Sydney Children's Hospitals Foundation Limited (Trustee, ACN 003 073 185) and Sydney Children's Hospitals Foundation (Trust)

Combined financial statements for the year ended 30 June 2022

Contents

Directors' report

For the year ended 30 June 2022

The directors of Sydney Children’s Hospitals Foundation Limited present its report for the combined financial statements of Sydney Children’s Hospitals Foundation Limited (the "Trustee" or the "Company") and Sydney Children’s Hospitals Foundation (the "Trust"), (collectively, the "Foundation") for the year ended 30 June 2022.

Names, qualifications, experience and special responsibilities

The names of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period, unless otherwise stated.

Elizabeth Crouch	
David Nott	
Dr Matthew O'Meara	
James Brindley	
Thomas Butcher	
Dr David Court	
Wei Mo	
Danny Rezek	(Appointed: 16 November 2021)
Anubha Sahasrabuddhe	(Appointed: 9 August 2022)
Elizabeth Curran	(Appointed: 9 August 2022)
Constance Carnabuci	(Appointed: 9 August 2022)
Leonard Chersky	(Appointed: 9 August 2022)
Duncan Makeig	(Resigned: 9 August 2022)
Simon Hickey	(Resigned: 9 August 2022)
Gina Cass-Gottlieb	(Resigned: 9 August 2022)

Directors

Leonard Chersky (Chair)

Len Chersky is a Managing Partner in Brookfield’s Private Equity Group, overseeing the PE business and portfolio companies in the Asia Pacific region.

Mr Chersky’s current board portfolio includes Healthscope - Australia’s second largest private hospital provider, where he services as Chairman; La Trobe Financial - a large scale non-bank lender and asset manager; and the Australian Investment Council, a peak industry body for private capital.

Mr. Chersky has over 25 years of commercial and investment experience. Prior to joining Brookfield in 2013, he was Executive Director in Lend Lease Corporation and previously held a number of senior positions in investment banking and financial services as well as executive roles in major listed organisations in Australia.

Mr. Chersky holds a Bachelor of Science in Mathematics and a Bachelor of Law, both from University of New South Wales.

Elizabeth Crouch (Ordinary Member)

Elizabeth Crouch is Chair of the Sydney Children’s Hospitals Network and the Customer Owned Banking Association. She is a non-Executive Director of Bingo Industries, SGS Economics and Planning and ASX listed ReadyTech Holdings and has recently been appointed to the Board of Ochre Health. She is also on the Boards of Hearing Australia, NSW Institute of Sport, Health Infrastructure and Angus Knight.

Directors' report (continued)

For the year ended 30 June 2022

Directors (continued)

Elizabeth Crouch (Ordinary Member) (continued)

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 a Master of Cyber Security and was awarded an Order of Australia for her services to higher education and the rail transport sector. She is also a Fellow of the Australian Institute of Company Directors.

David Nott (Ordinary Member)

David was a Non-Executive Director of the Sydney Children’s Hospitals Network for a full ten-year term until 31 March 2022, including periods as Deputy Chair and Acting Chair. He served on several Board Committees over that period of time, including the SCHN Audit and Risk Committee. He was formerly the Chair of the Audit and Risk Committee of Southern NSW Local Health District and formerly a Director of Luminesce Alliance Limited and Chair of its Audit and Risk Committee.

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 (in 2009), 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 currently 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.

Dr Matthew O'Meara (Ordinary Member)

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.

James Brindley (Ordinary Member)

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.

Directors' report (continued)

For the year ended 30 June 2022

Directors (continued)

Thomas Butcher (Ordinary Member)

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 started working in Investment Banking and is responsible for client activity in the transport, infrastructure, power and utilities sectors. He is currently an Executive Director with Macquarie Capital and is Head of Infrastructure, Asia Pacific and Co-Head of Infrastructure, Australia and New Zealand. He is Chair of the SCHF Board’s Commercial Investment sub-committee, leading the development of an innovative new pathway to revenue generation and is a member of the SCHF Board’s Audit and Risk sub-committee. A former trumpet player and dedicated squash fan, Tom has some exciting goals for the Foundation in the future.

Wei Mo (Ordinary Member)

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 (SUFE).

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 (Ordinary Member)

David Court is founder of Compton School, Australia’s first business school for creative people. He is also co-founder of Greenlight Technologies and chairman of Screen Canberra. David was 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 including John Weiley’s Antarctica, Baz Luhrmann’s Strictly Ballroom, Dean Cavell’s The Wiggles Movie and Robert Connolly’s The Bank. David was founding editor of the highly regarded industry newsletter Entertainment Business Review and was the policy architect of the Film Finance Corporation, which invested more than $1 billion in Australian films following its establishment by the Australian Government in 1988. In 2010, with Sir Peter Jackson, he undertook a review of the New Zealand Film Commission for the NZ Government. David holds a PhD from the Crawford School of Public Policy at the Australian National University.

Danny Rezek (Ordinary Member)

Danny’s career has been in professional services since 2003. As a Partner in Deloitte, he is currently the National Leader for Local Government and was previously the Office Managing Partner for Western Sydney and Motor Industry Leader for Asia Pacific.

Prior to moving into professional services, Danny was the Managing Director of Jaguar LandRover Australia.

Before relocating to Sydney to take on the Jaguar LandRover role, Danny held a number of senior positions in BMW Australia in both wholesale and retail.

Directors' report (continued)

For the year ended 30 June 2022

Directors (continued)

Anubha Sahasrabuddhe (Ordinary Member)

Anubha Sahasrabuddhe was appointed Chief Marketing Officer of Lion in 2022 after joining the business in January 2021 as Marketing, Consumer and Brand Director.

Anubha joined Lion from Mars, where she was most recently the Global Vice President of Chocolate, having held had a number of senior positions including Global Vice President, Wrigley in the US and China.

Prior to her career at Mars-Wrigley, Anubha spent over a decade with The Coca-Cola Company in various marketing leadership roles across Asia-Pacific.

A passionate marketer, Anubha has an impressive track record of building strong brands and communication campaigns to deliver category and portfolio growth.

Elizabeth Curran (Ordinary Member)

Elizabeth is experienced in hospital and health system strategy, clinical and non-clinical operational management, performance improvement and transformation. She is passionate about creating a connected 'patient centric' healthcare system to improve the quality, efficiency, effectiveness and sustainability of these critical services into the future. She is particularly passionate about children's health service improvement following her experience having two premature babies that are now healthy, active and thriving kids thanks to the amazing staff at the Sydney Children's Hospitals Network.

She has held Executive Director Operations roles in South Eastern Sydney Local Health District and Northern Sydney Local Health District within NSW Health over the past 5 years which included responsibility for all acute hospitals in those areas, mental health and population and community health. She previously worked as a Healthcare strategy and operations consultant in Deloitte, Booz & Company (Strategy &) and AT Kearney and has also held roles with the United Nations World Food Programme in Africa and Bill Clinton's Foundation for HIV in Latin America.

Elizabeth is currently Executive General Manager for Health and Education (H&E) in Downer Group and is responsible for a portfolio including some of Australia's largest and highest profile hospitals, tertiary institutions and schools. She is responsible for the sustainable delivery of a number of Public Private Partnerships (PPPs) and other long term facility management services including the Royal Adelaide Hospital, Bendigo Hospital, Royal Melbourne Children's Hospital, Sunshine Coast University Hospital, the Alfred Hospital, Orange, Bathurst and Bloomfield Hospitals and Women's and Children's Hospital Adelaide.

Constance Carnabuci (Ordinary Member)

Connie has over 35 years' experience as an advisor to the technology, media and telecommunications sectors.

She began her career in Australia as a law graduate with Mallesons Stephen Jaques in their IP/IT litigation team and was admitted to the partnership in the firm's corporate practice in 1997 specialising in M&A and commercial work with technology, data and IP intensive businesses.

In 2002 she joined the international firm, Freshfields Bruckhaus Deringer, based in Hong Kong as the head of their regional TMT practice in Asia and global co-head of the Technology practice - positions she held until May 2013.

Connie was the General Counsel of the Australian Broadcasting Corporation from 2017 to 2021.

Connie is a Non-Executive Director of ASX listed OFX (a leading online global fx payments provider), she Chairs the Media and Communications Law Committee of the Business Law Section of the Law Council of Australia and is a member of the Business Advisory Council of the UNSW Business School.

She is a graduate of UNSW (Bachelor of Commerce (Marketing), with merit / LLB, (1986) and a graduate of AICD.

Directors' report (continued)

For the year ended 30 June 2022

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mark Langan has been the Company Secretary since 25 October 2021. Mark Stewart was Company Secretary until 25 October 2021.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board		ARC		P&C		FIDC		CIC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Duncan Makeig	7	5	5	2	4	3	4	2	3	1
Simon Hickey	7	5	5	5	-	-	-	-	-	-
James Brindley	7	7	-	-	4	4	-	-	-	-
Thomas Butcher	7	7	5	5	-	-	-	-	3	3
Gina Cass-Gottlieb	7	3	-	-	-	-	-	-	-	-
Dr Matthew O'Meara	7	7	-	-	-	-	-	-	3	2
Dr David Court	7	6	-	-	-	-	4	4	3	2
Elizabeth Crouch	7	5	-	-	-	-	-	-	-	-
Wei Mo	7	7	-	-	-	-	4	3	-	-
David Nott	7	5	-	-	-	-	-	-	-	-
Danny Rezek	6	5	4	3	-	-	-	-	-	-

Dividends

The Company is a company limited by guarantee and is without share capital. Dividends are prohibited under its Constitution.

Principal activities

The principal activities during the year of combined entities were promoting charitable investment in the prevention and management of childhood illness, with a focus on kids and families receiving treatment or care through services provided by Sydney Children's Hospitals Network.

Review of operations

The net profit after tax of the Foundation for year ended 30 June 2022 was $13,287,540 (2021: $595,205).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Foundation during the year.

Significant events after the reporting period

There were no significant events occurring after the reporting period which may affect either the Foundation's operations or results of those operations or the Foundation's state of affairs.

Directors' report (continued)

For the year ended 30 June 2022

Likely developments and expected results

Likely developments in the operations of the Foundation and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Foundation.

Environmental regulation and performance

The Foundation is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Indemnification and insurance of directors and officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is, or has been an officer of the Company.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those. The Company was not a party to any such proceedings during the period.

Auditor independence

The directors have received a declaration from the auditor of Sydney Children's Hospitals Foundation Limited and Sydney Children's Hospitals Foundation has been included on page 7.

Signed in accordance with a resolution of the directors of Sydney Children's Hospitals Foundation Limited.

Leonard Chersky
Chair
Sydney
14 October 2022

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Auditor's Independence Declaration to the Directors of Sydney Children's Hospitals Foundation Limited (Trustee)

In relation to our audit of the combined financial report of Sydney Children's Hospitals Foundation Limited (Trustee) and Sydney Children's Hospitals Foundation (Trust) for the financial year ended 30 June 2022, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of any applicable code of professional conduct; and

b. No non-audit services provided that contravene any applicable code of professional conduct.

This declaration is in respect of Sydney Children's Hospitals Foundation Limited (Trustee) and Sydney Children's Hospitals Foundation (Trust) and the entities it controlled during the financial year.

Ernst & Young

Anton Ivanyi
Partner
14 October 2022

Combined statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Notes	2022 $	2021 $
Bequests		27,288,649	12,793,587
Donations and fundraising		38,088,445	32,739,887
Capital appeals		9,344,475	600,000
Cafe and gift shop operations		1,324,118	1,143,168
Net investment (loss)/gain	4	(3,391,107)	7,136,016
Other income	5	614,476	1,414,441
Total revenue		**73,269,056**	**55,827,099**
Fundraising expenses	6	(14,367,592)	(9,536,632)
Cafe and gift shop operations expenses		(1,107,224)	(1,064,059)
Operational expenses		(4,280,147)	(4,847,057)
Contributions distributed*		(40,226,553)	(39,784,146)
Surplus before income tax		**13,287,540**	**595,205**
Income tax expense		-	-
Net surplus for the year		**13,287,540**	**595,205**
Other comprehensive income			
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:			
Revaluation on artworks	10	114,068	-
Other comprehensive income for the year		114,068	-
Total comprehensive income for the year		**13,401,608**	**595,205**

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

**The contributions distributed were presented as distributions from equity in the 2021 financial statements. Since the combined entity trades through a company entity, the distribution of funds for the benefit of the purposes stated in our Constitution is properly classified as an expense in accordance with the accounting standards, being titled "Contributions distributed" in the combined income statement rather than "trust distributions" as in previous years. There is no effect on the net equity position of the Foundation.*

Combined statement of financial position

As at 30 June 2022

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	7	35,903,255	19,348,980
Trade and other receivables	8	981,328	547,195
Prepayments		662,285	2,853,799
Inventories		66,173	73,052
Total current assets		37,613,041	22,823,026
Non-current assets			
Financial assets	9	53,723,958	57,432,812
Plant and equipment	10	1,665,071	1,592,251
Intangible assets	11	69,821	43,148
Right-of-use assets	12	2,306,877	132,742
Total non-current assets		57,765,727	59,200,953
Total assets		**95,378,768**	**82,023,979**
Liabilities			
Current liabilities			
Trade and other payables	13	1,632,927	1,856,075
Lease liabilities		12,370	140,338
Employee benefit liabilities	14	733,061	452,672
Total current liabilities		2,378,358	2,449,085
Non-current liabilities			
Lease liabilities		-	12,370
Employee benefit liabilities	14	210,060	173,782
Total non-current liabilities		210,060	186,152
Total liabilities		**2,588,418**	**2,635,237**
Net assets		**92,790,350**	**79,388,742**
Equity			
Issued units	15	100	100
Asset revaluation reserves	15	938,537	824,469
Specified funds reserves	15	62,662,951	50,195,130
Unspecified funds reserves	15	29,188,762	28,369,043
Total equity		**92,790,350**	**79,388,742**

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

Combined statement of changes in equity

For the year ended 30 June 2022

	Issued units (Note 15)	Asset revaluation reserves (Note 15)	Specified funds reserves (Note 15)	Unspecified funds reserves (Note 15)	Total equity
	$	$	$	$	$
At 1 July 2020	**100**	**824,469**	**50,363,141**	**27,605,827**	**78,793,537**
Net (deficit)/surplus for the year	-	-	(168,011)	763,216	595,205
At 30 June 2021	**100**	**824,469**	**50,195,130**	**28,369,043**	**79,388,742**
At 1 July 2021	**100**	**824,469**	**50,195,130**	**28,369,043**	**79,388,742**
Net surplus for the year	-	-	12,467,821	819,719	13,287,540
Asset revaluation	-	114,068	-	-	114,068
Total comprehensive income	-	114,068	12,467,821	819,719	13,401,608
At 30 June 2022	**100**	**938,537**	**62,662,951**	**29,188,762**	**92,790,350**

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

Combined statement of cash flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Operating activities			
Bequests, donations, appeals and other receipts		74,721,569	45,856,400
Receipts from Jobsaver, Jobkeeper and other		180,343	1,735,340
Receipts from cafe and gift shop customers		1,324,118	1,143,168
Payments to suppliers and employees		(19,202,683)	(14,346,413)
Contributions distributed		(40,226,553)	(39,784,146)
Net cash flows from/(used in) operating activities		**16,796,794**	**(5,395,651)**
Investing activities			
Purchase of plant and equipment		(31,502)	(273,043)
Receipts from investments		-	702,903
Purchase of intangible assets		(70,679)	-
Net cash flows (used in)/from investing activities		**(102,181)**	**429,860**
Financing activities			
Payment of principal portion of lease liabilities		(140,338)	(120,118)
Net cash flows used in financing activities		**(140,338)**	**(120,118)**
Net increase/(decrease) in cash and cash equivalents		16,554,275	(5,085,909)
Cash and cash equivalents at 1 July		19,348,980	24,434,889
Cash and cash equivalents at 30 June	7	**35,903,255**	**19,348,980**

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

Notes to the combined financial statements

For the year ended 30 June 2022

1. Corporate information

The combined financial statements of Sydney Children's Hospitals Foundation Limited (the 'Trustee' or the 'Company') and Sydney Children's Hospitals Foundation (the 'Trust'), (collectively, the "Foundation") for the year ended 30 June 2022 were authorised for issue on 14 October 2022.

The combined financial statements cover the year from 1 July 2021 to 30 June 2022, and contain the financial information of the following Company and Trust, which are incorporated and domiciled in Australia:
- Sydney Children’s Hospitals Foundation Limited, a Company limited by guarantee; and
- Sydney Children’s Hospitals Foundation, a Trust

The registered office and the principal place of business of the Foundation is Sydney Children’s Hospitals Foundation, Mezzanine Level, 65 York Street, Sydney, NSW 2000 .

The nature of operations and principal activities of the Foundation are described in the directors' report. Information on the Foundation's related party transactions is provided in Note 17.

2. Significant accounting policies

2.1 Basis of preparation

The combined general purpose 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,* including approval from the ACNC for the Foundation to prepare combined financial statements that comprise the financial information of Sydney Children’s Hospitals Foundation Limited (Trustee) and Sydney Children's Hospitals Foundation (Trust).

Intragroup transactions between Sydney Children’s Hospitals Foundation Limited and Sydney Children's Hospitals Foundation are eliminated. The combined financial statements aim to:

(i) Combine items of assets, liabilities, equity, income, expenses and cash flows of the combined financial statements; and
(ii) Eliminate in full, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Trustee and the Trust.

Due to the fact that the Trustee and the Trust do not share a common parent company, the aggregation of the combined financial statements does not meet the definition of a group under AASB 10 *Consolidated Financial Statements.* In all other aspects, the combined financial statements have been prepared in accordance with the recognition, measurement, classification and disclosure requirements of *Australian Accounting Standards - Simplified Disclosures* adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profit Commission Act 2012.*

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.

The combined financial statements are presented in Australian dollars and all values are rounded to the nearest dollar ($), unless otherwise stated.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

Several amendments and interpretations apply for the first time in 2022, but do not materially impact on the combined financial statements of the Foundation.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Foundation for the annual reporting year ended 30 June 2022. The Foundation intends to adopt the new or amended standards or interpretations when they become effective.

AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

Entities will be required to follow the recognition and measurement requirement under Australian Accounting Standards, but may apply the simplified disclosure requirements in AASB 1060. AASB 1060 is the new simplified disclosure standard developed by the AASB based on IFRS for Small and Medium-sized Entities.

2.3 Summary of significant accounting policies

a) Current versus non-current classification

The Foundation presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- Its is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Foundation classifies all other liabilities as non-current.

b) Cash and cash equivalents

Cash and cash equivalents in the combined statement of financial position comprise cash at banks and on hand.

For the purpose of the combined statement of cash flows, cash and cash equivalents consist of cash, as defined above.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Foundation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Foundation has applied the practical expedient, the Foundation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Foundation has applied the practical expedient are measured at the transaction price as disclosed in Note 2.3(l) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Foundation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Foundation commits to purchase or sell the asset.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Foundation's financial assets at amortised cost includes trade and other receivables.

Trade and other receivables

A receivable represents the Foundation's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Foundation holds the trade receivables with the objective to collect the contractual cash flows and therefore measured them subsequently at amortised cost using the EIR method.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the combined statement of financial position at fair value with net changes in fair value recognised in the combined statement of profit or loss and other comprehensive income.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

This category includes listed equity investments which the Foundation had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the combined statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Foundation’s combined statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Foundation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Foundation has transferred substantially all the risks and rewards of the asset, or (b) the Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Foundation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Foundation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Foundation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Foundation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

Impairment

For trade and other receivables, the Foundation applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Foundation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Foundation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as trade and other payables and lease liabilities, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of trade and other payables and lease liabilities, net of directly attributable transaction costs.

The Foundation’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial instruments (continued)

(ii) Financial liabilities (continued)

Subsequent measurement

Financial liabilities at amortised cost

This is the category most relevant to the Foundation. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Foundation prior to the end of the financial year that are unpaid and arise when the Foundation becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Foundation transfers the related goods or services. Contract liabilities are recognised as revenue when the Foundation performs under the contract (i.e., transfers control of the related goods or services to the customer).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the combined statement of profit or loss and other comprehensive income.

d) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

e) Prepayments

Prepayments are carried at amortised cost and represent goods and services paid for the services paid for by the Foundation prior to the end of the financial period that have not been received.

f) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Foundation depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

f) Plant and equipment (continued)

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, the depreciation rates are as follows:

Motor vehicles	20%
Office equipment	20%
Computer equipment	33%

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the combined statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the combined statement of profit or loss and other comprehensive income.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

g) Intangible assets (continued)

A summary of the policies applied to the Foundation's intangible assets is, as follows:

	Computer software
Useful lives	Finite (3 years)
Amortisation method used	Amortised on a straight-line basis over the period of the patent
Internally generated or acquired	Acquired

h) Leases

The Foundation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Foundation as a lessee

The Foundation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Foundation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Foundation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property and building	2 to 10 years

If ownership of the leased asset transfers to the Foundation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.3(i) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Foundation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Foundation and payments of penalties for terminating the lease, if the lease term reflects the Foundation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

h) Leases (continued)

In calculating the present value of lease payments, the Foundation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Foundation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

i) Impairment of non-financial assets

The Foundation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Foundation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Foundation bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Foundation's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Foundation estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the combined statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

j) Employee benefits

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and annual leave

The Foundation does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Foundation recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

k) 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 or Foundation. Unspecified Funds represent funds received which 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. Contributions paid to the Sydney Children's Hospitals Network ("SCHN" or the "Network") are accounted for as an equity distribution on the basis that the Network is effectively akin to shareholder.

l) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The Foundation has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before revenue transferring them to the customer.

Bequests, donations and fundraising, capital appeals, operating grants

When the Foundation receives bequests, donations and fundraising, capital appeals, operating grants, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance to AASB 15 *Revenue from contracts with customers.*

When both these conditions are satisfied, the Foundation:

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

l) Revenue recognition (continued)

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

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

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

Cafe and gift shop operations

The revenue is recognised at the point in time when the transaction is made.

m) Investment gain or loss

A gain or loss is recognised in profit or loss when the Foundation sells an asset, unless the realised price matches exactly what the Foundation paid. Unrealised gains and losses reflect changes in the value of an investment before it is sold.

n) Fundraising expenses

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

o) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Foundation operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the combined statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

o) Taxes (continued)

Cash flows are included in the combined statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

p) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation of assets and liabilities. In previous years, the contributions distributed were presented as distributions from equity. These are now shown as an expenditure item forming a part of the surplus for the year. There is no effect on the the net equity position of the Foundation and is just a change in the presentation of the accounts.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

3. Significant accounting judgements, estimates and assumptions

The preparation of the Foundation's combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Foundation based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Foundation. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate

The Foundation cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Foundation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Foundation 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Foundation estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

4. Net investment (loss)/gain

	2022	2021
	$	$
Investment (loss)/gain	(3,164,254)	7,348,761
Management and brokerage fees	(226,853)	(212,745)
	(3,391,107)	**7,136,016**

5. Other income

	2022	2021
	$	$
Jobkeeper income	-	1,185,700
Jobsaver income	614,476	228,741
	614,476	**1,414,441**

6. Fundraising expenses

	2022	2021
	$	$
Depreciation of plant and equipment (Note 10)	72,750	80,907
Depreciation of right-of-use assets (Note 12)	425,865	123,335
Amortisation of intangible assets (Note 11)	21,763	32,454
Superannuation expenses	788,780	684,909
Other employee benefit expenses	8,499,302	7,513,270
Other fundraising expenses	4,559,132	1,101,757
	14,367,592	**9,536,632**

7. Cash and cash equivalents

	2022	2021
	$	$
Cash on hand	5,500	5,500
Cash at bank	35,897,755	19,343,480
	35,903,255	**19,348,980**

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise the above.

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

7. Cash and cash equivalents (continued)

7.1 Cash flow reconciliation

	2022	2021
	$	$
Cash flow reconciliation		
Reconciliation of net profit after tax to net cash flows from operations:		
Profit for the year	13,287,540	595,205
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	72,750	80,907
Depreciation of right-of-use assets	425,865	123,335
Gain on disposal of property, plant and equipment	21,763	32,454
Fair value adjustment of contingent consideration	-	(7,348,761)
Working capital adjustments:		
Decrease in trade and other receivables	-	865,802
Decrease in other assets	1,764,260	-
Increase in trade and other payables	-	255,407
Increase in provisions	1,224,616	-
Net cash flows from/(used in) operating activities	**16,796,794**	**(5,395,651)**

7.2 Changes in liabilities arising from financing activities

	1 July 2021	Cash flows	Non-cash	30 June 2022
	$	$	$	$
Lease liabilities	**152,708**	**(140,338)**	**-**	**12,370**

	1 July 2020	Cash flows	Non-cash	30 June 2021
	$	$	$	$
Lease liabilities	**281,427**	**(120,118)**	**(8,601)**	**152,708**

8. Trade and other receivables

	2022	2021
	$	$
Trade receivables	114,187	20,639
Accrued income receivable	754,869	361,965
GST receivable	112,272	164,591
	981,328	**547,195**

9. Financial assets

	2022	2021
	$	$
Financial assets at fair value through profit or loss		
Funds in managed investments	**53,723,958**	**57,432,812**

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

10. Plant and equipment

	Furniture, fixture and fittings	Motor vehicles	Office equipment	Artworks	Total
	$	$	$	$	$
Cost					
At 1 July 2021	268,577	23,937	241,993	1,278,182	1,812,689
Additions	23,220	-	8,282	-	31,502
Revaluation	-	-	-	114,068	114,068
At 30 June 2022	**291,797**	**23,937**	**250,275**	**1,392,250**	**1,958,259**
Accumulated depreciation					
At 1 July 2021	66,293	9,226	144,919	-	220,438
Depreciation charge for the year	21,690	2,992	48,068	-	72,750
At 30 June 2022	**87,983**	**12,218**	**192,987**	**-**	**293,188**
Net book value					
At 30 June 2022	**203,814**	**11,719**	**57,288**	**1,392,250**	**1,665,071**
At 30 June 2021	202,284	14,711	97,074	1,278,182	1,592,251

11. Intangible assets

	Computer software
	$
Cost	
At 1 July 2021	205,665
Additions	70,679
Transfers	(22,243)
At 30 June 2022	**254,101**
Accumulated amortisation	
At 1 July 2021	162,517
Amortisation	21,763
At 30 June 2022	**184,280**
Net book value	
At 30 June 2022	**69,821**
At 30 June 2021	43,148

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

12. Leases

Foundation as a lessee

The Foundation has a lease contract for property used in its operations. Leases of property generally have lease terms between 2 to 10 years. The Foundation's obligations under its lease are secured by the lessor's title to the leased assets. Generally, the Foundation is restricted from assigning and subleasing the leased asset and some contracts require the Foundation to maintain certain financial ratios.

The Foundation also has leases of equipment with low value. The Foundation applies the 'lease of low-value assets' recognition exemptions for this lease.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Property and building $
As at 1 July 2020	**264,359**
Lease modifications	(8,282)
Depreciation expense	(123,335)
As at 30 June 2021	**132,742**
Additions*	2,600,000
Depreciation expense	(425,865)
As at 30 June 2022	**2,306,877**

*The amount relates to the refurbish and upgrade of the Parents' Hostel on level 2, Block 9 of the Children's Hospital at Westmead into purpose-built modern office accommodation initially for use by both Sydney Children's Hospitals Network and the Foundation, equally shared for a 5-year period, then subsequently fully used by the Foundation for another 5 years. Further collaboration between the parties will be undertaken which include the implementation of a non-exclusive license agreement for the use of the licensed premises. Beyond the 10-year period Sydney Children's Hospitals Network may extend the license agreement in negotiation with the Foundation with the goal of the Foundation continues to be located within Sydney Children's Hospitals Network.

The payments made in relation to the refurbish and upgrade were initially recognised as prepayment in 2021 and to be expensed over 10 years from the time that the Foundation's employees commenced using the space in October 2020. In 2022, the remaining amount is reclassified to right-of-use assets in accordance with the requirements of AASB16 *Leases*. The right-of-use assets are depreciated over the remainder of the 10 years. There are $nil additions recognised to lease liabilities in 2022 because the amount was fully paid in previous years.

Presented below is a maturity analysis of future lease payments:

	2022 $	2021 $
Not later than 1 year	12,473	149,310
Later than 1 year and not later than 5 years	-	12,473
	12,473	**161,783**

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

13. Trade and other payables

	2022	2021
Current	**$**	**$**
Trade payables	389,581	792,601
Contract liabilities	175,860	262,957
Sundry payables and accrued expenses	1,067,486	800,517
	1,632,927	**1,856,075**

14. Employee benefit liabilities

	2022	2021
	$	**$**
Current		
Annual leave	571,790	334,434
Long service leave	161,271	118,238
	733,061	**452,672**
Non-current		
Long service leave	**210,060**	**173,782**

15. Issued units and reserves

Issued units	2022	2021
	$	**$**
100 units issued and fully paid (2021:100)	**100**	**100**

The issued units represents Sydney Children's Hospitals Foundation (Trust).

Asset revaluation reserves

	2022	2021
	$	**$**
At 1 July	938,537	824,469
At 30 June	**938,537**	**824,469**

Specified and unspecified funds reserves

	Specified fund reserves		Unspecified funds reserves	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
As at 1 July	50,195,130	50,363,141	28,369,043	27,605,827
Net surplus for the year	12,467,821	(168,011)	819,721	763,216
At 30 June	**62,662,951**	**50,195,130**	**29,188,764**	**28,369,043**

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 2022 is $62,662,951 (2021: $50,195,130). 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 (continued)

For the year ended 30 June 2022

16. Additional information required under the Charitable Fundraising Act, 1991

a) Statement of Income and Expenditure for Fundraising Appeals:

	2022	2021
	$	$
Gross income received from donations and fundraising appeals	74,721,569	46,133,474
Expenditure associated with fundraising appeals	(14,367,592)	(9,536,632)
Net operating surplus from fundraising appeals	60,353,977	36,596,842
Contributions distributed*	40,226,553	39,784,146
Operational expenses	4,280,147	4,847,057
Net operating surplus applied	44,506,700	44,631,203
Surplus/(deficit) available for future distribution	**15,847,277**	**(8,034,361)**

b) Comparison of certain monetary figures and percentages:

		2022	2021
		%	%
Direct expenditure from fundraising appeals	14,367,592		
Gross income received from donations and fundraising appeals	74,721,569	19	21
Net operating surplus from fundraising appeals	60,353,977		
Gross income received from donations and fundraising appeals	74,721,569	81	79
Contributions distributed*	40,226,553		
Total expenditure and contributions distributed	63,372,623	63	72
Contributions distributed*	40,226,553		
Gross income	76,660,163	52	71

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 are required to raise funds in full in advance of their implementation.

**The contributions distributed were presented as distributions from equity in the 2021 financial statements. Since the combined entity trades through a company entity, the distribution of funds for the benefit of the purposes stated in our Constitution is properly classified as an expense in accordance with the accounting standards, being titled "Contributions distributed" in the combined income statement rather than "trust distributions" as in previous years. There is no effect on the net equity position of the Foundation.*

Notes to the combined financial statements (continued)

For the year ended 30 June 2022

17. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties
		$	$
Other related parties	2022	-	119,748
	2021	-	211,966

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2022, the Foundation recognised a provision for expected credit losses of $nil relating to amounts owed by related parties (2021: $nil). As at 30 June 2022, the allowance for expected credit losses relating to amounts owed by related parties amounted to $nil (2021: $nil).

Compensation of key management personnel of the Foundation

Compensation expense of key management personnel amounted to $1,318,357 during the year ended 30 June 2022 (2021: $1,531,813).

18. Commitments and contingencies

Commitments

There were no commitments which would have a material effect on the Foundation's combined financial statements as at 30 June 2022 (2021: $nil).

Contingencies

There was no material contingent asset or liability as at 30 June 2022 (2021: $nil).

19. Auditor's remuneration

The auditor of Sydney Children's Hospitals Foundation Limited and Sydney Children's Hospitals Foundation is Ernst & Young (Australia) (2021: KPMG Australia).

	2022	2021
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) (2021: KPMG Australia) for:		
An audit or review of the financial report	**90,410**	**62,169**

20. Events after the reporting period

There have been no significant events occurring after the reporting period which may affect either the Foundation's operations or results of those operations or the Foundation's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Sydney Children's Hospitals Foundation Limited, I state that:

In the opinion of the directors:

(a) the Foundation is not a reporting entity as defined in the Australian Accounting Standards;

(b) the combined financial statements and notes of Sydney Children's Hospitals Foundation Limited and Sydney Children's Hospitals Foundation for the financial year ended 30 June 2022 are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012,* including:

 (i) giving a true and fair view of the combined entities' financial position as at 30 June 2022 and its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards to the extent described in Note 2.1 and the *Australian Charities and Not-for-Profits Commission Act 2012* and other mandatory professional reporting requirements; and;

(c) there are reasonable grounds to believe that the Sydney Children's Hospitals Foundation Limited and Sydney Children's Hospitals Foundation will be able to pay its debts as and when they become due and payable.

On behalf of the board

Leonard Chersky
Chair
Sydney
14 October 2022

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Independent auditor's report to the members of Sydney Children's Hospitals Foundation Limited

Opinion

We have audited the combined financial report of Sydney Children's Hospitals Foundation Limited (the Company), and its subsidiaries (collectively the Group) and Sydney Children's Hospitals Foundation (the Trust), collectively referred to as the Foundation. The combined financial report comprises the combined statement of financial position as at 30 June 2022, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, notes to the combined financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying combined financial report of the Foundation is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a. Giving a true and fair view of the combined financial position of the Foundation as at 30 June 2022 and of its combined financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial report* section of our report. We are independent of the Foundation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the combined financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2.1 of the combined financial report, which describes the basis of preparation. The combined financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Australian Charities and Not-for-profits Commission Act 2012*, including approval from the Australian Charities and Not-for-profits Commission for the Foundation to prepare a combined financial report. As a result, the combined financial report and the Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Information Other than the Combined Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the combined financial report.

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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Combined Financial Report

The directors of the Foundation are responsible for the preparation of the combined financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the combined financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the combined financial report, the directors are responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Combined Financial Report

Our objectives are 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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this combined financial report.

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

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Foundation to express an opinion on the combined financial report. We are responsible for the direction, supervision and performance of the Foundation audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2021

We have audited the combined financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2021*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Act and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion:

a) The combined financial report of the Foundation has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2022, in all material respects, in accordance with:

    i. sections 20(1), 22(1-2), 24(1) of the NSW Charitable Fundraising Act 1991;

    ii. sections 14(2) and 17 of the NSW Charitable Fundraising Regulations 2021.

b) the money received as a result of fundraising appeals conducted by the Foundation during the financial year ended 30 June 2022 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act and Regulations.

Ernst & Young

Anton Ivanyi
Partner
Sydney
14 October 2022