehensive income under the heading of revaluation surplus. All other decreases are recognized in profit or loss.

Plant and equipment 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.

#### Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land and artworks, is depreciated on a straight-line method from the date that management determine that the asset is available for use.

The depreciation rates used throughout the period for each class of depreciable asset are shown below:

Buildings	2%
Motor Vehicles	20%
Office Equipment	20%
Computer Equipment	33%

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (h) Property, Plant and Equipment (continued)

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognized 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.

#### (i) Computer Software

Computer software development is stated at cost less accumulated amortisation and is amortised on a straight-line basis over its anticipated useful life. The useful life of software is 3 years.

#### (j) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment property is depreciated on a straight-line basis over 40 years.

#### (k) Financial Instruments

##### Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Foundation commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

##### Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The classification of financial instruments depends on the purpose for which the investments were acquired.

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.



# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (k) Financial Instruments (continued)

##### *(ii) Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

##### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Foundation's intention to hold these investments to Maturity. They are subsequently measured at amortized cost.

##### *(iv) Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost.

#### (l) Impairment of non-financial assets

At the end of each reporting period, the Foundation reviews the carrying amounts of assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognized in profit or loss.

Where an impairment loss on a revalued asset is identified, this is recognized against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

#### (m) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Foundation before the end of the financial year that are unpaid. These amounts are usually settled in 30 days. The carrying amount of the creditors and payables is deemed to reflect fair value.

#### (n) Employee Benefits

Provision is made for the Foundation's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognized in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (n) Employee Benefits (continued)

the Foundation does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

#### (o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### (p) Revenue

Donations, pledges and bequests are only recognized upon receipt and no provision is made to record income, as income, from funds that have been pledged or promised.

Revenue from the sale of goods is recognized at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognized using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Investment property revenue is recognized on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

No amounts are included in the financial statements for services donated by volunteers. All revenue is stated net of the amount of goods and services tax (GST).

Amounts received in relation to ticket sales are deferred on balance sheet until the event occurs.

#### (q) Fundraising expenses

Fundraising expenses consist of direct expenditure incurred in relation to fundraising appeals

#### (r) Goods and services tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

#### (s) Equity

The equity of the Foundation includes funds available for contribution under the Foundation's Trust Deed. The Foundation allocates all funds as Specified or Unspecified Funds. Specified Funds represent funds whose use is restricted to a particular purpose or project within the Hospital as designated by the donor

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 1 Summary of Significant Accounting Policies (continued)

#### (s) Equity (continued)

or Foundation. Unspecified Funds represent funds received which can be used for any charitable purpose of the Foundation. In previous periods these funds have been presented as a single caption within equity. In the current period, to provide further transparency, the Specified Funds and Unspecified Funds have been represented separately. To provide comparable information the comparative period funds balances have also been reclassified into Specified Funds and Unspecified Funds. Administration fees included in specified donations collected have been recorded as a transfer from Specified Funds to Unspecified Funds within equity to reflect the recovery of costs associated with specified donations.

#### (t) New standard and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these combined financial statements. Those which may be relevant to the Foundation are set out below. The Foundation does not plan to adopt these standards early.

#### (u) New standard and interpretations not yet adopted (continued)

- AASB 9 Financial Instruments
- AASB 15 Revenue from contracts with customers
- AASB 16 Leases
- AASB 1058 Income for Not-for-profit entities

The Foundation is assessing the potential impact on its combined financial statements resulting from the application of the above standards.

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 2 Surplus from ordinary activities has been determined after:

#### (a) Expenses

	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
	\$	\$
Depreciation and amortisation		
- property, plant and equipment	82,966	69,651
- investment property	8,871	38,104
- computer software	69,161	43,019
Total depreciation and amortisation	<u>160,998</u>	<u>150,774</u>

#### (b) Net investment revenue

Interest	160,257	317,997
Investment income	2,622,042	1,768,216
Management and brokerage fees	(185,197)	(206,713)
Net investment revenue	<u>2,597,102</u>	<u>1,879,500</u>

### 3 Auditor's remuneration

#### KPMG

- Financial Statements Audit	-	-
- Tax Services	600	-
- Due diligence services	47,000	-
	<u>47,600</u>	<u>-</u>

### 4 Cash and Cash Equivalents

	31 December 2017	31 December 2016
	\$	\$
Cash on hand	5,400	5,000
Cash at bank	6,684,258	7,887,705
Term deposits	-	4,012,964
	<u>6,689,658</u>	<u>11,905,669</u>

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
<b>5 Trade and Other Receivables</b>		
CURRENT		
Trade debtors	57,510	8,880
Prepayments	71,802	52,205
Other receivables	93,668	90,411
Accrued income receivable	348,267	320,504
	<u>571,247</u>	<u>472,000</u>
<b>6 Financial Assets</b>		
CURRENT		
Held-to-maturity financial assets:		
-term deposits	-	5,020,417
	<u>-</u>	<u>5,020,417</u>
NON-CURRENT		
Financial assets at fair value through profit or loss:		
-funds in managed investments measured using Level 1 inputs	46,356,219	27,012,796
	<u>46,356,219</u>	<u>27,012,796</u>

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
<b>7 Property Plant and Equipment</b>		
<b>LAND AND BUILDINGS</b>		
Freehold land		
At cost	-	866,000
Total freehold land	-	866,000
Buildings		
At cost	-	1,308,909
Less accumulated depreciation	-	(346,897)
Total buildings	-	962,012
<b>Total land and buildings</b>	-	1,828,012
<b>PLANT AND EQUIPMENT</b>		
Furniture, fixture and fittings		
At cost	168,641	143,237
Less accumulated depreciation	(142,523)	(124,925)
<b>Total furniture, fixture and fittings</b>	26,118	18,312
Motor vehicles		
At cost	-	36,455
Less accumulated depreciation	-	(36,455)
<b>Total motor vehicles</b>	-	-
Office equipment		
At cost	590,485	391,395
Less accumulated depreciation	(401,571)	(349,292)
<b>Total office equipment</b>	188,914	42,103
Artworks		
At independent valuation	1,055,181	1,043,545
Total artworks	1,055,181	1,043,545
<b>Total property, plant and equipment</b>	<b>1,270,213</b>	<b>2,931,972</b>
<b>Computer Software</b>		
At cost	301,046	193,123
Less accumulated amortisation	(137,516)	(68,355)
Work in progress - website	-	71,324
<b>Total computer software</b>	<b>163,530</b>	<b>196,092</b>

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
<b>8 Investment Property</b>		
At cost	-	1,245,629
Less accumulated depreciation	-	(118,061)
<b>Total investment property</b>	<b>-</b>	<b>1,127,568</b>

The investment property at 15 Eurimbla Avenue, Randwick was acquired on 1 December 2010. It was sold on 30 June 2017. The investment property yielded rental income of \$26,898 in 2017 (2016: \$52,885).

## 9 Specified / Unspecified Funds

Specified funds are funds received or reserves held that must be spent on the purpose for which they were received or are held. They comprise of donations and bequests where the donor indicates a preference for the use to which the funds are to be used and donations received in response to specific purpose appeals. The carrying amount of the restricted funds at 31 December 2017 is \$19,815,108.

All other funds are unspecified in that Directors have discretion to spend them on purposes for which the Foundation is established.

## 10 Trade and Other Payables

### CURRENT

Trade creditors	145,471	101,366
Sundry payables and accrued expenses	299,434	309,247
	<b>444,905</b>	<b>410,613</b>

## 11 Commitments

Operational expenditure commitments	-	-
Capital expenditure commitments	-	-
	<b>-</b>	<b>-</b>

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 12 Additional Information Required Under The Charitable Fundraising Act, 1991

#### (a) Statement of Income and Expenditure for Fundraising Appeals:

	1 January 2017 – 31 December 2017 \$	1 January 2016 – 31 December 2016 \$
Gross income received from donations and fundraising appeals	17,564,053	19,041,324
Expenditure associated with fundraising appeals	(2,958,269)	(3,198,652)
Net Operating Surplus from fundraising appeals	<u>14,605,784</u>	<u>15,842,672</u>
Contributions distributed	13,524,157	12,331,567
Operational expenses	3,453,852	3,073,976
Net operating surplus applied	<u>16,978,009</u>	<u>15,405,543</u>
(Deficit)/surplus available for future distribution	<u>(2,372,225)</u>	<u>437,129</u>

#### (b) Comparison of Certain Monetary Figures and Percentages:

Direct expenditure from fundraising appeals	<u>2,958,269</u>	
Gross income received from donations and fundraising appeals	17,564,053	17%
Net Operating Surplus from fundraising appeals	<u>14,605,784</u>	
Gross income received from donations and fundraising appeals	17,564,053	83%
Contributions Distributed	<u>13,524,157</u>	
Total Expenditure and contributions distributed	21,346,026	63%
Contributions Distributed	<u>13,524,157</u>	
Gross Income	27,664,772	49%

#### Note:

- In certain situations, Foundation funds are not disbursed immediately to the Hospital. Fellowship must be raised in full by the Foundation before the Hospital can begin recruitment. It can take up to six months before an appointment is made, after which the funds are disbursed monthly as a salary for the term of the Fellowship, which can range from 12 to 24 months. Where funds are raised for the purchase of Hospital equipment, the money is only released when the equipment is ordered. This may not occur immediately if the equipment has to be sourced by the Hospital via a formal tender process or is over the set threshold (\$250,000) that requires Ministerial approval as a Locally Funded Initiative prior to purchase. Some funds are retained for corpus, and some for future projects for which we require to raise funds in full in advance of their distribution.



# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

### 13 Key Management Personnel Compensation

The compensation structure for key management personnel is based on a number of factors, including length of service particular experience of the individual concerned, and overall performance of the Foundation.

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel. The totals of remuneration paid to the key management personnel of Sydney Children's Hospital Foundation during the year are as follows:

	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
	\$	\$
- key management personnel compensation	1,041,047	1,071,675
	<u>1,041,047</u>	<u>1,071,675</u>

# Sydney Children's Hospital Foundation

## Notes to the Combined Financial Statements For the 12 months ended 31 December 2017

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
	\$	\$
<b>14 Cash Flow Information</b>		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	6,689,658	11,905,669
	<u>6,689,658</u>	<u>11,905,669</u>
(b) Reconciliation of result for the year to cash flows from operating activities		
Surplus for the year before contributions *	19,842,903	15,214,077
Less:		
- contributions made	(13,524,157)	(12,331,567)
- profit from sale of fixed assets	(5,571,992)	(3,050)
Non-cash flows in profit:		
- depreciation and amortisation	160,998	150,774
- artworks donated	(11,636)	(50,188)
- (increase) in value of managed investments	(2,466,089)	(1,373,296)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(71,486)	333,987
- decrease/(increase) in inventories	13,235	(10,030)
- increase/(decrease) in trade and other payables	34,292	(133,916)
- increase in employee benefits	18,080	15,552
- (increase) in fixed assets - work in progress	-	(71,324)
Cash flow from operations	<u>(1,575,852)</u>	<u>1,741,019</u>

# **Sydney Children's Hospital Foundation**

## **Notes to the Combined Financial Statements For the 12 months ended 31 December 2017**

### **15 Events Occurring After the Reporting Date**

No matters or circumstances have arisen since the end of financial year which significantly affected or may significantly affect the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future financial years.

### **16 Contingent Liabilities**

The Foundation did not have any contingent liabilities at 31 December 2017 (31 December 2016: Nil).

### **17 Foundation's Details**

Registered office

The registered office and principal of business of the Foundation is:

Sydney Children's Hospital Foundation

19 Eurimbla Avenue

Randwick NSW 2031



## Independent Auditor's Report

To the Members of Sydney Children's Hospital Foundation

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Combined Financial Report**, of Sydney Children's Hospital Foundation Limited and Sydney Children's Hospital Foundation (Trust), collectively referred to as the Foundation.

In our opinion, the accompanying **Combined Financial Report** of the Foundation is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Foundation's financial position as at 31 December 2017, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Combined Financial Report** comprises the:

- i. Combined Statement of Financial Position as at 31 December 2017.
- ii. Combined Statement of Surplus or Deficit and Other Comprehensive Income, Combined Statement of Changes in Equity, and Combined Statement of Cash Flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration.
- v. Declaration by the Chairperson of Sydney Children's Hospital Foundation Limited in respect of fundraising appeals.

#### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Foundation in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the



Combined Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 1 to the Combined Financial Report, which describes the basis of preparation, including the approach to and the purpose for preparing them, and that the preparation involves aggregation of the following two entities:

- Sydney Children's Hospital Foundation Limited, a company limited by guarantee; and
- Sydney Children's Hospital Foundation (Trust), a trust.

The Combined Financial Report does not meet the definition of Tier 2 general purpose financial statements as it does not comply with AASB 10 *Consolidated Financial Statements* as the aggregation of the two entities does not meet the definition of a group under AASB 10 *Consolidated Financial Statements*.

The Combined Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *ACNC Act 2012*. As a result, the Combined Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Other information

Other Information is financial and non-financial information in the Foundation's annual reporting which is provided in addition to the Combined Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Directors' Declaration and Declaration by the Chairperson of the Foundation in respect of fundraising appeals.

Our opinion on the Combined Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Combined Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Combined Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Combined Financial Report

The Directors are responsible for:

- i. Preparing the Combined Financial Report that gives a true and fair view and determined that the basis of preparation described in Note 1 to the Combined Financial Report is appropriate to meet the requirements of the ACNC, the Acts and Regulations and is appropriate to meet the needs of the Directors.
- ii. Preparing the Financial Report in accordance with Section 24(2) of the *Charitable Fundraising (NSW) Act 1991* and Regulations.



- iii. Implementing necessary internal control to enable the preparation of a Combined Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Foundation's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Combined Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Combined Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Combined Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Combined 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.
- ii. 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 Foundation's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Foundation.
- iv. 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 Foundation'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 Combined 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 Foundation to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Combined Financial Report, including the disclosures, and whether the Combined Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Foundation 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.

In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Combined Financial Report such as accruals, prepayments, provisioning and valuations.

### Report on Other Legal and Regulatory Requirements

#### Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- i. the Combined Financial Report gives a true and fair view of Sydney Children's Hospital Foundation Limited's financial result of fundraising appeal activities for the financial year ended 31 December 2017;
- ii. the Combined Financial Report has been properly drawn up, and the associated records of Sydney Children's Hospital Foundation Limited have been properly kept for the period from 1 January 2017 to 31 December 2017, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received by Sydney Children's Hospital Foundation Limited as a result of fundraising appeal activities conducted during the period from 1 January 2017 to 31 December 2017 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- iv. there are reasonable grounds to believe that Sydney Children's Hospital Foundation Limited will be able to pay its debts as and when they fall due.

KPMG

KPMG

Julian McPherson  
Partner

Sydney  
19 April 2018