

Sydney Children's Hospitals Foundation

Combined Financial Statements

For the 12 months ended 30 June 2020

**Combined Financial Statements
For the 12 months ended 30 June 2020**

Contents

Director's Report	3
Directors' Meetings	8
Director's Declaration	9
Declaration by Chairperson of Sydney Children's Hospitals Foundation Limited in Respect of Fundraising Appeals	9
Auditor's Independence Declaration	10
Combined Statement of Surplus and Deficit and other Comprehensive Income	11
Combined Statement of Financial Position as at 30 June 2020	12
Combined Statement of Financial Position as at 30 June 2020 (continued)	13
Combined Statement of Changes in Equity	14
Combined Statement of Cash Flows	15
Notes to the Combined Financial Statements	16
Independent Auditor's Report	34

Director's Report

The Directors of Sydney Children's Hospitals Foundation Limited present its report for the combined financial statements of Sydney Children's Hospitals Foundation Limited (Trustee) and Sydney Children's Hospitals Foundation (Trust), collectively referred to as 'the Foundation' for the 12 months ended 30 June 2020.

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 10.

Review of results and operations

This has been a year of unprecedented challenges. The beginning of 2020 saw the worst bushfire season on record and almost as soon as the smoke had started to clear we entered a period of global disruption due to the COVID-19 pandemic.

This year's report also sees us transition from a 31 December financial year end to a 30 June year end. This brings us into alignment with the our beneficiary, the Sydney Children's Hospitals Network (the Network), and further assists efforts of collaboration and planning for better health outcomes for the children we support.

Each of these major events had the potential to severely impact our ability to raise funds. There is still no clear end in sight to the COVID-19 crisis and it is likely that the not-for-profit sector will continue to be affected for some time. Nevertheless, we are proud to report that the 2020 Financial Year saw us raise \$54.7m in total revenue and make contributions of \$26.2m for the benefit of sick children. With a further \$14.1m being held in reserves to be called on by the Network as required.

On May 22, 2020 we marked two years since our official expansion, and during the past Financial Year we have continued the complex process of integration, bringing two large, successful, fundraising entities together as one team. This has required a complete rework of our finance systems, our database, our internal processes and models of working. This has been addressed in a true spirit of collaboration with the aim of creating a better experience for our supporters and ensuring funds are delivered where they will make the biggest impact. During a period of much activity, our priority has been to maintain and deepen our donor relationships and build on the important connections with clinicians and staff at all levels within the Sydney Children's Hospitals Network.

Fundraising

Until COVID-19 restrictions hit, we were on track to raise \$67M which would have made this our most successful year of raising funds. This changed dramatically in March 2020, when we had to shift the Foundation to remote working and cancel or reschedule our gala dinners and events. Several major community and sporting fundraising activities were also cancelled, which had a significant impact on the March to June quarter, traditionally the most generous time of the year for our supporters.

Although we were able to transition some of our activities online and deliver virtual event experiences with some success, the results delivered a fraction of what we would have expected to raise with our traditional formats.

We are also unable to invite donors to attend thank you events and visit the hospitals to see the impact of their support in person so we are continuing to explore new ways of engaging with them and demonstrating the difference their donations make to sick children across New South Wales.

We have benefitted to some extent from our diverse fundraising portfolio, as the adverse impact on our Community and Event program has been offset to some degree by other revenue streams which are performing well, such as Corporate Partnerships, Trusts & Foundations and Bequests as well as the partnership we have with Coles and the sale of "Mum's Sause", which delivers 50c per jar to benefit the foundation and our national Curing Homesickness alliance.

Grant contributions

During the 12 months period ending 30 June 2020, the Foundation contributed \$26.2m in support of the Sydney Children's Hospitals Network, including Sydney Children's Hospital – Randwick, the Children's Hospital at Westmead, Bear Cottage, Nets and Kids Research. This compares to contributions of \$41.7m for the 18 month period ending 30 June 2019. These vital funds have been invested in line with the Foundation's 2017-2022 Strategic Direction and guided by priority needs identified by the Hospitals and facilities across the network.

As part of the \$26.2m the Foundation contributed to 54 Clinical, Education and Support positions at a cost of \$4.0m and 19 Fellowships of \$2.4m. These Fellows will go on to become the specialists of the future, training hundreds of new doctors and treating thousands of children here and overseas. \$9.6m was provided towards Equipment, with \$2.9m for volumetric pumps, \$2.1m for monitors, \$1.3m for ventilators, \$0.8m for a neuro-microscope, and \$2.5m towards various other items. A total of \$8.3m was provided for Research, which

Sydney Children's Hospitals Foundation

included \$1.1m for the Zero Childhood Cancer (ZCC) Program. In addition, the Foundation paid contributions totalling \$0.4m related to the Curing Home Sickness program. The remaining funds contributed to the areas of research, clinical excellence, patient experience and capital.

Financial Results

Surplus and retained equity

Overall surplus retained for the 12 months to 30 June 2020 after grant contributions of \$26.2m was \$14.1m. This compares to retained surplus of \$10.4m for the 18 month period ending 30 June 2019, after grant contributions of \$41.7m. Retained funds are invested until the Network requests a transfer as per Network funding request priorities.

Income

Gross income for the 12 months to 30 June 2020 was \$54.7m compared to \$73.7m for the 18 months to 30 June 2019, with the decrease mainly attributable to the reduced reporting period. On an annualised basis, Gross Income has increased by \$5.6m which is mainly attributable to an increase in income from Donations & Fundraising Appeals (\$2.2) and Bequests (\$5.4m)). This is offset by a decrease in Net Investment Income (\$2.2m).

Investment update

Investment income over the period was impacted by market forces resulting in our investment portfolio delivering lower than expected returns for the 12 months to 30 June when measured against established internal benchmarks, however the value of investment portfolio increased in the 12 months ended 30 June 2020. The total value of the investment portfolio was \$50.5m as at 30 June 2020 (\$49.1m as at 30 June 2019). Ongoing portfolio management was in line with policy and regular reporting showed results were in line with market benchmarks over this period.

Expenditure

Total expenditure for the reporting period was \$14.4m compared to \$21.5m for the 18 months ending 30 June 2019. On an annualised basis, expenditure is in line with the prior year comparative, with a decrease in Retail (Café & Gift shop) (\$0.1m), and Operational expenditure (\$1.9m). The ratio of fundraising expense to fundraising income was 16%, compared to 14% for the 18 months to 30 June 2019, a 2% increase associated with a lower return on fundraising activity in Q4 due to the impact of Covid19. This calculation includes only costs and income directly associated with fundraising activity and excludes Governance and Administration costs and retail activity (ref 13.b notes).

Balance Sheet

Overall the Foundation is in a strong and sustainable financial position with total net assets of \$78.8m up from \$64.9m as at 30 June 2019. This includes the specified and unspecified reserves of \$50.4m and \$27.6m respectively, and an asset revaluation reserve of \$0.8m.

The Foundation has a policy of holding unspecified reserves to 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. All proposed grants were submitted and approved through the relevant sub-committee's and Board according to policy.

Specified reserves at 30 June 2020 of \$50.4m are tagged for use as directed by donors and aim to be acquitted within a reasonable timeframe for the specified purposes, as and when requested by Sydney Children's Hospitals Network.

Insurance and indemnification of officers and auditor

No insurance premiums are paid out of the assets of the Foundation to the auditor of the Foundation.

The Foundation, including the Trustee, has included the Trustee as an additional insured party under its insurance policies and pays for the cost of the insurance.

Provided the Directors and officers of the Trustee act in accordance with the Trust Deed and applicable laws, they will be fully indemnified through insurance or out of the assets of the Foundation against any losses incurred whilst acting on behalf of the Foundation.

Director's Profiles

Duncan Makeig
Chair (appointed October 2007)

Duncan Makeig has enjoyed an international career spanning 30 years, including roles such as General Counsel for PepsiCo Australasia/Africa, Managing Director of Lion - Asia Dairy, and General Counsel and Sustainability Director for Lion Nathan. Most recently, the New Zealand native founded China Road, a consultancy helping Australian and New Zealand businesses to establish a presence in China. Duncan currently holds Chair and Director roles on various local and international Boards of both private and listed companies.

As a former rugby captain, globetrotting businessman and some-time cattle farmer, it's safe to say that Duncan brings a wide range of skills and experiences to his role as Chair. Driven by a desire to give something back, Duncan stepped forward to join the Board in 2007 and was appointed as Chair in 2012. Always someone with an eye on the horizon, he has ambitious goals for the Foundation's future and the opportunities that lie ahead.

Simon Hickey
Deputy Chair (appointed October 2009)

Having grown up on the Northern Beaches, Simon studied commerce at the University of New South Wales, before embarking on a career that took him to London, Melbourne and New York.

In his time overseas, Simon worked for global accountancy firm Arthur Andersen, followed by Lendlease. There he was tasked with globalising the construction arm of the business, eventually working as the CFO for Bovis Lendlease Americas in New York.

After moving back to Australia, he joined Qantas as Group GM Strategy and Fleet before being appointed CEO of Qantas Frequent Flyer and later CEO for Qantas International and Freight. He became Group CEO and Managing Director of Campus Living Villages, CEO and MD of ASX listed Greencross and Director of IAG Loyalty, before moving into his current role as CEO of Western Sydney Airport.

Simon was elected Deputy Chair in 2012 and has always seen his involvement as a chance to make a difference.

Dr Matthew O'Meara
(appointed October 2010)

It was through a part-time job working as a swimming teacher whilst studying at university that Matthew first found that he had a talent for working with kids. From then, his path into paediatrics was set.

Matthew is the NSW Chief Paediatrician, providing state-wide clinical leadership in the development, implementation and evaluation of strategy, policy and programs across paediatric healthcare in the NSW public health system. In this capacity he also gives expert advice to the Paediatric Healthcare team within NSW Health.

A paediatric emergency physician who began his training at Sydney Children's Hospital Randwick in 1989, he is the former Head of the Hospital's Emergency Department and Director of Critical Care, and still spends one or two days a week seeing patients. He is passionate about improving the care and health of children, something he has advocated for throughout his career, in part through roles in Child Health Networks, State health advisory groups and the Royal Australasian College of Physicians. An experienced fundraiser, Matthew knows what can be achieved when the right support is there.

Gina Cass-Gottlieb
(appointed August 2012)

Despite growing up in a family of surgeons, Gina opted not to keep traditions going when she chose to study a degree in Economics Law.

Now 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 also 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 at Melbourne Law School.

A former captain of the Australian Schools Debating team and a self-confessed lover of a good argument, Gina is well known for her negotiation skills, which have been put to good use in her role working with the Foundation. A Board member since 2012, Gina has a personal connection to the Sydney Children's Hospitals Network having visited with both her son and daughter for various bumps and scrapes over the years.

Sydney Children's Hospitals Foundation

James Brindley
(appointed April 2016)

With a degree in economics, an MBA and a 20-year, cross-continent career, James has built up extensive experience in people and business leadership. He joined Lion in 1994 and spent eight years with the company in China before returning to Australia in 2005.

As Managing Director of Lion Australia, he is responsible for strategy development, implementation and execution, as well as financial, market and stakeholder engagement outcomes.

A strong believer in the power of culture and leadership, James takes a people-first approach to business strategy and has helped embed this into the cultural fabric of Lion.

Tom Butcher
(appointed June 2018)

Having spent a lot of time as a young boy in doctors' rooms and hospitals, Tom Butcher holds a personal connection to the work done by the Sydney Children's Hospitals Network. Thankfully, his health eventually improved and he went on to study commerce at university before landing a job with accounting firm Arthur Andersen in London that took him around the world on various work assignments.

On returning to Australia, Tom continued his career in investment banking. Today, he is a Managing Director with Credit Suisse Investment Bank, responsible for clients in the transport, infrastructure, power and utilities sectors. His international experience and the variety of his work gives a diverse and global perspective to Tom's approach to his role on the Board. A former trumpet player and dedicated squash fan, Tom has some exciting goals for the Foundation in the future.

Wayne Mo
(appointed February 2019)

Born and raised in Shanghai to actor parents, Wayne's initial plan for his professional life was to pursue a career as a TV news anchor. However, he swapped the news desk for a study desk when he enrolled at Shanghai University of Finance and Economics (SUFU).

On graduating, he joined a Japanese bank and this first experience of working at the intersection of Chinese and international business would go on to play a significant role throughout his career.

In 2005 he became General Manager for ANZ Beijing, where he met his Australian wife, Katherine. After a number of years working for ANZ Melbourne as head of the China desk, Wayne and his family moved to Hong Kong when he became CIO of Hong Kong listed Everchina International Holding.

Eventually moving to Sydney in 2018, Wayne joined AL Capital as CEO where he oversees the growth of its diversified investment portfolio. He is also a Board director of McGrath (ASX MEA) and Ausbiz TV. Wayne is keen to harness his past experiences in international business to help achieve some significant goals for the Foundation.

Dr David Court
(appointed November 2018)

Following a trip to his local Canberra cinema in 1981, David Court instantly knew that he'd follow the bright lights of the silver screen throughout his professional career.

After cutting his teeth at the Australian Film Commission, he eventually became a key player in Australia's film and television industry. Formerly Head of Screen Business at the Australian Film Television & Radio School, David has been involved in the financing of more than a dozen film and television productions. He shares his specialist knowledge as an author and policy maker, including as the architect of the Film Finance Corporation, which invested more than \$1 billion in Australian film and television productions over a 20 year period.

David is the founder of Compton School, Australia's first business school for creative people, the chairman of Screen Canberra and The Cinematic Company. He welcomes the challenge of raising the most money possible and has a deep connection with the mission of paediatric healthcare.

Sydney Children's Hospitals Foundation

David Nott
(appointed May 2019, retired March 2020)

David is Acting Chair of the Sydney Children's Hospitals Network Board. He is also a member of the SCHN Audit and Risk Committee and this year retired from the position of Chair of the Audit Committee of Southern NSW Local Health District, after being in that role for five years. He served for almost 30 years as a partner with KPMG, a global professional services firm providing leadership in Australia and internationally.

At KPMG, David had a number of senior client and management roles. In the ten years prior to his retirement from the firm, he was the National Managing Partner of Transaction Services in Australia and served as that group's ASPAC Regional Leader and as a member of the Global Steering Committee. He is a member of the coaching panel of Foresight Global Coaching Partnership and in that role he coaches senior executives in all aspects of leadership. He holds an Economics Degree from Sydney University, is a Fellow of the Institute of Chartered Accountants and a member of the Governance Institute.

Adjunct Associate Professor Cheryl McCullagh
(appointed May 2019, retired August 2020)

Cheryl McCullagh is Acting Chief Executive of the Sydney Children's Hospitals Network. She joined the Network in 2011 in the role of Director of Clinical Integration and has worked in Health for 25 years. Her previous roles include nursing, research, education and executive management in specialist referral hospitals in Sydney and Adelaide.

She has a Diploma in Applied Science, a Bachelor of Nursing, a Masters of Health Service Management and is a Student of Lean (Green Belt). Cheryl is an Adjunct Associate Professor in the Sydney Medical School and Faculty of health sciences. She is committed to developing people and their processes to evolve models supporting safe service delivery, while enabling innovation in healthcare.

Elizabeth Crouch
(appointed March 2020)

Elizabeth Crouch is Chair of the Sydney Children's Hospitals Network, the Customer Owned Banking Association and SGS Economics and Planning. She is a non-Executive Director of ASX listed ReadyTech Holdings and Bingo Industries. She is also on the Boards of Hearing Australia, NSW Institute of Sport and Health Infrastructure, and Chairs the Audit and Risk Committees for the City of Sydney and IPART.

Elizabeth is Emeritus Deputy Chancellor of Macquarie University and has held previous NED roles on the Boards of Chandler Macleod Group, McGrath Estate Agents, RailCorp and the Macquarie University Hospital. She was previously on the Board of Western Sydney Local Health District and from 2016-2018 was a Trustee of the Museum of Applied Arts and Sciences, retiring in December 2018.

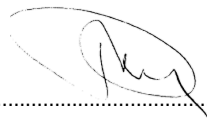
She spent 16 years with the Federal Government including with Federal Health, and more than a decade in the private sector including as Chief Executive of the Housing Industry Association. Elizabeth holds a Bachelor of Economics and in 2020 will complete a Master of Cyber Security. In 2019 she was awarded an Order of Australia for her services to higher education and the rail transport sector, and is a Fellow of the Australian Institute of Company Directors.

Directors’ Meetings

	Board		Audit & Risk		Nominations & Remuneration		Fundraising Innovation & Development	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Duncan Makeig	6	5	4	3	3	3	4	3
Simon Hickey	6	6	4	3				
James Brindley	6	2	1	1	3	3		
Tom Butcher	6	5	4	3			3	3
Gina Cass-Gottlieb	6	4						
David Court	6	5					4	4
Elizabeth Crouch	1	1						
Cheryl McCullagh	6	6						
Wayne Mo	6	6					4	4
David Nott	5	3						
Matthew O'Meara	6	6						

Due to a change in Network representation three SCHN representatives are listed above.

Signed in accordance with a resolution of the Directors:

Director 

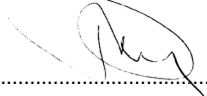
Dated this 25th day of November 2020 Sydney

Director's Declaration

In the opinion of the Directors of Sydney Children's Hospitals Foundation Limited:

- a. The combined Financial Statements and notes, as set out on pages 11 to 33 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 30 June 2020 and of its performance, as represented by the results of its operations for the 12 Months ended on the 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, 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 Directors

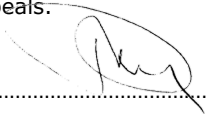
Director


Dated this 25th day of November 2020 Sydney

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

I, Duncan Makeig, Chairperson of Sydney Children's Hospitals 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 Hospitals Foundation Limited with respect to fundraising appeals for the 12 month period ended 30 June 2020;
- 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 provision 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 Hospitals Foundation Limited are appropriate and effective in accounting for all income received and applied from fundraising appeals.

Director


Dated this 25th day of November 2020 Sydney

Auditor's Independence Declaration



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

To: the Trustee of Sydney Children's Hospitals Foundation

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 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

A handwritten signature in black ink, appearing to read 'Shane O'Connor', written over a horizontal line.

KPMG

Shane O'Connor
Partner

Sydney
25 November 2020

**Combined Statement of Surplus and Deficit and other Comprehensive Income
for the 12 months ended 30 June 2020**

		1 July 2019– 30 June 2020 (12 months) \$	1 January 2018 – 30 June 2019* (18 months) \$
	Note		
Revenue			
Bequests		17,703,177	18,528,681
Donations and fundraising		34,710,345	48,869,297
Capital appeals		20,031	322,222
Net investment revenue	2(b)	103,213	3,492,823
Cafe and gift shop operations		1,274,962	2,198,626
Other income	3	846,100	295,915
Total revenue		<u>54,657,828</u>	<u>73,707,564</u>
Expenses			
Fundraising expenses		8,435,985	9,558,006
Cafe and gift shop operations		1,087,465	1,806,221
Governance and Administration expenses		4,843,049	10,169,153
Total expenses		<u>14,366,499</u>	<u>21,533,380</u>
Surplus for the period		<u>40,291,329</u>	<u>52,174,184</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>40,291,329</u>	<u>52,174,184</u>
Less: Contributions distributed		(26,241,288)	(41,749,146)
Transferred to specified and unspecified funds reserves		14,050,041	10,425,038
Add: Unspecified Reserves – CHS		32,268	-
Add: Total equity brought forward		64,711,228	54,436,190
Total Equity Carried Forward		<u>78,793,537</u>	<u>64,861,228</u>

*The Foundation has initially applied AASB 15 and AASB 1058 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1(s).

Combined Statement of Financial Position as at 30 June 2020

	Notes	30 June 2020	30 June 2019*
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	24,434,889	12,558,832
Trade and other receivables	6	1,341,500	864,050
Prepayments		2,933,336	2,766,324
Inventories		65,012	74,433
TOTAL CURRENT ASSETS		28,774,737	16,263,639
NON-CURRENT ASSETS			
Financial assets	7	50,517,717	49,097,152
Property, plant and equipment	8	1,680,972	1,422,487
Computer software	9	284,462	80,421
TOTAL NON-CURRENT ASSETS		52,483,151	50,600,060
TOTAL ASSETS		81,257,888	66,863,699
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,514,158	1,390,925
Employee benefits		531,602	532,764
Lease liability	10	126,963	-
TOTAL CURRENT LIABILITIES		2,172,723	1,923,689
NON-CURRENT LIABILITIES			
Employee benefits		137,164	78,782
Lease liability	10	154,464	-
TOTAL NON-CURRENT LIABILITIES		291,628	78,782
TOTAL LIABILITIES		2,464,351	2,002,471
NET ASSETS		78,793,537	64,861,228

Sydney Children's Hospitals Foundation

**Combined Statement of Financial Position
as at 30 June 2020 (continued)**

	30 June 2020	30 June 2019*
	\$	\$
Settlement capital	100	100
Asset revaluation reserves	824,469	824,469
Specified funds reserves	50,363,141	37,354,025
Unspecified funds reserves	27,605,827	26,682,634
TOTAL EQUITY	78,793,537	64,861,228

***The Foundation has initially applied AASB 15 and AASB 1058 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1(s).**

Combined Statement of Changes in Equity
for the 12 months ended 30 June 2020

	Specified Funds Reserves	Unspecified Funds Reserves	Asset Revaluation Reserves	Settlement Capital	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	37,354,025	26,682,634	824,469	100	64,861,228
Impact of change in accounting policy	(150,000)	-	-	-	(150,000)
Restated balance at 1 July 2019	37,204,025	26,682,634	824,469	100	64,711,228
Surplus attributable to the entity	37,216,184	3,075,145	-	-	40,291,329
Contributions	(23,583,054)	(2,658,234)	-	-	(26,241,288)
Re-allocation of fundraising cost recovery	(474,014)	474,014	-	-	-
Other	-	32,268	-	-	32,268
Balance at 30 June 2020	50,363,141	27,605,827	824,469	100	78,793,537

	Specified Funds Reserves	Unspecified Funds Reserves	Asset Revaluation Reserves	Settlement Capital	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2018*	19,815,108	33,796,513	824,469	100	54,436,190
Surplus attributable to the entity	46,407,281	5,766,903	-	-	52,174,184
Contributions	(27,570,266)	(14,178,880)	-	-	(41,749,146)
Re-allocation of fundraising cost recovery	(1,298,098)	1,298,098	-	-	-
Balance at 30 June 2019*	37,354,025	26,682,634	824,469	100	64,861,228

*The Foundation has initially applied AASB 15 and AASB 1058 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1(s).

**Combined Statement of Cash Flows
For the 12 months ended 30 June 2020**

		1 July 2019 – 30 June 2020 (12 months)	1 January 2018 – 30 June 2019* (18 months)
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Bequests, donations, appeals and other receipts		50,964,222	67,495,356
Receipts from Jobkeeper and ATO cash flow boost		525,500	-
Receipts from cafe and gift shop customers		1,274,962	2,200,981
Payments to suppliers and employees		(14,427,241)	(22,797,899)
Interest received		535	275,983
Contributions made		(26,241,288)	(41,749,146)
Net cash provided by/(used in) operating activities	15(b)	<u>12,096,690</u>	<u>5,425,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		-	-
Purchase of property, plant and equipment		(80,683)	(182,379)
Payments for investments		-	626,278
Net cash provided by/(used in) investing activities		<u>(80,683)</u>	<u>443,899</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liability		(139,950)	-
Net cash provided by/(used in) financing activities		<u>(139,950)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held		11,876,057	5,869,174
Cash and cash equivalents at beginning of financial period		12,558,832	6,689,658
Cash and cash equivalents at end of financial period	15(a)	<u><u>24,434,889</u></u>	<u><u>12,558,832</u></u>

*The Foundation has initially applied AASB 15 and AASB 1058 using the cumulative effect method. Under this method, the comparative information is not restated. See note 1(s).

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies

(a) Change of year end

The Foundation obtained an order from the Australian Charities and Not-For-Profits Commission (ACNC) under paragraph 9 of Commissioner Policy Statement 2012/08 to effect that the Foundation does not have to comply with section 60-10 of the Australian Charities and Not-For-Profits Commission Act in respect of the financial period from 1 January 2018 to 30 June 2019. The financial period for the Foundation is a 12 month period running from 1 July 2019 to 30 June 2020. Each following year is expected to run from 1 July to 30 June.

The prior year comparative was an 18 month period from 1 January 2018 to 30 June 2019.

(b) Reporting entity

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

- Sydney Children's Hospitals Foundation Limited, a company limited by guarantee; and
- Sydney Children's Hospitals 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 Hospitals Network.

(c) 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.

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 Hospitals Foundation Limited on 28 October 2020. 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 Hospitals Foundation Limited and the Trust as at 30 June 2020 and the financial performance and the cash flows for the financial period 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.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(d) 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.

(e) Functional and presentation currency

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

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.

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 recognised 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 recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised 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.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(i) Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all property, plant and equipment, except for 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:

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

The residual values and useful lives of the assets 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 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.

(j) 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.

(k) Financial Instruments

Initial recognition and measurement

The Foundation classifies non-derivative financial assets into the loans and receivables category.

Trade receivables and loans are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

The Foundation classifies non-derivative financial liabilities into the other financial liabilities category.

Non derivative financial assets and financial liabilities – recognition and derecognition

The Foundation initially recognises loans and receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Foundation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Foundation has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

Non derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

(l) Impairment of non-financial assets

Non-derivative financial assets

The Foundation considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Foundation uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

At each reporting date, the Foundation reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (Cash Generating Unit).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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. Cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Changes in the measurement of the liability are recognised in profit or loss.

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) Fundraising expenses

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

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised 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.

(r) 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 designated by the donor or Foundation.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(r) Equity (continued)

Unspecified Funds represent funds received that can be used for any charitable purpose of the Foundation. 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.

(s) New accounting standards adopted

Change in significant accounting policies

The Foundation applied AASB 16 Leases, AASB 15 Revenue from contracts with customers, and AASB 1058 Income of Not-for-profit entities from 1 July 2019. A number of other new standards are effective from 1 July 2019 but do not have a material effect on the Foundation's financial statements.

Leases

AASB 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Foundation as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments. The Foundation has applied AASB 16 using the modified retrospective approach, and accordingly, comparative information presented for the 18 month ended 30 June 2019 is not restated – i.e. it is presented, as previously reported under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Foundation determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Foundation now assesses whether a contract is or contains a lease based on the definition of a lease. Under AASB 16, 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.

At inception or on reassessment of a contract that contains a lease component, the Foundation allocated the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For leases of properties, in which it is a lessee, the Foundation has elected to separate non-lease components and will account for the lease and non-lease components of a lease. The Foundation relied on the assessment of whether leases are onerous immediately before application of AASB 16 as an alternative to performing an impairment review.

As a lessee

The Foundation leases assets including items of property and photocopiers. The Foundation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Foundation. Under AASB 16, the Foundation recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on the balance sheet.

The Foundation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. Right-of-use assets that do not meet the definition of investment property are presented as property, plant and equipment and lease liabilities in the statement of financial position.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Foundation's incremental borrowing rate for the portfolio of leases. The Lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(s) New accounting standards adopted (continued)

future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Foundation has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Foundation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, the Foundation classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Foundation’s incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Foundation applied this approach to all other leases.

The Foundation used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the initial date of application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. photocopiers);
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term

As a lessor

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117.

Impact on transition

On transition to AASB 16, the Foundation recognised additional right-of-use assets and additional lease liabilities. There was no impact on retained earnings. The impact on the transition is summarised below.

	1 July 2019
Increase in Right-of-use assets	396,539
Increase in Lease liabilities	396,539

When measuring the lease liabilities for leases that were classified as operating leases, the Foundation discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average discount applied was 8%.

Operating lease commitment as at 30 June 2019 as disclosed in financial statements	446,637
Discount using the incremental borrowing rate at 1 July 2019	(50,098)
Lease liabilities recognised at 1 July 2019	<u>396,539</u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(s) New accounting standards adopted (continued)

Revenue from contracts with customers and other income

The Foundation has adopted AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities for the first time in the current year with a date of initial application of 1 July 2019.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

AASB 1058 establishes a framework for determining income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. It replaced AASB 1004 Contributions and related interpretations.

The Foundation has adopted AASB 15 and AASB 1058 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and AASB 1004 and related interpretations. Additionally, the disclosure requirements in AASB 15 and AASB 1058 have not generally been applied to comparative information.

The Foundation has disaggregated revenue based on the funding source and nature of the revenue stream. The Foundation recognises revenue from Fundraising over time as performance obligations are rendered, primarily on a monthly basis. Revenue arises from discretionary and non-discretionary services as agreed in contractual arrangements with clients. Fees received in advance of services performed are recognised as contract liabilities within Trade and other payables.

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised over time as the performance obligations to the grant agreement are fulfilled.

Income of not-for-profit entities (AASB 1058)

Donations, Bequests, and other grants

Other grants such as donations, bequests and legacies and funding agreements which are not enforceable and do not contain sufficiently specific performance obligations are recognised at their fair value when the asset is received. These assets are generally cash, but may be property which has been donated or sold to the Foundation at significantly below its fair value. Once the asset has been recognised, the Foundation recognises any related liability amounts. Income is then recognised for any difference between the recorded asset and liability.

Volunteer Services

No amounts are included in in the financial report for services donated by volunteers.

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

1. Summary of Significant Accounting Policies (continued)

(s) New accounting standards adopted (continued)

Impacts on financial statements

The following tables summarise the impacts of adopting AASB 15 and AASB 1058 on the Foundation's combined financial statements for the year ending 30 June 2020.

(i) Combined Statement of Financial Position

30 June 2020 (\$)	As reported	Adjustments	Impact of changes in accounting policies Balances without adoption of AASB 15 and AASB 1058
Accrued income receivable	1,110,839	116,387	994,452
Other	80,147,049	-	80,147,049
Total assets	81,257,888	116,387	81,141,501
Trade and other payables	1,514,158	150,000	1,364,158
Other	658,565	-	658,565
Total current liabilities	2,172,723	150,000	2,022,723
Other	291,628	-	291,628
Total non-current liabilities	291,628	-	291,628
Specified funds reserves	50,363,141	(33,613)	50,396,754
Other	28,430,396	-	28,430,396
Total equity	78,793,537	(33,613)	78,827,150

(ii) Combined Statement of Surplus and Deficit and other Comprehensive Income

30 June 2020 (\$)	As reported	Adjustments	Impact of changes in accounting policies Balances without adoption of AASB 15 and AASB 1058
Revenue	54,657,828	116,387	54,541,441
Surplus for the period	40,291,329	116,387	40,174,942
Other comprehensive income for the year	-	-	-
Total comprehensive income for the period	40,291,329	116,387	40,174,942

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

2 Surplus from ordinary activities has been determined after:

(a) **Expenses**

	1 July 2019 – 30 June 2020	1 January 2018 – 30 June 2019
	\$	\$
Depreciation and amortisation		
- property, plant and equipment	134,759	173,418
- right-of-use asset	132,180	-
- computer software	43,099	114,595
Total depreciation and amortisation	<u>310,038</u>	<u>288,013</u>

(b) **Net investment revenue**

Interest	535	17,934
Investment income	303,713	3,760,585
Management and brokerage fees	(201,035)	(285,696)
Net investment revenue	<u>103,213</u>	<u>3,492,823</u>

3 Other Income

Jobkeeper	783,600	-
Cash flow boost	62,500	-
Other	-	295,915
	<u>846,100</u>	<u>295,915</u>

Jobkeeper and cash flow boost income relates to employment assistance funding provided by governments in response to the coronavirus. These grants have been recognised in other income where there is reasonable assurance that the grant will be received and all attached conditions will be applied with.

4 Auditor's remuneration

KPMG

- Financial Statements Audit	62,800	80,000
- Non audit services	7,500	
- Due diligence services	-	41,201
	<u>70,300</u>	<u>121,201</u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June**

	30 June 2020	30 June 2019
5 Cash and Cash Equivalents	\$	\$
Cash on hand	5,500	5,400
Cash at bank	24,429,389	12,553,432
	<u>24,434,889</u>	<u>12,558,832</u>
	<u><u>24,434,889</u></u>	<u><u>12,558,832</u></u>
6 Trade and Other Receivables		
CURRENT		
Trade receivables	32,914	104,784
Other receivables	197,747	271,602
Accrued income receivable	1,110,839	487,664
	<u>1,341,500</u>	<u>864,050</u>
	<u><u>1,341,500</u></u>	<u><u>864,050</u></u>
7 Financial Assets		
NON-CURRENT		
Financial assets at fair value through profit or loss:		
Funds in managed investments	50,517,717	49,097,152
	<u>50,517,717</u>	<u>49,097,152</u>
	<u><u>50,517,717</u></u>	<u><u>49,097,152</u></u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

	30 June 2020	30 June 2019
	\$	\$
8 Property Plant and Equipment		
Furniture, fixture and fittings		
At cost	124,550	201,651
Less accumulated depreciation	(39,522)	(159,365)
Total furniture, fixture and fittings	<u>85,028</u>	<u>42,286</u>
Motor vehicles		
At cost	23,937	23,937
Less accumulated depreciation	(6,234)	(3,242)
Total motor vehicles	<u>17,703</u>	<u>20,695</u>
Office equipment		
At cost	137,362	684,431
Less accumulated depreciation	(101,662)	(554,906)
Work in progress	-	6,145
Total office equipment	<u>35,700</u>	<u>135,670</u>
Right-of-use asset		
At cost	396,539	-
Less accumulated depreciation	(132,180)	-
Total right-of-use asset	<u>264,359</u>	<u>-</u>
Artworks		
At independent valuation	1,278,182	1,223,836
Total artworks	<u>1,278,182</u>	<u>1,223,836</u>
Total property, plant and equipment	<u><u>1,680,972</u></u>	<u><u>1,422,487</u></u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

	30 June 2020	30 June 2019
	\$	\$
9 Computer Software		
At cost	159,498	332,352
Less accumulated amortisation	(122,176)	(251,931)
Work in progress	247,140	-
Total Computer Software	<u>284,462</u>	<u>80,421</u>

10 Leases

Transition to AASB 16 Leases

The Foundation has applied AASB 16 Leases using the modified retrospective approach, which doesn't require restatement of comparative information, nor an adjustment to the opening balance of retained earnings (as of 1 July 2019).

On transition, the Foundation recorded the following adjustment as at 1 July 2019:

Adjustment	\$
Increase to right-of-use assets	396,539
Increase to lease liabilities	396,539

The Foundation recognises a right-of-use asset and a lease liability at the commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for prepaid or accrued lease payments at the date of transition. The right of use asset is subsequently depreciated using the straight-line method from transition (1 July 2019) to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Foundation by the end of the lease term or the cost of the right-of-use asset reflects that the Foundation will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset. The right-of-use asset is also adjusted for impairment losses recognised.

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 Foundation's incremental borrowing rate. The Foundation assesses whether it is reasonably certain to exercise the extension options, and if so, includes the option period into the calculation of the lease liability. The lease liability is remeasured when there is a change in future payments arising from a change in an index or rate, or if there is a changed assessment as to whether it will exercise an extension option. The Foundation has elected not to recognise right of use assets and lease liabilities for leases of low value and/or those that are short term. The principal component of lease payments forms part of financing cash flows, and the interest component forms part of operating cash flows in the statement of cash flows.

	1 July 2019 - 30 June 2020	1 January 2018 - 30 June 2019
	\$	\$
Amounts recognised in the profit or loss statement		
Interest on lease liabilities	24,838	-
Depreciation of right-of-use asset	132,180	-
Payments made to low value leases*	27,167	-
	<u>184,185</u>	<u>-</u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

10 Leases (continued)

*During the 18 month period ending 30 June 2019, lease expenses of \$36,750 were recognised in profit or loss.

	1 July 2019 - 30 June 2020	1 January 2018 - 30 June 2019
	\$	\$
Amounts recognised in the statement of cash flows		
Payments of lease liability principal	115,112	-
Payments of lease liability interest	24,838	-
	<u>139,950</u>	<u>-</u>

	2020	2019
	\$	\$
Right-of-use assets		
Balance as at 1 July 2019	396,539	-
Additions to right-of-use assets	-	-
Depreciation for the period	(132,180)	-
Balance as at 30 June	<u>264,359</u>	<u>-</u>

	2020	2019
	\$	\$
Lease liabilities		
Balance as at 1 July 2019	(396,539)	-
Additions to lease liabilities	-	-
Accretion of interest	(24,838)	-
Payments made	139,950	-
Balance as at 30 June	<u>(281,427)</u>	<u>-</u>

Current lease liabilities	(126,963)	-
Non-current lease liabilities	(154,464)	-

The following table sets out maturity analysis of lease payments, showing the undiscovered lease payments to be made after the reporting date (and therefore differs from the carrying amount of lease liabilities) 30 June.

	2020	2019
	\$	\$
Less than one year	144,905	139,950
One to two years	161,783	306,687
	<u>306,688</u>	<u>446,637</u>

11 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 specified funds at 30 June 2020 is \$50,203,278.

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

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

	30 June 2020	30 June 2019
	\$	\$
12 Trade and Other Payables		
Current		
Trade creditors	768,205	495,701
Sundry payables and accrued expenses	745,953	895,224
	<u>1,514,158</u>	<u>1,390,925</u>

13 Additional Information Required Under The Charitable Fundraising Act, 1991

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

	1 July 2019 – 30 June 2020	1 January 2018 – 30 June 2019
	\$	\$
Gross income received from donations and fundraising appeals	52,433,553	67,720,200
Expenditure associated with fundraising appeals	(8,435,985)	(9,558,006)
Net operating surplus from fundraising appeals	<u>43,997,568</u>	<u>58,162,194</u>
Contributions distributed	26,241,288	41,749,146
Operational expenses	4,843,049	10,169,153
Net operating surplus applied	<u>31,084,337</u>	<u>51,918,299</u>
Surplus available for future distribution	<u>12,913,231</u>	<u>6,243,895</u>

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

13 Additional Information Required Under The Charitable Fundraising Act, 1991 (continued)

(b) Comparison of Certain Monetary Figures and Percentages:

		1 July 2019 – 30 June 2020	1 January 2018 – 30 June 2019
		%	%
Direct expenditure from fundraising appeals	8,435,985		
Gross income received from donations and fundraising appeals	<u>52,433,553</u>	16%	14%
Net operating surplus from fundraising appeals	43,997,568		
Gross income received from donations and fundraising appeals	<u>52,433,553</u>	84%	86%
Contributions distributed	26,241,288		
Total expenditure and contributions distributed	<u>40,607,787</u>	65%	66%
Contributions distributed	26,241,288		
Gross income	<u>54,657,828</u>	48%	57%

Note:

- a. In certain situations, Foundation funds are not disbursed immediately to the Network. Fellowships 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 reserves, and some for future projects which require funds to be raised in full in advance of their implementation.

14 Key Management Personnel Compensation

The compensation structure for key management personnel is based on a number of factors, including the market rate, 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 Hospitals Foundation during the period are as follows:

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

14 Key Management Personnel Compensation (continued)

	1 July 2019 – 30 June 2020	1 January 2018 – 30 June 2019
	\$	\$
Key management personnel compensation	1,686,601	2,129,218
	<u>1,686,601</u>	<u>2,129,218</u>

30 June 2019 – 30 June 2020	1 January 2018 – 30 June 2019
\$	\$

15 Cash Flow Information

(a) Reconciliation of cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	24,434,889	12,558,832
	<u>24,434,889</u>	<u>12,558,832</u>

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

Surplus for the period before contributions	40,291,329	52,174,184
Less:		
- contributions made	(26,241,288)	(41,749,146)
- profit from sale of fixed assets	-	-
Non-cash flows in profit:		
- depreciation and amortisation	310,038	288,013
- artworks donated	(13,749)	(168,654)
- other	54,766	-
- (increase) in value of managed investments	(102,678)	(3,512,755)

**Notes to the Combined Financial Statements
For the 12 months ended 30 June 2020**

15 Cash Flow Information (continued)

	30 June 2019 – 30 June 2020	1 January 2018 – 30 June 2019
	\$	\$
Changes in assets and liabilities:		
- (increase) in trade and other receivables	(477,450)	(2,919,729)
- (increase) in financial assets – non current	(1,500,000)	-
- decrease in inventories	9,421	2,355
- increase in other assets	(167,012)	-
- increase in trade and other payables	123,233	952,166
- increase in employee benefits	57,220	364,987
- (increase) in fixed assets – work in progress	(247,140)	(6,146)
Cash flow from operations	<u>12,096,690</u>	<u>5,425,275</u>

16 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of financial period 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.

17 Contingent Liabilities

The Foundation did not have any contingent liabilities at 30 June 2020 (30 June 2019: Nil).

18 Related Party Transactions

The Foundation booked \$107,344 in expenditure net of GST in the 12 month period ended 30 June 2020, of which \$85,629 was paid. This expenditure related to payments made to a 3rd party in which one of the Foundation's Directors serves as an Executive Director. The payments were made within the normal course of the Foundation's business and conducted on an arm's length basis. The services received were in furtherance of the Foundation's business development activities.

19 Foundation's Details

Registered Office

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

Sydney Children's Hospitals Foundation
Mezzanine Level
65 York Street
Sydney NSW 2000

Independent Auditor's Report



Independent Auditor's Report

To the Members of Sydney Children's Hospitals Foundation

Report on the audit of the Combined Financial Report

Opinion

We have audited the **Combined Financial Report**, of Sydney Children's Hospitals Foundation Limited (Trustee) and Sydney Children's Hospitals 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 30 June 2020, 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* 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 30 June 2020.
- ii. Combined Statement of Surplus and 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. Director's Declaration
- v. Declaration by the Chairperson of Sydney Children's Hospitals 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 Combined 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 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 of 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 Hospitals Foundation Limited, a company limited by guarantee; and
- Sydney Children's Hospitals 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 in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC, and determining 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 Combined 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 scepticism 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 registered 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.

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 Hospitals Foundation Limited's financial result of fundraising appeal activities for the financial year ended 30 June 2020;
- ii. the Combined Financial Report has been properly drawn up, and the associated records of Sydney Children's Hospitals Foundation Limited have been properly kept for the period from 1 July 2019 to 30 June 2020, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received by Sydney Children's Hospitals Foundation Limited as a result of fundraising appeal activities conducted during the period from 1 July 2019 to 30 June 2020 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 Hospitals Foundation Limited will be able to pay its debts as and when they fall due.

KPMG

A handwritten signature in black ink, appearing to read 'Shane O'Connor', written over a horizontal line.

KPMG

Shane O'Connor

Partner

Sydney

25 November 2020