



# FINANCIAL REPORT

*For The Year Ended  
30 June 2016*

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## HABITAT FOR HUMANITY AUSTRALIA LTD

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A.C.N. 131 976 004

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# Directors' Report

The name and details of the Company's directors in office during the year and until the date of this report are as follows:

List of directors	Position	Experience	Date of Appointment
Chris Franks	Chairperson	Company Director & Governance Consultant	1-Jul-08
Robyn FitzRoy	Director	Company Director, Board Governance & Strategy Specialist	29-Nov-10
Natalie Fuller	Director	Social Planning Consultant, Habitat for Humanity South Australia Board Member and Volunteer Global Village Team Leader	14-Apr-11
Paul Mulrone	Director	Retired Magistrate	12-Feb-10
Doug Talbert*	Director	Company Director and Management Consultant with Legal, Financial and Ethical Experience and Expertise	29-Nov-10
Neill Evans**	Director	Building Materials Company Executive	17-Sep-12
Peter Baynard-Smith**	Director	International NGO Senior Manager	15-Oct-12
Denis Green	Director	International NGO Executive	25-Mar-13
Greg Creecy	Director	Company Director and Management Consultant	24-Jun-13
Caroline Mara	Director	Accounting Firm Partner	2-May-16

\* Retired 2 May 2016

\*\* Retired 23 Nov 2015

Details of directors' qualification and experience can be found on page 8 of this report.

## Corporate Information

Habitat for Humanity Australia (HFHA or the Company) is a not-for-profit income tax exempt organisation incorporated as a Company Limited by Guarantee and domiciled in Australia.

The entity employed 20 employees as at 30 June 2016 (18 as at 30 June 2015).

The registered office of the Company is Suite 3,  
Level 4, 20 Berry Street, North Sydney  
NSW 2060 Australia

## Solicitors

Ashurst Australia,  
225 George Street, Sydney  
NSW 2000 Australia

## Bankers

ANZ Bank,  
Walker Street, North Sydney  
NSW 2060 Australia

## Auditors

Ernst & Young,  
Ernst & Young Centre,  
200 George Street, Sydney  
NSW 2000 Australia

## Objectives and Strategy

The Company's long term objective is to create a world where everyone has a safe place to live. It does this by working in partnership with communities to address housing poverty and to support integrated community development.

The Company's short term objectives are to build or renovate simple, decent, affordable homes, advocate on behalf of those in need of housing, engage the community and volunteers to donate and assist in program delivery, deliver clean water and sanitation solutions, and to enhance livelihood and educational access.

The Company's strategy for achieving these objectives includes programs to achieve the following outcomes:

1. Build Community Impact - to deliver improved housing to poor communities overseas and in Australia.
2. Build Sector Impact - to build an evidence-base and network of partners to advocate for change.

3. Build Societal Impact - to educate, motivate and mobilise the community to advocate for better housing solutions.
4. Build a Sustainable Organisation - to fund the mission, grow skills and leadership capabilities and operate with excellence.
5. Enable educational access.

## Principal Activities

The principal activities of the Company during the year were:

1. International aid and development delivered by working in partnership with families and communities to provide affordable sustainable housing to low income families. In Australia, support is provided to local Affiliates to achieve the same objectives.
2. To raise funds from the Australian community, government and companies for the purpose of delivering aid and development programs.

There have been no significant changes in the nature of the activities during the year.

## Performance Measures

Management and Board measure performance of the Company through the establishment and monitoring of program targets annually. Program effectiveness is assessed against stated program objectives through regular monitoring and evaluation processes conducted by staff and partner staff. Overall Company performance measures include the key high level measures below:

1. Number of people served in growing sustainable overseas projects.
2. Number of people served in growing sustainable projects within Australia.
3. Number of volunteers and partner organisations engaged in our work both overseas and in Australia.
4. Number and reach of advocacy activities (media articles, government submissions, speaking events) to promote and influence understanding and policy on poverty housing, aid & development policies.
5. Efficiency and control of the Company's administrative costs and return on investment of its fundraising activities.

## Operating and Financial Review

The total revenue of HFHA was \$4,834,224 (2015: \$4,586,970) with expenses of \$5,601,007 (2015: \$4,822,722) resulting in a deficit of \$766,728 (2015: deficit \$235,752). The year saw a modest growth in income from \$4,586,970 to \$4,834,224. HFHA was pleased to receive an increase of 3% in monetary donations from the prior year, and a substantial increase in non-monetary donations from supporting organisations (2016: \$266,487; 2015: 5,316). Grant funding from the Australian government also increased from 2015 (2016: \$1,261,122; 2015: \$1,238,685), as did the grant from Habitat for Humanity International (2016: \$695,186; 2015: \$413,478). There was an increase in the proportion of income received that was restricted in terms of the cause it could be spent on, and this was reflected on the expenditure side also. Overall expenditure increased from \$4,822,722 to \$5,601,007. A significant amount of this increase was reflected in the increased amount of funds sent to international programs (\$447,453). This was a positive investment in our core mission. The other significant increase in expenditure from the previous year relates to the investment in fundraising (2016: \$1,291,061; 2015: \$939,252). Additional investment in fundraising is a key component of our new strategic plan in order to yield income for our important programs in future years.

## Dividends

The Company's constitution does not permit dividends to be paid.

## Liability of Members

HFHA has 119 (2015: 119) members as at the end of the year, and there is no limit on the number of members allowed under the HFHA Constitution. All of the directors are also members of HFHA.

In the event of winding up of the HFHA, the members undertake to contribute \$50 each towards the payment of the debts and liabilities of the Company or the costs, charges and expenses of the winding up of the Company in addition to the amount of unpaid membership fees. The total value members would contribute amounts to \$5,950 (119 x \$50).

## Significant Changes in the State of Affairs

There has been no significant change in the state of affairs of HFHA during the year.

## Significant Events after Balance Sheet Date

There have been no significant events occurring after balance sheet date which may affect HFHA's operations or cash result or results of those operations or HFHA's state of affairs.

## Likely Development and Expected Results

It is not foreseen that the Company will undertake any change in its general direction during the coming financial year. The business of the organisation is pursuing to steadily grow in terms of number of families supported within Australia and the Asia Pacific region next year.

## Environmental Regulation and Performance

The Company is not subject to any significant environmental regulations.

## Indemnity Guarantee

During the financial year, the Company has agreed to indemnify directors, independent board committee members and officers and paid premiums in respect of a contract insuring them against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director and independent Board committee members other than conduct involving wilful breach of duty.

The total amount of insurance contract premium paid was \$651.

## Directors' Benefits

The Directors did not receive any remuneration for their services. Some expenses incurred by directors in carrying out their duties as Directors in attending Company meetings are reimbursed on a cost only basis.

## Board of Directors' and Board Committee Meetings

The number of Board of Directors' meetings and Board subcommittee meetings held and attended by each of the Directors during the financial year is provided below:

Board and Board Committees	Board of Directors Meetings		Finance and Audit Committee		Governance & Nominations Committee		International Program Advisory Committee	
	A	B	A	B	A	B	A	B
List of Directors	A	B	A	B	A	B	A	B
Christine Franks	7	7	7	6	5	4		
Robyn FitzRoy	7	5			5	5		
Natalie Fuller	7	6						
Paul Mulronev	7	7			5	5		
Doug Talbert	6	4						
Neill Evans	2	1	3	2				
Peter Baynard-Smith	2	2					3	3
Denis Green	7	7			5	5	3	3
Greg Creecy	7	7	7	7				
Caroline Mara	1	1						
Julianne Scenna**	n/a	n/a					3	2
Mary-Anne Matthews**	n/a	n/a	7	7				
Aman Mehta**	n/a	n/a					3	1
Peter Mason**	n/a	n/a					3	1
Terry O'Donnell**	n/a	n/a	1	1				

A: Number of meetings eligible to attend

B: Meetings attended

\* Honorary independent member of the Committee and non-Director

## Auditor's Independence Declaration

The Directors have received a declaration of independence from the auditors of the Company which is included on page 12 of the financial report and forms part of the Directors' Report.

## Directors' Experience and Qualifications

### CHRIS FRANKS

Chris is a professional company director with over 15 years' experience. She was appointed Director of Habitat for Humanity Australia in 2008 and elected Chair in 2010. She is also Chair of RESULTS International (Australia), a Director of NSW Kids & Families, a Director of Family Planning NSW as well as a range of other committee memberships. Chris also convenes the Women in Aid & Development forum. She has worked as a Director on many financial, mutual and not-for-profit boards over the past 15 years, chaired the NSW Charities Ministerial Advisory Committee and the ACFID Code of Conduct Committee, receiving the inaugural ACFID Award for Outstanding Service to the Aid and Development Sector in 2006. Chris has extensive executive experience in sales, marketing, consumer research and customer service in both the commercial and not-for-profit sectors.

### ROBYN FITZROY

Robyn is a governance and board performance specialist, offering these services as principal of her own company. She brings considerable financial, marketing, strategy and risk management skills to the Habitat for Humanity Australia Board, to which she was appointed in 2010 and where she chairs the Governance & Nominations Committee. Robyn is also director of Gateway Credit Union, a former Chair of WealthPortal, a former Executive Director of Macquarie Bank, a former Director of Cuscal and a former Councillor of MLC School, Burwood. Other roles include the facilitation and writing of courses for the Australian Institute of Company Directors. Robyn's education includes an MA (UTS); BA (Macquarie), Diploma in Marketing (Macquarie) and a Diploma in the Delivery of Information Technology (Harvard University). She is also a winner of the Women in Management Achiever of the Year Award.

### NATALIE FULLER

Natalie has been actively involved with Habitat for Humanity since 2001, leading Global Village teams and participating in Jimmy Carter builds. She is also a board member of Habitat for Humanity South Australia and holds degrees in science, social work and recreation planning. Natalie has extensive experience in community development and social planning, and since 1998 has run a consultancy practice primarily focused on designing and managing community engagement processes in relation to urban development and environmental management projects. She has also worked in the university sector and currently supervises Australian social work students on placement in India.

### PAUL MULRONEY

Paul has been a board member since 2009. Paul was a Magistrate from March 2000 until his retirement in November 2014 and was also a Children's Court Magistrate from 2001. He is currently Chair of Habitat for Humanity New South Wales. Paul was previously a member of the Habitat for Humanity Australia Board from 2001 to 2005. Prior to his appointment as a Magistrate, he worked for more than 20 years as a lawyer for Legal Aid. Paul has been a director or committee member of a number of bodies including legal, church, university and community groups. Paul is a member of Church in the Market Place, the Uniting Church in Bondi Junction and holds a number of leadership positions in the Uniting Church. He is also a lay preacher.

### DOUG TALBERT

Doug is a solicitor and banker with extensive knowledge of property financing and construction. He has been involved on all sides of the property industry and currently owns a property management business. Doug is involved in a range of charities and not-for-profit organisations including The Housing Connection, past President and current CEO, The Machado Joseph Foundation (former Treasurer) and Calvary Health Care (Ethics Board Member). Doug was appointed to the Habitat for Humanity Australia Board in 2010 and retired from the Board in May 2016. Doug also sits on the Ethics Committee at RNSH covering the Northern Health District. His particular concerns are for the disenfranchised, the disabled and the aged. Doug holds degrees in economics, law and ethics.

## Directors' Experience and Qualifications

### PETER BAYNARD-SMITH

Peter Baynard-Smith is an experienced International Relief and Development professional bringing to the Habitat for Humanity Australia Board the benefit of over 20 years' experience in Africa and Asia. As an engineer, Peter has worked across water, infrastructure, renewable energy and emergency response projects. He gained experience as Country Director in Mozambique for the Irish NGO, Concern Worldwide from 2000-2004 and then served as Regional Director (Asia) for Concern before moving with his family to Australia in 2008. In Australia, Peter has worked as Victoria Operations Director with Mission Australia, Director of Programs at the Foundation for Young Australians, Head of International Programs Technical Team at World Vision Australia which provides sectoral expertise across economic development, health, gender, child protection, water, sanitation and hygiene, social accountability, and food security, as well as oversees program effectiveness and evaluation. Peter is currently CEO at Engineers Without Borders Australia. Peter was appointed to the Habitat for Humanity Australia Board in 2012 and retired from the Board in November 2015.

### DENIS GREEN

With a professional background in law, Denis has spent the majority of his career in the not-for-profit sector, initially in Indonesia helping to train church leaders and then with World Vision where he worked for 20 years across a number of managerial and senior leadership positions in Australia and overseas. Denis joined Habitat for Humanity International in 2011 and was Senior Director, Asia-Pacific Operations until his retirement in 2015. In that role, he oversaw the coordination of HFHI with Habitat national offices in key aspects of their ongoing work and operations. Denis holds degrees in law, theology and intercultural studies and has extensive experience in management, governance, strategic planning, and international aid and development. He previously served as a member of a number of Habitat for Humanity boards.

### GREG CREECY

Greg has over 30 years' experience in corporate treasury and banking. As a corporate treasurer he has gained extensive exposure to financing property at a corporate and project level both in Australia and overseas. Greg was appointed to the Habitat for Humanity Board in June 2013 after two years as a member of Habitat for Humanity Australia's Finance and Audit Committee. Greg is involved as a member of the finance sub-committee of the Machado Joseph Foundation, a Director of Rawson Group, and has commercial interests in a music post production studio. Greg has a degree in arts (economics) and is a member of AICD, FINSIA and FTA.

### NEILL EVANS

Neill has a degree in engineering and has over 25 years' experience in the building industry. He has held senior management roles with several Australian Securities Exchange listed companies both in Australia and overseas including CSR and GWA. He has also operated his own investment and consulting business. Currently he is CEO for ARCPAC P/L, an ASX listed building products company. He joined the Habitat for Humanity Australian Board in 2012 and retired from the Board in November 2015.

### CAROLINE MARA

Caroline is an Assurance Partner at one of the Big 4 accounting firms based in Newcastle and has over 15 years' experience in professional auditing and accounting, including the provision of external and internal auditing services both to public and private sectors. Caroline has also immersed herself in community projects including the Equal Futures Project (formerly UN Women Hunter Chapter) and the Salvation Army's Hunter Red Shield Appeal. Caroline joined the Habitat for Humanity Australia Board in May 2016.

On behalf of the Board



Christine Franks  
Chairperson

Sydney, 21 October 2016

## Directors' Declaration

In accordance with a resolution of the directors of Habitat for Humanity Australia Ltd, I state that in the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date;
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the Statement of Comprehensive Income gives a true and fair view of all income and expenditure of the Company with respect to fundraising appeals;
- (d) the Statement of Financial Position gives a true and fair view of the state of affairs of the Company with respect to fundraising appeals;
- (e) the provisions and regulations of the *NSW Charitable Fundraising Act 1991* and the conditions attached to the authority to fundraise have been complied with by the Company; and
- (f) the internal controls exercised by the Company are appropriate and effective in accounting for all income received and applied by the Company from any of its fundraising appeals.

On behalf of the Board



Christine Franks  
Chairperson

Sydney, 21 October 2016



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## Auditor's Independence Declaration to the Directors of Habitat for Humanity Australia Ltd

In relation to our audit of the financial report of Habitat for Humanity Australia Ltd for the financial year ended 30 June 2016, 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 no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

Mark Conroy  
Partner  
21 October 2016

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# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	June 2016 \$	June 2015 \$
<b>REVENUE</b>			
Donations and Gifts			
Monetary		2,523,480	2,454,890
Non-monetary		266,487	5,316
Bequests and Legacies		-	352,272
Grants			
Department of Foreign Affairs and Trade (DFAT)		1,261,122	1,238,685
Other overseas		695,186	413,478
Investment Income	3(a)	59,389	83,872
Foreign exchange gain		-	32,790
NPV gain on loan to Affiliates & former Affiliates		-	5,667
Other Income		28,560	-
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>4,834,224</b>	<b>4,586,970</b>
<b>EXPENDITURE</b>			
<b>International Aid and Development Programs Expenditure</b>			
International Programs			
Funds to international programs		2,232,931	1,785,478
Program support costs		865,980	926,783
Fundraising Costs			
Public		1,291,061	939,252
Bank charges		22,991	12,579
Accountability and Administration		569,935	522,271
Depreciation	3 (b)	13,147	10,258
Foreign exchange loss		57,638	-
Non-monetary Expenditure - Contributed Services International Program			
Contributed services Domestic Program		266,487	5,316
<b>Total International Aid and Development Programs Expenditure</b>		<b>5,320,171</b>	<b>4,201,937</b>
<b>Domestic Programs Expenditure</b>			
Program expenditure and support costs		280,835	620,785
Non-monetary Expenditure			
Notional interest on other financial liability			
<b>Total Domestic Programs Expenditure</b>		<b>280,835</b>	<b>620,785</b>
<b>TOTAL EXPENDITURE</b>		<b>5,601,007</b>	<b>4,822,722</b>
<b>EXCESS OF EXPENDITURE OVER REVENUE</b>		<b>(766,782)</b>	<b>(235,752)</b>
Other comprehensive income / (loss)		-	-
<b>Other comprehensive income / (loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss) for the year</b>		<b>(766,782)</b>	<b>(235,752)</b>
The accompanying notes form part of the financial statements			
<b>Operating Ratios</b>			
Prg & Support		62%	69%
Marketing		26%	20%
Admin		12%	11%
<b>Total</b>		<b>100%</b>	<b>100%</b>

# Balance Sheet

## AS AT 30 JUNE 2016

	Notes	June 2016	June 2015
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	1,515,570	2,241,858
Trade and other receivables	5	487,075	551,368
Other financial assets - loans and receivables	6	43,365	66,771
<b>Total Current Assets</b>		<b>2,046,009</b>	<b>2,859,997</b>
<b>Non-Current Assets</b>			
Other financial assets - loans and receivables	6	190,878	228,965
Property, plant and equipment	7	18,320	15,612
<b>Total Non-Current Assets</b>		<b>209,198</b>	<b>244,577</b>
<b>TOTAL ASSETS</b>		<b>2,255,207</b>	<b>3,104,574</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	224,957	342,902
Current tax liabilities - employee tax payable		19,712	16,833
Lease incentive liability		27,717	22,941
Provisions	9	114,642	103,568
Deferred revenue	10	1,520,967	1,515,183
<b>Total Current Liabilities</b>		<b>1,907,995</b>	<b>2,001,427</b>
<b>Non Current Liabilities</b>			
Provisions	9	26,759	18,523
Other financial liabilities	11	24,345	21,734
<b>Total Non Current Liabilities</b>		<b>51,104</b>	<b>40,257</b>
<b>TOTAL LIABILITIES</b>		<b>1,959,099</b>	<b>2,041,684</b>
<b>NET ASSETS</b>		<b>296,108</b>	<b>1,062,890</b>
<b>EQUITY</b>			
Retained Earnings	12	296,108	1,062,890
<b>TOTAL EQUITY</b>		<b>296,108</b>	<b>1,062,890</b>

The accompanying notes form part of the financial statements.

## Statement of Changes in Equity

Retained Earnings	Retained Earnings	Total
As at 30 June 2014	\$	\$
Retained earnings at the beginning of the year	1,298,642	1,298,642
Excess of expenditure over revenue for 2015	(235,752)	(235,752)
As at 30 June 2015	1,062,890	1,062,890
As at 30 June 2015	1,062,890	1,062,890
Excess of expenditure over revenue for 2016	(766,782)	(766,782)
As at 30 June 2016	296,108	296,108

Note: - There are no adjustments or changes due to items for example, adoption of new accounting standards and items in other comprehensive income.

## Cash Flow Statement

	Notes	June 2016	June 2015
As at 30 June 2016		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from donors and international affiliate		4,536,325	4,986,582
Payments to suppliers and employees	2(d)	(5,367,641)	(4,907,779)
Interest received		59,389	53,793
<b>Net cash flows from operating activities</b>	13	<b>(771,927)</b>	<b>132,596</b>
<b>Cash flows from investing activities</b>			
Loans provided to affiliates		-	-
Repayment of loans by affiliates		61,494	66,771
Purchase of property, plant and equipment		(15,855)	(8,562)
<b>Net cash flows from investing activities</b>		<b>45,638</b>	<b>58,209</b>
<b>Cash flows from financing activities</b>			
Receipt of loans		-	-
Repayments of loans		-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash and cash equivalents		(726,288)	190,805
Cash and cash equivalents at beginning of period		2,241,858	2,051,053
<b>Cash and cash equivalents at end of period</b>	4	<b>1,515,570</b>	<b>2,241,858</b>

Note: The accompanying notes form part of the financial statements

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

The financial report of Habitat for Humanity Australia Ltd for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 21 Oct 2016.

Habitat for Humanity Australia Ltd (the 'Company' / 'HFHA') is a company Limited by Guarantee incorporated in Australia and a not-for-profit entity.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with the requirements under the Corporations Act 2001, the NSW Charitable Fundraising Act 1991, the Company's constitution, the financial reporting requirements under the Australian Council for International Development (ACFID) Code of Conduct, Australian Charities and Not-for-profit Commission (ACNC) Act 2012, Australian Accounting Standards - Reduced Disclosure Requirements, Australian Accounting interpretations and other authoritative pronouncements of the Australian Accounting Standard Board.

- (i) The financial report has been prepared on a historical cost basis except for other financial assets and other financial liabilities which are measured at amortised cost.
- (ii) The financial report is presented in Australian dollars which is the Company's functional currency.
- (iii) Where applicable, certain comparative figures are restated in order to comply with current period's presentation of the financial statements.

### (b) Significant accounting judgements and estimates

- (i) The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. These assumptions and estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements. Actual results may differ from these estimates.
- (ii) The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the

period in which the estimates are revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

- (iii) Estimates and adjustments have been made with regard to loans, other financial assets and long service leave in relation to timing of future cash flows and applicable interest rates. In order to estimate the timing of the future cash flows, adjustments are made to the calculation periodically to reflect actual repayments received and then used as a forecast of future cash inflows expected. Refer to Notes 2(m), 6 and 11.

### (c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to HFHA and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Cash contributions received or receivable are recognised as revenue when:
  - a. HFHA obtains control of the contribution or the right to receive contribution;
  - b. It is probable that the economic benefits comprising the contribution will flow to HFHA; and
  - c. The amount of the contribution can be measured reliably.

Income is measured at the fair value of the contributions received or receivable.

- (ii) Legacies are recognised when the company receives the legacy.

Revenue from legacies may comprise bequests of cash, shares or other property and are recognised at fair value, being the market value of the shares or property at the date the company becomes legally entitled to the shares or property.

- (iii) HFHA receives restricted contributions from third parties under the following arrangements:
  - a. Grants received from Habitat for Humanity International (HFHI) for designated purposes.
  - b. Grants received from Government Organisations, Corporate Sponsors and Donors for domestic and international projects.
  - c. Grants received from individual donors for specific projects or countries.

Refer to note 2(n) for the treatment of restricted contributions that are recognised as deferred revenue.

## Notes to the Financial Statements

### (c) Revenue recognition (continued)

- (iv) Income arising from the contribution of assets or services (gifts in kind) is recognised when all the following conditions have been satisfied:
- HFHA obtains control of the contribution or the right to receive the contribution;
  - It is probable that the economic benefits comprising the contribution will flow to the HFHA; and
  - The amount of the contribution can be measured reliably;

Income is measured at the fair value of the contributions received or receivable.

### (v) Investment Income

Finance income on financial assets is recognised as it accrues using the effective interest rate method. Interest income from banks is recognised as and when it accrues to the Company.

### (vi) Global Village

Volunteer hours contributed by the Global Village volunteers in building homes for low income families in the Asia Pacific region have been translated into monetary terms by applying DFAT criteria. The total value of such contributions, taking into account numbers of days on site is \$346,646 (2015 : \$244,930) and is not included in the Income Statement.

### (d) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with the use of resources. Premises and other overheads have been allocated based on head count.

Fundraising costs are those incurred in seeking voluntary contributions by donations and do not include costs of disseminating information relating to the activities carried on by the Company.

Management and administrative costs are those incurred in connection with administration of the Company and compliance with constitutional and statutory requirements.

Transfers to overseas Partner Organisations (PO) are not recognised as expenses until financial reports are received and acquitted. Funds advanced to POs not acquitted at year end are included in Trade and Other Receivables.

### (e) Foreign Exchange gain/loss

HFHA has the following policy with regards to exchange gain/loss:

- In case of funds received from Overseas partners HFHA recognises receipts at exchange rate on the date of receipt i.e. the money actually credited to the account by the bank.
- Funds transferred for projects to overseas partners are recognised as advances (receivables). Funds pending acquittal at balance sheet date are converted to AUD at the exchange rate at the balance sheet date.
- For amounts payable to volunteer trip host countries, the liability recognised is measured based on the exchange rate AUD/USD as at balance sheet date. When actual payment is made, the difference between the amount payable due to movements in exchange rates is recognised in the income statement.

### (f) Leases

The Company has entered into lease of premises. Management has determined that all risks and rewards of ownership of the premises remain with the lessor and has therefore classified the lease as an operating lease. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised as a reduction in rental expenses over the lease term on a straight line basis.

### (g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

### (h) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that HFHA will not be able to collect the debts. Bad debts are written off when identified.

Other receivables (advances to international affiliate organisations) are recognised at cost, and expensed in subsequent financial years as funds are acquitted by the POs. Acquittal and recoverability is assessed on the basis of progress of the individual projects to which funds are allocated.

### (i) Income tax

The Company has separate endorsements as an income tax exempt charitable entity for international and domestic funding and as such incurs no liability to pay income tax. Both international and domestic funds have deductible gift recipient status.

## Notes to the Financial Statements

### (j) Other taxes

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

- a. Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- b. 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 balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives to the Company commencing from the time the asset is held ready to use as follows:

Furniture – over 5 years  
Computer Hardware – over 31/3 years  
Computer Software – over 2 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. An item is derecognised upon disposal, when the item is no longer used in the operations of the Company or when it has no sale value. Any gain or losses arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

### (l) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to HFHA prior to the end of the financial year that are unpaid and arise when it becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are usually settled within 30 days. The carrying amount of creditors and payables reflects fair value.

### (m) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value through the income statement. After initial recognition, financial assets and liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when financial assets and liabilities are derecognised or impaired or in situations where there is a change in the amount and timing of future cashflows. Financial assets and liabilities are classified as current when they are expected to be settled within 12 months after year end.

### (n) Deferred revenue

Where contributions received are restricted, the amounts received are recognised as deferred revenue until such time the funds are expensed on the designated project. Where the amount received for which service is provided over a period exceeding 12 months after the reporting date, the amount is discounted and presented as non-current liabilities. Also refer to note 10.

### (o) Employee leave benefits

*Wages, salaries and annual leave balances*  
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long-service leave at the end of the financial year are recognised in provisions in respect of employees' services up to the balance sheet date. These are expected to be settled within 12 months of the reporting date. Liabilities in respect of non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable. Long service leave benefit is considered non-current considering when the benefit can be availed at the earliest.

# Notes to the Financial Statements

AS AT 30 JUNE 2016

	June 2016	June 2015
	\$	\$
<b>3. REVENUE AND EXPENSES</b>		
<b>a. Investment income</b>		
Notional interest on affiliate loans	25,524	30,079
Bank interest received	33,865	53,793
<b>Total investment income</b>	<b>59,389</b>	<b>83,872</b>
<b>b. Depreciation expense</b>		
Furniture and fittings	1,905	1,905
Computers	11,242	8,353
<b>Total depreciation expense</b>	<b>13,147</b>	<b>10,258</b>
<b>c. Operating expenses</b>		
Operating lease payments - office	105,023	106,462
Amount paid to Ernst & Young for the audit of financial statements	37,000	37,000
	<b>142,023</b>	<b>143,462</b>
<b>d. Employee benefit expenses</b>		
Wages and salaries	1,471,037	1,396,004
Worker's compensation insurance	2,831	2,668
Defined contribution superannuation plan expenses	137,536	133,022
	<b>1,611,404</b>	<b>1,531,694</b>
<b>e. Financing expense</b>		
Interest expense	4,325	-
	<b>4,325</b>	<b>-</b>
<b>4. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	700,102	897,197
Cash in hand	500	500
Short-term deposits	814,968	1,344,161
	<b>1,515,570</b>	<b>2,241,858</b>
<p>Cash at Bank includes funds for designated purpose - overseas program \$ 1,253,969 (FY15 \$1,564,785), designated purpose - domestic program \$96,107 (FY15 \$ 50,484) and other purposes \$165,493 (FY15 \$626,589)</p> <p>Cash at bank earns interest at floating rates based on daily bank deposit rates. Short Term deposits are made for varying periods between one day and three months, depending on the Company's cash requirements. These deposits earn interest at market rates and are invested with ANZ Bank.</p>		
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Advances to international affiliate organisations	244,659	357,259
Trade receivables	6,208	2,830
Bartercard credit	216,812	169,609
Prepayments and Others	6,226	16,918
GST Receivable	13,170	4,752
	<b>487,075</b>	<b>551,368</b>
<p>Trade receivables includes unused Bartercard credit which can be used within next 12 months</p>		

# Notes to the Financial Statements

AS AT 30 JUNE 2016

	June 2016	June 2015
	\$	\$
<b>6. FINANCIAL ASSETS: LOANS AND RECEIVABLES</b>		
<i>Current</i>		
Loans to Affiliates and former Affiliates	43,365	66,771
<i>Non Current</i>		
Loans to Affiliates and former Affiliates	190,878	228,965

Loans to affiliates and former affiliates are interest free, unsecured and have an average repayment terms ranging between 15-20 years. The gross value of the loans as at 30 June 2016 amount to \$289,631 prior to considering the impact of discounting. Refer to Note 2(m) for further details on the recognition and measurement of financial assets.

## 7. PROPERTY, PLANT AND EQUIPMENT

<i>Computers</i>		
At cost	43,744	27,890
Accumulated depreciation	(29,015)	(17,773)
<i>Net carrying amount</i>	14,729	10,117
<i>Furniture</i>		
At cost	9,527	9,527
Accumulated depreciation	(5,937)	(4,032)
<i>Net Carrying amount</i>	3,591	5,495
<b>Total Plant and Equipment</b>	<b>18,320</b>	<b>15,612</b>

## 8. TRADE AND OTHER PAYABLES

Payable to overseas Affiliates for projects	108,059	110,725
Payable to overseas Affiliates for volunteer trips	42,414	163,245
Other payables	74,484	68,932
	<b>224,957</b>	<b>342,902</b>

Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables are non-interest bearing and have an average term of 30 days

## 9. PROVISIONS

<i>Current</i>		
Provision for employee annual leave entitlements within 12 months	114,642	103,568
	<b>114,642</b>	<b>103,568</b>
<i>Non Current</i>		
Provision for long service leave	26,759	18,523
	<b>26,759</b>	<b>18,523</b>

The annual leave balance have been classified as a current liability since company does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the end of reporting period. The company expects that long service liability will be utilised more than 12 months following the end of the reporting period.

# Notes to the Financial Statements

AS AT 30 JUNE 2016

	June 2016	June 2015
	\$	\$
<b>10. DEFERRED REVENUE</b>		
Grants and donations received in relation to future projects	1,520,967	1,515,183
	<u>1,520,967</u>	<u>1,515,183</u>

Refer to Notes to the Financial Statements 2(n).

<b>11. OTHER FINANCIAL LIABILITIES</b>		
Other financial liabilities	24,345	21,734

Other financial liabilities represents an unsecured, interest free loan. The gross value of the loan amounts to \$75,000 repayable on 30 June 2026. Refer to Note 2(m) for further details on the recognition and measurement of financial liabilities.

## 12. EVENTS AFTER BALANCE SHEET DATE

There have been no significant events occurring after balance date which may affect HFHA's operations or results of those operations or HFHA's state of affairs.

## 13. COMMITMENTS AND CONTINGENCIES

### Operating lease commitments – HFHA as lessee

HFHA have entered in a commercial lease on its premises from 01 April 2016, as it is not in the best interests of HFHA to purchase this asset.

The lease has a life of 36 months

There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rental payable under the non-cancellable operating lease as at 30 June 2016 is as follows:

Within one year	114,690	99,251
After one year but not more than five years	217,952	-
	<u>332,642</u>	<u>99,251</u>

### Project Commitments

Refer to 2 (n) for policy regarding project commitments for the next twelve months

## 14. MEMBERS' GUARANTEE

HFHA has 119 (2015: 119) members as at the end of the year, and there is no limit on the number of members allowed under the HFHA Constitution. All the directors are also members of HFHA.

In the event of winding up of the HFHA, the members undertake to contribute \$50 towards the payment of debts and liabilities of the Company or the cost, charges and expenses of the winding up of the Company in addition to the amount of unpaid membership fees. The total value members would contribute amounts to \$ 5950 (119x \$50).

# Notes to the Financial Statements

AS AT 30 JUNE 2016

	June 2016	June 2015
	\$	\$
<b>15. INCOME AND EXPENDITURE OF FUNDRAISING APPEALS</b>		
HFHA conducts fundraising appeals as defined by the NSW Charitable Act (1991) and the regulations thereto. The income and cost of fundraising have been recognised in the Financial Report and are summarised below:		
Proceeds of fundraising appeals	897,873	825,718
Cost of fundraising appeals	436,807	310,785
<b>Surplus of proceeds over disbursements from fundraising appeals</b>	<b>461,066</b>	<b>514,933</b>
The following percentages relate to the fundraising appeals:		
Total cost of fundraising appeals/Gross income from fundraising	49%	38%
Net surplus from Fundraising appeals/Gross income from fundraising	51%	62%
During the year, \$317,847(2015: NIL) was received as a grant from HFHI for the purpose of fundraising investment. This amount was fully spent during the year.		
<b>16. RELATED PARTY TRANSACTIONS</b>		
<b>(i) Key management personnel compensation</b>		
Short-term employee benefits	318,506	671,054
<b>Total Compensation</b>	<b>318,506</b>	<b>671,054</b>
Key management personnel are not entitled to post employment, long term benefits, termination or share based payments. Key management personnel during 2016 include the CEO and the Head of Finance and Company Secretary after a change in structure. In 2015, key management personnel included the CEO, Head of Finance and Company Secretary, Communications and Fundraising, Business Head of International Program, Head of Marketing, Development Manager - Australian Program.		
<b>(ii) Directors' compensation</b>		
The Directors act in an honorary capacity and receive no compensation. During the year travel expenses totalling \$3,628 (2015: \$3,086) incurred by the directors in fulfilling their roles were reimbursed.		

# Notes to the Financial Statements

AS AT 30 JUNE 2016

	June 2016	June 2015
	\$	\$
<b>17. REVENUE, OTHER INCOME AND EXPENSES</b>		
<b>(i) Revenue</b>		
Donations and Gifts		
- Monetary	2,523,480	2,454,890
- Non monetary	266,487	5,316
Bequests and Legacies	-	352,272
Grants		
- Department of Foreign Affairs and Trade	1,261,122	1,238,685
- Other overseas	695,186	413,478
<b>Total Revenue</b>	<b>4,746,275</b>	<b>4,464,641</b>
<b>(ii) Other Income</b>		
Investment Income	59,389	83,872
Exchange Gain	-	32,790
NPV gain on loans to Affiliates & former Affiliates	0	5,667
Other Income	28,560	0
<b>Total other income</b>	<b>87,950</b>	<b>122,329</b>
<b>Total revenue and other income</b>	<b>4,834,224</b>	<b>4,586,970</b>
<b>(iii) Expenses</b>		
Depreciation	13,147	10,258
Operating lease payments - office	105,023	106,462
Auditor's remuneration	43,875	
Amount paid to Ernst & Young for the audit of financial statements	37,000	37,000
Amount paid to GT	6,875	
<b>(iv) Employee benefit expenses</b>		
Wages and salaries	1,471,037	1,396,004
Worker's compensation insurance	2,831	2,668
Defined contribution superannuation plan expenses	137,536	133,022
<b>Total employee benefit expenses</b>	<b>1,611,404</b>	<b>1,531,694</b>

## Independent auditor's report to the members of Habitat for Humanity Australia

### Report on the financial report

We have audited the accompanying financial report of Habitat for Humanity Australia, which comprises the balance sheet as at 30 June 2016, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit we have complied with the independence requirements of the Australian Charities and Not-for-Profits Commission Act 2012. We have given to the directors of the company a written Auditor's Independence Declaration.

### Opinion

In our opinion the financial report of Habitat for Humanity Australia is in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:

- a) giving a true and fair view of the financial position of Habitat for Humanity Australia at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013.

## Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008

We have audited the financial report as required by Section 24(2) of the NSW Charitable Fundraising Act 1991. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2015.

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 Acts 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 financial report of Habitat for Humanity Australia has been properly drawn up and associated records have been properly kept during the financial year ended 30 June 2016, in all material respects, in accordance with:
  - i. sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*; and
  - ii. sections 10(6) and 11 of the *NSW Charitable Fundraising Regulations 2015*.
  
- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 June 2016 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.



Ernst & Young



Mark Conroy  
Partner  
Sydney  
21 October 2016