

Sydney Children's Hospital Foundation

Financial Statements

For the 12 months ended 31 December 2016

Contents

For the 12 months ended 31 December 2016

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Sydney Children's Hospital Foundation

Trustee's Report

The Trustee of Sydney Children's Hospital Foundation (the Foundation) presents its report for the 12 months ended 31 December 2016.

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

Formation of the Foundation

Sydney Children's Hospital Foundation was formed on 25 March 1986 and is governed by rules and regulations as found in the Trust Deed.

The Trustee

The Trustee of the Foundation is Sydney Children's Hospital Foundation Limited (ABN 72 003 073 185).

Review of results and operations

In 2016, the Foundation celebrated a significant milestone: our 30th anniversary. Over those 30 years, the Foundation has contributed more than \$100 million to ensure that all children who visit Sydney Children's Hospital Randwick have access to world-class medical care.

To mark this special occasion, we invited all our past Board directors and their partners to a special event hosted by our current Chairman. It was wonderful to see their continued passion and commitment to the Hospital and Foundation and was an opportunity to acknowledge and celebrate their generous contribution over so many years. The event reconnected everyone with the Foundation and each other and provided an opportunity to look back and reflect on the success of the past, while looking to the future with enormous optimism.

At that event, we announced Professor Emeritus Les White AM as the Foundation's first Patron. Les, who was a member of our Board from 1995 and retired on 7 February 2017, has a stellar track record as an advocate for children and families. Les was Executive Director of the Hospital for 15 years and was the inaugural NSW Chief Paediatrician. We are delighted that he will be working with us to champion the Foundation's role in helping to deliver world-class paediatric healthcare.

During 2016, the Foundation contributed a total of \$12.3m to Sydney Children's Hospital, Randwick compared to \$9.9m on an annualised basis for calendar year 2015. Contributions made during 2016 helped support four priority areas of the Hospital: People \$3.3m, Research \$3.2m, Equipment & Technology \$1.7m and, Capital Works \$4.1m.

Our strong community ties helped produce a fantastic fundraising result for 2016, with gross fundraising income of \$19.0m, which is up 21% compared to the 2015 annualised equivalent of \$15.7m. Net fundraising income for 2016 of \$15.8m grew by 18% compared to the 2015 annualised comparison of \$13.4m.

Operating expenses for 2016 were \$3.1m compared to \$2.6m for 2015 on an annualised basis. During 2016 the Foundation undertook a number of important development initiatives including enhancement of our CRM system WISH, further development of our Web-site and establishment of a new digital marketing capability for the future.

Our investment portfolio which is marked to market provided a net return of \$1.9m for 2016 compared to \$1.6m on an annualised basis for 2015. Our portfolio is reviewed regularly by the Finance and Audit committee to mitigate risk and optimise returns. During 2016, the Board decided to review the Foundation's Investment Management arrangements. As a result, the Foundation initiated a tender process with the aim of consolidating our funds under management which we believe will result in better outcomes for the Foundation. Due to their strong investment management processes and their proven capability in the NFP sector, JB Were has been selected as the Foundation's new Investment Manager. A transition of all investments to JB Were is expected to be finalised during 2017.

Our balance sheet has been strengthened by an additional allocation of \$2.9m to reserves in 2016. The total reserves as at 31 December 2016 is \$48.1m (2015: \$45.2m) which consists of \$19.3m in specified reserves, which are restricted funds for a purpose specified by the donor or the Foundation, \$0.8m in revaluation reserves and \$28.0m in unspecified reserves. Our unspecified reserves provide a buffer against economic shocks, enabling the Foundation to sustain contributions to the hospital during short-term economic downturns; as well as providing a platform for continued support of the Hospital in the longer term.

To ensure we are well positioned to continue to deliver in an increasingly digital world, we

Sydney Children's Hospital Foundation

have continued to harness our investment in technology and systems, rolling out new features within our client relationship management system to improve donor care and data management. We also commenced the build of a mobile-optimised website which is an important step towards creating an enhanced digital presence for the Foundation.

We also embarked on a pilot project to test a Relationship Model approach to the way we engage with donors and the Hospital, which will continue during 2017 to give us important insights to assist in the development of the Foundation engagement model.

This period has been an exciting year of renewal and regeneration which has positioned the Foundation well to meet the challenges that lie ahead and more importantly, to embrace the opportunities.

We ended the year firmly focused on the future. We completed a strategic review which involved the Board, staff and stakeholders which informed the development of a new five-year roadmap, setting out our Strategic Direction from 2017 to 2022.

Likely developments

There are no likely developments in the operations of the Foundation that may significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the company in financial year subsequent to 31 December 2016.

Insurance and indemnification of officers and auditor

No insurance premiums are paid out of the assets of the Foundation in regards to auditor of the Foundation. The Foundation 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 out of the assets of the Foundation against any losses incurred whilst acting on behalf of the Foundation.

Events after the reporting period

Other than as noted below, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future financial years.

Subsequent to 31 December 2016, the Foundation engaged in discussions with a third party regarding the potential sale of three properties owned by the Foundation. The properties are expected to be sold within 12 months from balance date for a value greater than the asset carrying value recorded in Property, plant and equipment and Investment property on the Statement of Financial Position.

Directors' Profiles

D Makeig (Chairman)	Duncan Makeig is Chief Executive Officer of China Road Pty Limited and Chairman of Heineken Lion Australia. Mr Makeig was previously Managing Director of Lion Pty Limited's Asia Dairy business, General Counsel of Kirin's International Advisory Board, Lion's Group General Counsel and Sustainability Director, General Counsel for Pepsi Co Australasia / Africa and Senior Vice President and General Counsel for Tricon Restaurants International based in Dallas, Texas with responsibility for all of Tricon's legal and governance obligations across its operations in 160 countries.
Professor L White AM	Emeritus Professor Les White served as the inaugural NSW Chief Paediatrician from 2010 to 2016. He had been Executive Director of Sydney Children's Hospital from 1995 to 2010, following a clinical and academic career, with emphasis on childhood cancer. Other positions have included President of Children's Hospitals Australasia (1999-2004) and the John Beveridge Professor of Paediatrics (2005-2010). He has over 130 publications and many more abstracts, awards, grants and invited presentations on his CV. Les serves on 8 not-for-profit boards relating to children's health or medical research. He was awarded a Doctorate of Science for research contributions related to childhood cancer and holds a Master of Health Administration. In 2007 he received an Order of Australia award for services to medicine, medical administration and the community in the field of paediatrics. In December 2016, Les was honoured as the inaugural Patron of the Foundation. Les retired as a Director in February 2017.

Sydney Children's Hospital Foundation

Trustee's Report (continued)

S Hickey (Deputy Chairman) (Treasurer)	Simon Hickey is Group CEO and Managing Director of Campus Living Villages (CLV), the largest global provider of accommodation for tertiary students. CLV develops, builds, owns and operates student accommodation facilities on and off campus in Australia, New Zealand, the USA, and the United Kingdom. Prior to joining CLV Mr Hickey was CEO of Qantas International & Freight, responsible for turning around the international business. Mr Hickey joined Qantas in September 2004 as Group General Manager Strategy and Fleet and between 2007 and 2012 Mr Hickey was appointed CEO of Qantas Frequent Flyer, responsible for establishing the Loyalty business. Mr Hickey began his career with Arthur Andersen as a business consultant working in Sydney, Melbourne and London. Between 2001 and 2004, he was CFO for Bovis Lend Lease Americas. Prior to this, he held various roles with Lend Lease including Bovis Lend Lease CFO Asia Pacific.
M Brydon	Dr. Michael Brydon is Chief Executive of the Sydney Children's Hospitals Network and has worked at Sydney Children's Hospital, Randwick, for 32 years after completing his undergraduate Medical Degree at UNSW and his Fellowship of Paediatrics in the Randwick Program. His other postgraduate qualifications include a Masters of Paediatrics and a Masters of Health Administration from UNSW. Over the past two decades, Michael has advocated for children, highlighting the differences in their needs and the importance of quality care in all that is delivered to these families.
Dr M O'Meara	Dr. Matthew O'Meara is a paediatric emergency physician and has been a staff specialist in Emergency for over 20 years and has been head of the emergency department and director of critical care. He is currently acting in the role of NSW Chief Paediatrician. Through roles in the Hospital, in NSW and nationally, he has been an advocate for improving the acute care of children.
J Freudenstein	Jane Freudenstein is a graduate of the Australian Institute of Company Directors and has more than 15 years' experience in strategic brand development, working at DMB&B, J Walter Thompson, Young and Rubicon and as Director of Client Services at Whybin Lawrence TBWA. She was Marketing Director of Nickelodeon, and is passionate about kids' issues and wellbeing. She is currently a director of Sydney Dance and was previously a Director on the board of Sydney Children's Choir and Gondwana Voices and the Wenona Foundation. Jane retired from the Board of Sydney Children's Hospital Foundation in February 2016.
G Cass-Gottlieb	Gina Cass-Gottlieb is a senior partner in Gilbert + Tobin's Competition and Regulation practice. She specialises in competition law and economic regulation advice working with corporate clients, industry associations and government agencies. She is a Board member of the Payment Systems Board of the Reserve Bank of Australia and a member of the Advisory Board Graduate Program in Competition Law, Melbourne Law School.
R Malek	Ron Malek has extensive investment banking experience having advised local and international companies on mergers and acquisitions and capital markets strategy for over 25 years. Ron is a Co-Founder and Executive Co-Chairman of Luminis Partners, a leading independent corporate advisory firm. Ron was previously a co-founder of the firm Caliburn in 1999, which merged with New York Stock Exchange listed Greenhill and was previously Co-Chief Executive of Caliburn and Greenhill Caliburn. Ron is currently a director of the National Institute of Dramatic Art, a member of the Australian Takeovers Panel and a member of the UNSW Council's Investment Committee.
B Ward	Barbara Ward is a non-executive director of Qantas Airways Limited, Caltex Australia Limited and various Brookfield Multiplex Group Companies. She is an experienced company director, having served on the boards of a number of public companies including the Commonwealth Bank of Australia, Lion Nathan Limited, Multiplex Limited and Data Advantage Limited. She has also been a director of a range of public sector entities including as Chairman of Country Energy.
G Barnes	Glenn Barnes was appointed to the Board of Sydney Children's Hospital Foundation in April 2016. Glenn has over twenty years of governance experience in banking and financial services, business information, healthcare and wellbeing, body protection and consumer goods. Glenn has been involved in the in the packaged goods, banking and financial services sectors for over 30 years, as an executive, business leader and director in Australia, New Zealand, the United Kingdom, United States of America, Republic of Ireland, Japan and China. Glenn also has broad experience in other governance roles

Sydney Children's Hospital Foundation

Trustee's Report (continued)

including as a non-executive director, chairman, committee member and committee chairman. He has been involved in and led successful takeover defences, sales and purchases of businesses, and served on and chaired audit, finance, risk, leadership, nomination, remuneration, strategy, governance and investment committees.

J Brindley

James Brindley was appointed to the Board of Sydney Children's Hospital Foundation in April 2016. James joined Lion in 1994, spending eight years with Lion in China from 1997 and returning to Australia in 2005. James was appointed Managing Director of Lion Beer Australia in 2009 and is responsible for business strategy development, implementation and execution, and achievement of financial market share and stakeholder outcomes. James holds a degree in economics and an MBA and has gained extensive experience in people and business leadership, working across Lion businesses in both China and Australia. He is Chair of Brewers Association of Australia and New Zealand, a Director of DrinkWise Australia and a member of Alcohol Beverages Australia.

P Wiggs

Peter Wiggs was appointed to the Board of Sydney Children's Hospital Foundation in April 2016. Peter was a founding Partner of Archer at its establishment in 1997. He is Chairman of their Investment Committee and oversees the fundraising program. He is also Chairman of Aerocare, V8 Supercars and Brownes Diary, and a Director of Allity Aged Care. Prior to Archer, Peter was a member of the private equity team at Rothschild Australia. Peter's achievements in private equity were recognised at the Asian Private Equity and Venture Capital Awards when he was selected as Private Equity professional of the year. Prior to Rothschild, he spent five years at Booz Allen specialising in strategic and operational assignments for Australia and New Zealand companies in healthcare, banking, insurance and FMCG industries. Peter holds a Master of Business Administration from Harvard Business School and a Bachelor of Economics (Hons) from the University of Sydney.

Sydney Children's Hospital Foundation

Directors' meetings

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

Signed in accordance with a resolution of the directors:

Director

Dated this

26th day of

April

Sydney

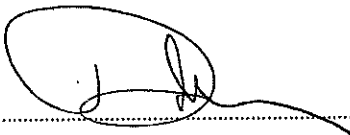
Sydney Children's Hospital Foundation

Trustee's Declaration

In the opinion of the Sydney Children's Hospital Foundation Limited, the trustee of Sydney Children's Hospital Foundation (the Foundation):

- (a) The financial statements and notes, as set out on pages 10 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Foundation's financial position as at 31 December 2016 and of its performance, for the 12 month period ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime 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.


This declaration is made in accordance with a resolution of the directors of the Trustee and is signed for and on behalf of the directors of the Trustee by:

Director.....
Dated this 26th day of April Sydney

Declaration by Chairperson of the Trustee of the Foundation in Respect of Fundraising Appeals

I, Duncan Makelg, Chairperson of the Trustee of the Sydney Children's Hospital Foundation, declare that in my opinion:

- (a) the financial statements give a true and fair view of all income and expenditure of the Sydney Children's Hospital Foundation with respect to fundraising appeals for the 12 month period ended 31 December 2016;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the provisions of the Charitable Fundraising (NSW) Act 1991 and the regulations under that Act and the conditions attached to the authority have been complied with, and
- (d) the internal controls exercised by the Sydney Children's Hospital Foundation are appropriate and effective in accounting for all income received and applied from fundraising appeals.

Director.....
Dated this 26th day of April Sydney



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 Hospital Foundation

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Julian McPherson', written over a horizontal line.

Julian McPherson
Partner

Sydney
26 April 2017

Sydney Children's Hospital Foundation

Statement of Surplus and Deficit and Other Comprehensive Income For the 12 Months ended 31 December 2016

	1 January 2016 – 31 December 2016 (12 months)	1 July 2014 – 31 December 2015 as restated (18 months)
	\$	\$
	Note	
Revenue		
Bequests	2,649,775	1,908,995
Donations and fundraising	15,169,292	19,913,159
Capital appeals	1,222,257	1,666,667
Net investment revenue	1,879,500	2,408,287
Cafe and gift shop operations	1,851,941	2,727,062
Gain on disposal of motor vehicle	3,050	-
Rental income	52,885	76,960
Administration fee	105,000	-
Total revenue	<u>22,933,700</u>	<u>28,701,130</u>
Expenses		
Fundraising expenses	3,198,652	3,421,383
Cafe and gift shop operations	1,446,995	2,159,864
Operational expenses	3,073,976	3,879,093
Total expenses	<u>7,719,623</u>	<u>9,460,340</u>
Surplus for the year	<u>15,214,077</u>	<u>19,240,790</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation changes for property, plant and equipment	4,829	-
Other comprehensive income for the period	<u>4,829</u>	<u>-</u>
Total comprehensive income for the period	15,218,906	19,240,790
Less: Contributions distributed	(12,331,567)	(14,779,349)
Trfrd to specified and unspecified funds reserves	2,887,339	4,461,441
Add: Total equity brought forward	45,230,105	40,768,664
Total Equity Carried Forward	<u>48,117,444</u>	<u>45,230,105</u>

The accompanying notes form part of these financial statements.

Sydney Children's Hospital Foundation

Statement of Financial Position As At 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	11,905,669	8,231,633
Trade and other receivables	5	472,000	805,987
Inventories		90,023	79,992
Financial assets	6	5,020,417	7,000,000
TOTAL CURRENT ASSETS		17,488,109	16,117,612
NON-CURRENT ASSETS			
Financial assets	6	27,012,796	25,660,583
Property, plant and equipment	7	2,931,972	2,909,932
Investment property	8	1,127,568	1,165,672
Computer software	7	196,092	133,763
TOTAL NON-CURRENT ASSETS		31,268,428	29,869,950
TOTAL ASSETS		48,756,537	45,987,562
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	410,613	544,529
Employee benefits		188,151	185,089
TOTAL CURRENT LIABILITIES		598,764	729,618
NON-CURRENT LIABILITIES			
Employee benefits		40,329	27,839
TOTAL NON-CURRENT LIABILITIES		40,329	27,839
TOTAL LIABILITIES		639,093	757,457
NET ASSETS		48,117,444	45,230,105
EQUITY			
Settlement capital		100	100
Asset realisation reserves		824,469	819,640
Specified funds reserves		19,302,566	20,627,032
Unspecified funds reserves		27,990,309	23,783,333
TOTAL EQUITY		48,117,444	45,230,105

The accompanying notes form part of these financial statements.

Sydney Children's Hospital Foundation

Statement of Changes in Equity

For the 12 months ended 31 December 2016

1 January 2016 – 31 December 2016

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

1 July 2014 – 31 December 2015 as restated

	Specified Funds Reserves	Unspecified Funds Reserves	Asset Realisation Reserves	Settlement Capital	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	21,412,373	18,536,551	819,640	100	40,768,664
Surplus attributable to the entity	11,332,079	7,908,711	-	-	19,240,790
Contributions	(11,184,516)	(3,594,833)	-	-	(14,779,349)
Re-allocation of administration fee on specified donations	(933,094)	933,094	-	-	-
Balance at 31 December 2015	<u>20,627,032</u>	<u>23,783,333</u>	<u>819,640</u>	<u>100</u>	<u>45,230,105</u>

The accompanying notes form part of these financial statements.

Sydney Children's Hospital Foundation

Statement of Cash Flows

For the 12 months ended 31 December 2016

	1 January 2016 – 31 December 2016 (12 months)	1 July 2014 – 31 December 2015 as restated (18 months)
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES :		
Bequests, donations, appeals and other receipts	19,149,021	22,615,077
Receipts from cafe and gift shop customers	1,851,941	2,717,314
Payments to suppliers and employees	(7,213,931)	(8,201,451)
Interest received	285,555	508,192
Contributions made	(12,331,567)	(14,779,349)
Net cash provided by operating activities	14(b) <u>1,741,019</u>	<u>2,859,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	3,050	-
Purchase of property, plant and equipment	(70,697)	(203,290)
Inflow from term deposits and managed investments	<u>2,000,664</u>	<u>247,019</u>
Net cash used by investing activities	<u>1,933,017</u>	<u>43,729</u>
Net increase in cash and cash equivalents held	3,674,036	2,903,512
Cash and cash equivalents at beginning of year	<u>8,231,633</u>	<u>5,328,121</u>
Cash and cash equivalents at end of financial year	14(a) <u><u>11,905,669</u></u>	<u><u>8,231,633</u></u>

The accompanying notes form part of these financial statements.

Sydney Children's Hospital Foundation

Notes to the Financial Statements

For the 12 months ended 31 December 2016

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

Sydney Children's Hospital Foundation applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB). The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements are presented in Australian Dollars have been rounded to the nearest dollar.

In the prior period the Foundation changed its reporting date from 30 June to 31 December. As a result of this change the comparative period presented is 18 months from 1 July 2014 to 31 December 2015.

(b) 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.

(c) Inventories

Inventories are measured at the lower of cost and net realizable 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.

(d) Property, Plant and Equipment

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

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

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognized either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements
For the 12 months ended 31 December 2016

1 Summary of Significant Accounting Policies

(d) Property, Plant and Equipment (continued)

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognized at the fair value of the asset at the date it is acquired.

Depreciation

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

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

Buildings	2.0%
Motor Vehicles	20%
Office Equipment	20%
Computer Equipment	33%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognized in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(e) 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.

(f) Investment property

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

(g) Financial Instruments

Initial recognition and measurement

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements

For the 12 months ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments (continued)

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

Classification and subsequent measurement

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

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

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

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

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

(ii) Receivables

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

(iii) Held-to-maturity investments

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

(iv) Financial liabilities

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

(h) Impairment of non-financial assets

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements

For the 12 months ended 31 December 2016

1 Summary of Significant Accounting Policies continued

(h) Impairment of non-financial assets continued

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

(i) 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.

(j) Employee Benefits

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

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

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

(k) 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.

(l) Revenue

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

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

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

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

1 Summary of Significant Accounting Policies (continued)

(l) Revenue (continued)

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

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

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

(m) Fundraising expenses

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

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognized 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.

(o) 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. In previous periods these funds have been presented as a single caption within equity. In the current period, to provide further transparency, the Specified Funds and Unspecified Funds have been represented separately. To provide comparable information the comparative period funds balances have also been reclassified into Specified Funds and Unspecified Funds. Administration fees included in specified donations collected have been recorded as a transfer from Specified Funds to Unspecified Funds within equity to reflect the recovery of costs associated with specified donations.

(p) Reclassification of comparative period information

In the comparative period, administration fees in respect of the recovery of costs associated with specified donations were presented as additional revenue and contributions of funds. These amounts did not represent additional revenue and therefore in the current period this presentation of administration fee revenue has ceased. To provide comparable information the comparative period administration fee revenue and contributions out of equity have been reduced by \$933,094. The reclassification did not affect net assets, total equity or the funds available to be contributed.

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

2 Surplus from ordinary activities has been determined after:

(a) Expenses

	1 January 2016 – 31 December 2016 \$	1 July 2014 – 31 December 2015 \$
Depreciation and amortisation		
- property, plant and equipment	69,651	100,252
- investment property	38,104	23,599
- computer software	43,019	25,336
Total depreciation and amortisation	<u>150,774</u>	<u>149,187</u>

(b) Net investment revenue

Interest	317,997	565,146
Investment income	1,768,216	2,151,016
Management and brokerage fees	(206,713)	(307,875)
Net investment revenue	<u>1,879,500</u>	<u>2,408,287</u>

3 Auditor's remuneration

KPMG

- Auditing the financial statements

<u>-</u>	<u>-</u>
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31 December
2016
\$

31 December 2015
\$

4 Cash and Cash Equivalents

Cash on hand	5,000	5,000
Cash at bank	7,887,705	4,026,633
Term deposits	4,012,964	4,200,000
	<u>11,905,669</u>	<u>8,231,633</u>

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
5 Trade and Other Receivables		
CURRENT		
Trade debtors	8,880	27,531
Prepayments	52,205	44,630
Other receivables	90,411	275,696
Accrued income receivable	320,504	365,043
Receivables - CHFA	-	93,087
	<u>472,000</u>	<u>805,987</u>
6 Financial Assets		
CURRENT		
Held-to-maturity financial assets:		
-term deposits	<u>5,020,417</u>	<u>7,000,000</u>
	<u>5,020,417</u>	<u>7,000,000</u>
NON-CURRENT		
Financial assets at fair value through profit or loss:		
- funds in managed investments	<u>27,012,796</u>	<u>25,660,583</u>
	<u>27,012,796</u>	<u>25,660,583</u>

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
7 Property Plant and Equipment		
LAND AND BUILDINGS		
Freehold land		
At cost	866,000	866,000
Total freehold land	<u>866,000</u>	<u>866,000</u>
Buildings		
At cost	1,308,909	1,308,909
Less accumulated depreciation	(346,897)	(320,719)
Total buildings	<u>962,012</u>	<u>988,190</u>
Total land and buildings	<u>1,828,012</u>	<u>1,854,190</u>
PLANT AND EQUIPMENT		
Furniture, fixture and fittings		
At cost	143,237	138,013
Less accumulated depreciation	(124,925)	(106,531)
Total furniture, fixture and fittings	<u>18,312</u>	<u>31,482</u>
Motor vehicles		
At cost	36,455	77,053
Less accumulated depreciation	(36,455)	(70,811)
Total motor vehicles	<u>-</u>	<u>6,242</u>
Office equipment		
At cost	391,395	359,945
Less accumulated depreciation	(349,292)	(330,455)
Total office equipment	<u>42,103</u>	<u>29,490</u>
Artworks		
At independent valuation	1,043,545	988,528
Total artworks	<u>1,043,545</u>	<u>988,528</u>
Total property, plant and equipment	<u>2,931,972</u>	<u>2,909,932</u>
Computer Software		
At cost	193,123	159,099
Less accumulated amortisation	(68,355)	(25,336)
Work in progress - website	71,324	-
Total computer software	<u>196,092</u>	<u>133,763</u>

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
8 Investment Property		
At cost	1,245,629	1,245,629
Less accumulated depreciation	(118,061)	(79,957)
Total investment property	<u>1,127,568</u>	<u>1,165,672</u>

The investment property at 15 Eurimbla Avenue, Randwick was acquired on 1 December 2010. The investment property yielded rental income of \$52,885 (2015 18 months: \$76,960).

9 Specified / Unspecified Funds

Specified funds are funds received or reserves held that must be spent on the purpose for which they were received or are held. They comprise of donations and bequests where the donor indicates a preference for the use to which the funds are to be used and donations received in response to specific purpose appeals. The carrying amount of the restricted funds at 31 December 2016 is \$19,302,566.

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

10 Trade and Other Payables

CURRENT

Trade creditors	101,366	229,092
Sundry payables and accrued expenses	309,247	315,437
	<u>410,613</u>	<u>544,529</u>

11 Commitments

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements
For the 12 months ended 31 December 2016

12 Additional Information Required Under The Charitable Fundraising Act, 1991

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

	1 January 2016 – 31 December 2016	1 July 2014 – 31 December 2015 as restated
	\$	\$
Gross income received from donations and fundraising appeals	19,041,324	23,488,821
Expenditure associated with fundraising appeals	(3,198,652)	(3,421,383)
Net Operating Surplus from fundraising appeals	<u>15,842,672</u>	<u>20,067,438</u>
Contributions distributed	12,331,567	14,779,349
Operational expenses	3,073,976	3,879,093
Net operating surplus applied	<u>15,405,543</u>	<u>18,658,442</u>
Surplus available for future distribution	<u>437,129</u>	<u>1,408,996</u>

(b) Comparison of Certain Monetary Figures and Percentages:

Direct expenditure from fundraising appeals	<u>3,198,652</u>		
Gross income received from donations and fundraising appeals	19,041,324	17%	15%
Net Operating Surplus from fundraising appeals	<u>15,842,672</u>		
Gross income received from donations and fundraising appeals	19,041,324	83%	85%
Contributions Distributed	<u>12,331,567</u>		
Total Expenditure and contributions distributed	20,051,190	62%	61%
Contributions Distributed	<u>12,331,567</u>		
Gross Income	22,933,700	54%	51%

Note:

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

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

13 Key Management Personnel Compensation

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

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

	1 January 2016 – 31 December 2016	1 July 2014 – 31 December 2015
	\$	\$
- key management personnel compensation	1,071,675	1,445,640
	<u>1,071,675</u>	<u>1,445,640</u>

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

	1 January 2016 – 31 December 2016	1 July 2014 – 31 December 2015 as restated
	\$	\$
14 Cash Flow Information		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	11,905,669	8,231,633
	<u>11,905,669</u>	<u>8,231,633</u>
(b) Reconciliation of result for the year to cash flows from operating activities		
Surplus for the year before contributions	15,214,077	19,240,790
Less:		
- contributions made	(12,331,567)	(14,779,349)
- proceeds from sale of fixed assets	(3,050)	-
Non-cash flows in profit:		
- depreciation and amortisation	150,774	149,187
- artworks donated	(50,188)	(17,800)
- (increase) in value of managed investments	(1,373,296)	(1,544,802)
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	333,987	(208,796)
- (decrease) in other liabilities	-	(3,860)
- increase in inventories	(10,030)	(14,324)
- (decrease)/increase in trade and other payables	(133,916)	39,438
- increase/(decrease) in employee benefits	15,552	(702)
- (increase) in fixed assets – work in progress	(71,324)	-
Cash flow from operations	<u>1,741,019</u>	<u>2,859,783</u>

Sydney Children's Hospital Foundation

Notes to the Financial Statements For the 12 months ended 31 December 2016

15 Events Occurring After the Reporting Date

Other than as noted below, no matters or circumstances have arisen since the end of financial year which significantly affected or may significantly affect the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future financial years.

Subsequent to 31 December 2016 the Foundation engaged in discussions with a third party regarding the potential sale of three properties owned by the Foundation. The properties are expected to be sold within the next 12 months from balance date for a value greater than the asset carrying value recorded in Property, plant and equipment and Investment property on the Statement of Financial Position.

16 Contingent Liabilities

The Foundation did not have any contingent liabilities at 31 December 2016 (31 December 2015: Nil).

17 Foundation's Details

Registered office

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

Sydney Children's Hospital Foundation
19 Eurimbla Avenue
Randwick NSW 2031



Independent Auditor's Report

To the Trustee of Sydney Children's Hospital Foundation

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report**, of Sydney Children's Hospital Foundation (the Foundation).

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

- (i) giving a true and fair view of the Foundation's financial position as at 31 December 2016, 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 the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statement of financial position as at 31 December 2016.
- (ii) Statement of surplus and deficit and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Trustee's declaration.
- (v) Declaration by the Chairperson of the Trustee of the Foundation in respect of fundraising appeals of the Foundation.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Foundation in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

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

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the 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 Trustees for the Financial Report

The Trustee is responsible for:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosures Requirements* and the ACNC.
- (ii) Preparing the Financial Report in accordance with Section 24(2) of the *Charitable Fundraising (NSW) Act 1991* and *Regulations*.
- (iii) Implementing necessary internal control to enable the preparation of a 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. 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 Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the 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 Financial Report.



Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made, by the Trustee of the Foundation.
- (v) Concluding on the appropriateness of the Trustee's 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 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.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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 Acts 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 Financial Report such as accruals, prepayments, provisioning and valuations.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- (i) the Financial Report gives a true and fair view of the Foundation's financial result of fundraising appeal activities for the financial year ended 31 December 2016;



- (ii) the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2016 to 31 December 2016, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- (iii) money received as a result of fundraising appeal activities conducted during the period from 1 January 2016 to 31 December 2016 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 the Foundation will be able to pay its debts as and when they fall due.

KPMG

KPMG

Julian McPherson
Partner

Sydney
26 April 2017