

# **Habitat for Humanity Australia Ltd**

**A.C.N. 131 976 004**

## **FINANCIAL REPORT**

**For The Year Ended**

**30-Jun-2018**

**Address: Level 4, 20 Berry Street, North Sydney, NSW 2060**

**Postal address: PO Box 1048, North Sydney, NSW 2059**

**Contact details:** [info@habitat.org.au](mailto:info@habitat.org.au)

**Website:** [www.habitat.org.au](http://www.habitat.org.au)

# Habitat for Humanity Australia Ltd

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# Habitat for Humanity Australia Ltd

## 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
Duncan Gerald West	Chair	Company Director, corporate insurance background	22-Sep-17
Caroline Michelle Mara	Director	Chartered Accountant	2-May-16
Ian Thomas Graham	Director	Accounting and corporate background, Habitat for Humanity NSWQ Board Member	21-Nov-16
Blair Badcock	Director	Company Director, education and public sector housing background, Habitat for Humanity SA Board Member	6-Feb-17
Makala Schofield	Director	Company Director, Senior executive with experience in corporate and government sectors	28-Apr-17
Lynette Joy Mackenzie	Director	Business Consultant	14-Aug-17
Richard Kevin Hathaway	Director	Senior executive Habitat for Humanity International, Professional Mechanical Engineer	7-May-18
Gideon van der Westhuizen	Director	Senior executive with not-for-profit, Affordable housing and community development background	21-Aug-18
Gregory Sam Creecy*	Director	Company Director and Management Consultant	24-Jun-13
Christine Franks**	Director	Company Director and Governance Consultant	1-Jul-08
Denis James Green***	Director	Retired, International NGO Executive	23-Mar-13
Late Guy Winship****	Director	Company Director, professional manager in not-for-profit sector	19-Dec-16

\*Resigned 9 October 2017

\*\*Retired 27 November 2017

\*\*\* Resigned 6 February 2018

\*\*\*\* Resigned 25 July 2018. Passed away shortly thereafter.

Details of directors' qualifications and experience can be found on page 7 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 15 employees as at 30 June 2018 (20 as at 30 June 2017).

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, NSW 2000 Australia

# Habitat for Humanity Australia Ltd

## 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.

## 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 \$4,487,034 (2017: \$6,457,852) with expenses of \$4,963,964 (2017: \$6,055,199) resulting in a deficit of \$476,930 (2017: surplus \$402,653).

The year saw a reduction in Monetary Donations in 2018: to \$2,751,909 from 2017: \$4,157,048.

Grant funding from the Australian government increased in 2018: \$1,190,818; from 2017: \$1,135,396, and the grant from Habitat for Humanity International decreased in 2018: \$360,205; 2017: \$629,800.

Overall expenditure decreased from 2017: \$6,055,199 to 2018: \$4,963,964. A significant amount of this decrease in 2018 was reflected in international programs support costs decreasing by \$165,167 and non-monetary expenditure funded by supporting organisations \$265,858.

The other significant decrease in expenditure from the previous year relates to the investment in fundraising (2018: \$1,309,972; 2017: \$1,474,418). This is due to discontinuing Face to face fundraising campaign during the year.

# Habitat for Humanity Australia Ltd

## **Dividends**

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

## **Liability of Members**

HFHA has 57 (2017: 65) members 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 HFHA, the members undertake (including for a year after membership expiry) to contribute an amount up to but not exceeding \$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. At the date of this report, the maximum value that members may be required to contribute amounts to \$3,250 (65 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 in 2019.

## **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 \$798.

## **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.

# Habitat for Humanity Australia Ltd

## 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		Risk Committee		Marketing Advisory Committee		
	List of Directors	Number of Meetings *	Meetings attended	Number of Meetings *	Meetings attended	Number of Meetings *	Meetings attended	Number of Meetings *	Meetings attended	Number of Meetings *	Meetings attended	Number of Meetings *	Meetings attended
Duncan Gerald West	8	8	4	4									
Blair Badcock	10	9							3	3			
Ian Thomas Graham	10	9							3	3			
Caroline Michelle Mara	10	10	6	6									
Makala Schofield	10	8			2	0					3	3	
Lynette Joy Mackenzie	10	9	6	6					1	1			
Richard Kevin Hathaway	1	1											
Guy Winship	9	7					4	4					
Denis James Green	7	6			2	2	2	1					
Christine Franks	3	3	2	1	2	2			2	2	3	2	
Gregory Sam Creecy	3	3	2	2									

\* Number of meetings eligible to attend

## Auditor's Independence Declaration

The Directors have received a declaration of independence from the auditors of the Company which is included on page 10 of the financial report and forms part of the Directors' Report.

# Habitat for Humanity Australia Ltd

## Directors' Experience and Qualifications

### **Duncan Gerald West** ANZIIF (Snr Assoc.), CIP, FCII, BSc (Econ), GAICD

Duncan has over 30 years experience in Financial Services in the UK, India and Australia including as CEO of some of Australia's largest insurance companies. He is the current Chair of a number of financial services companies. He has strong leadership, strategic, governance and commercial skills. He joined the Board of Habitat for Humanity Australia in September 2017 and became Chair following the November AGM.

### **Caroline Michelle Mara** BComm, ICAA, RA

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 and has been a member of the Finance and Audit Committee since then. Caroline became Chair of the Finance and Audit Committee in October 2017.

### **Ian Thomas Graham** CPA, MAICD, AGIA

Ian Graham has a professional accounting and management background. Ian was the CEO/MD of QBELMI (a major subsidiary of the QBE Group) for 21 years. He has also worked in senior management and finance roles in the AMP Group. Ian retired as CEO of QBELMI in 2012 and in the same year became a non-executive Director of Habitat For Humanity NSW. Ian joined the Habitat for Humanity Australia Board in November 2016 and has been Interim CEO of Habitat for Humanity since January 2018.

### **The Late Guy Winship** BSc, BComm (Hons), MSc, MAICD

Guy is a former CEO in the not-for-profit and civil society sector with an acknowledged record of social impact delivery. He has worked at both local and national levels and has held technical advisory roles in over 20 developing countries. Guy also serves as a board member of World Education Australia and Salvation Army International Development. Guy joined the Habitat for Humanity Australia Board in December 2016 and was Chair of the International Program Advisory Committee.

### **Blair Badcock** MA (Hons), PhD

After 30 years in tertiary education, Blair moved into the public housing sector at New Zealand Housing Corporation. His expertise and experience relate to research interests, research management, and policy development in the fields of urban and housing studies. Blair is also a director on Habitat for Humanity's South Australian Board and has served on the Research Advisory Panel of the Australia Housing and Urban Research Institute. which he joins again for 2018. Blair joined the Habitat for Humanity Australia Board in February 2017 .

# Habitat for Humanity Australia Ltd

**Makala Schofield                      MAcc, MBA**

Makala is a Senior Executive with extensive experience and networks in the Corporate and Government sectors, working and collaborating with some of Australia's most respected brands. Makala joined the Habitat for Humanity Australia Board in April 2017 and is a member of the Governance and Nominations Committee. Makala has been Chair of the Marketing Advisory Committee.

**Lynette Joy Mackenzie              BComm, DipFinPlan, CPA, CTA**

Lyn has over 20 years' experience in senior finance roles in a number of sectors including healthcare, property, automotive and information technology. She has strong strategic, technical and change management experience in accounting, management and tax. She is currently a Partner at CFO on Call. Lyn was appointed to the Habitat for Humanity Australia Board on 14 August 2017. Lyn is a member of the Finance and Audit Committee.

**Richard Kevin Hathaway      BSc (Mech Eng), MBA, M(Urban Planning)**

Rick is a Vice President of Habitat for Humanity International responsible for the overall success of Habitat's affordable housing activities in dozens of countries throughout Asia and the Pacific. Rick joined Habitat for Humanity in 1989 as a director of US programs and became a Vice President in September 2007. Prior to his Habitat work, Rick was a mechanical engineer with the General Electric Corporation. Rick currently resides in Manila, Philippines. Rick joined the Habitat for Humanity Australia Board in May 2018.

**Gideon van der Westhuizen              BA (Hons) (Development Studies and Planning), Cert in Economics, Cert in Risk Mangement, Cert in Professional Management**

Gideon has more than 30 years' experience as advisor to major companies globally within both the corporate and not for profit sectors. Gideon has advised on multi-million dollar infrastructure and capital projects internationally including the USA, China, Singapore, Southern Africa, India, Malaysia as well as Australasia. Currently, Gideon is the Head of Risk for Oxfam Australia with responsibility for the implementation of an enterprise wide risk management framework across the Australasian business. Gideon joined the Habitat for Humanity Australia Board in August 2018.



# Habitat for Humanity Australia Ltd

**Christine Franks BA (Statistics) MMgmt (Community) FAICD**

Chris is a professional company director with over 15 years' experience. She was appointed to the Habitat for Humanity Australia Board 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.

**Denis James Green LLB, BD, MA**

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 joined the Habitat for Humanity Australia board in March 2013. Denis has extensive experience in management, governance, strategic planning, and international aid and development. He has previously served as a member of a number of Habitat for Humanity boards. Denis was Chair of the International Program Advisory Committee and a member of the Governance & Nominations Committee.

**Gregory Sam Creecy BA (Ec), FINSIA, CFTP, FAICD**

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 Australia Board in June 2013 after two years as a member of Habitat for Humanity Australia's Finance and Audit Committee. Greg has been Chair of the Finance and Audit Committee since he joined the Board. 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.

**Company Secretary appointed Sept 2016: Helen Dransfield BA/LLB, FGIA**

Helen was appointed as an external consultant in September 2016 to provide the company secretarial function for Habitat for Humanity Australia. Helen has a corporate background previously working at King & Wood Mallesons and Vodafone Australia. Helen has worked with a number of not-for-profits including the Sydney 2000 Paralympic Games Organising Committee and whilst managing the Vodafone Australia Foundation. Most recently, she has consulted to RESULTS Australia.

On behalf of the Board



Duncan West  
Chairperson  
Sydney, 23 October 2018



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

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

In relation to our audit of the financial report of Habitat for Humanity Australia Ltd for the financial year ended 30 June 2018, 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 any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Conroy' in a cursive style.

Mark Conroy  
Partner  
23 October 2018

# Habitat for Humanity Australia Ltd

## Statement of Comprehensive Income for the year ended 30 June 2018

	<i>Notes</i>	June 2018 \$	June 2017 \$
<b>REVENUE</b>			
Donations and Gifts			
- Monetary		2,751,909	4,157,048
- Non-monetary		132,333	398,191
Bequests and Legacies		15,000	82,311
Grants			
- Department of Foreign Affairs and Trade (DFAT)		1,190,818	1,135,396
- Other overseas		360,205	629,800
Investment Income	3(a)	18,764	28,106
Foreign exchange gain		1,505	-
Other Income		16,500	27,000
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>4,487,034</b>	<b>6,457,852</b>
<b>EXPENDITURE</b>			
<b>International Aid and Development Programs Expenditure</b>			
International Programs			
- Funds to international programs		1,681,523	2,167,957
- Program support costs		1,015,162	1,180,329
Fundraising Costs			
- Public		1,309,972	1,474,418
- Bank charges		30,035	27,126
Accountability and Administration		587,850	564,965
Depreciation	3(b)	9,617	9,438
Non-monetary Expenditure - Contributed Services International Program		132,333	398,191
<b>Total International Aid and Development Programs Expenditure</b>		<b>4,766,492</b>	<b>5,822,424</b>
<b>Domestic Programs Expenditure</b>			
Program expenditure and support cost		197,472	232,775
<b>Total Domestic Programs Expenditure</b>		<b>197,472</b>	<b>232,775</b>
<b>TOTAL EXPENDITURE</b>		<b>4,963,964</b>	<b>6,055,199</b>
<b>SURPLUS / (DEFICIT)</b>		<b>(476,930)</b>	<b>402,653</b>
Other comprehensive income / (loss)		-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>(476,930)</b>	<b>402,653</b>

The accompanying notes form part of the financial statements

# Habitat for Humanity Australia Ltd

## Balance Sheet as at 30 June 2018

	<i>Notes</i>	June 2018 \$	June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	1,688,966	947,608
Trade and other receivables	5	160,585	353,889
Other financial assets - loans and receivables	6	105,697	40,895
<b>Total Current Assets</b>		<b>1,955,248</b>	<b>1,342,392</b>
<b>Non-Current Assets</b>			
Other financial assets - loans and receivables	6	42,539	118,958
Property, plant and equipment	7	6,996	16,613
<b>Total Non-Current Assets</b>		<b>49,535</b>	<b>135,571</b>
<b>TOTAL ASSETS</b>		<b>2,004,783</b>	<b>1,477,963</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	666,573	125,463
Current tax liabilities - employee tax payable		9,106	17,562
Lease incentive liability		20,071	42,372
Provisions	9	56,035	102,659
Deferred revenue	10	988,355	446,383
<b>Total Current Liabilities</b>		<b>1,740,140</b>	<b>734,439</b>
<b>Non Current Liabilities</b>			
Provisions	9	12,265	17,493
Other financial liabilities	11	30,547	27,270
<b>Total Non Current Liabilities</b>		<b>42,812</b>	<b>44,763</b>
<b>TOTAL LIABILITIES</b>		<b>1,782,952</b>	<b>779,202</b>
<b>NET ASSETS</b>		<b>221,831</b>	<b>698,761</b>
<b>EQUITY</b>			
Retained Earnings		221,831	698,761
<b>TOTAL EQUITY</b>		<b>221,831</b>	<b>698,761</b>

The accompanying notes form part of the financial statements.

# Habitat for Humanity Australia Ltd

## Statement of Changes In Equity

<b>Retained Earnings</b>	<b>Total</b>
	\$
<b>As at 30 June 2016</b>	
Retained earnings at the beginning of the year	296,108
Profit / (Loss) for the year to 30 June 2017	402,653
Other amounts transferred (to) or from reserves	-
<b>As at 30 June 2017</b>	<b><u>698,761</u></b>
Profit / (Loss) for the year to 30 June 2018	(476,930)
Other amounts transferred (to) or from reserves	-
<b>As at 30 June 2018</b>	<b><u>221,831</u></b>

# Habitat for Humanity Australia Ltd

## Cash Flow Statement for the year ended 30 June 2018

	June	June
<i>Notes</i>	2018	2017
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from donors	2,960,867	3,171,301
Grants received	1,858,507	1,765,196
Payments to suppliers and employees	(4,165,809)	(5,599,223)
Interest received	6,615	28,106
<b>Net cash flows from operating activities</b>	<b>660,180</b>	<b>(634,620)</b>
<b>Cash flows from investing activities</b>		
Loans provided to affiliates	-	-
Repayment of loans by affiliates	81,179	74,389
Purchase of property, plant and equipment	-	(7,731)
<b>Net cash flows from investing activities</b>	<b>81,179</b>	<b>66,658</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 (decrease) in cash and cash equivalents	741,359	(567,962)
Cash and cash equivalents at beginning of period	947,608	1,515,570
<b>Cash and cash equivalents at end of period</b>	<b>1,688,967</b>	<b>947,608</b>

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## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

The financial report of Habitat for Humanity Australia Ltd for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 15 October 2018.

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 those contractually restricted contributions that are recognised as deferred revenue.
- (iv) Income arising from the contribution of assets or services (gifts in kind) is recognised when all the following conditions have been satisfied:
  - a. HFHA obtains control of the contribution or the right to receive the contribution;
  - b. It is probable that the economic benefits comprising the contribution will flow to the 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.

## Notes to the Financial Statements (continued)

(c) **Revenue recognition (continued)**

(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 \$320,999 (2017 : \$458,783) 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 are recognised as expenses when remitted

(e) **Foreign Exchange gain/loss**

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

- a. 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
- b. Funds transferred for projects to overseas partners are recognised as an expense
- c. 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 a 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 amount:

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.

(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.

(i) **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.



## Notes to the Financial Statements (continued)

**(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 3 1/3 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**

Management have calculated deferred revenue at 30 June 2018 with only those amounts restricted and potentially repayable deferred in future periods.

Where contributions received are contractually restricted, the amounts received are recognised as deferred revenue over the period to which it relates, usually 12 months. 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.

# Habitat for Humanity Australia Ltd

30 June 2018

## Notes to the Financial Statements (continued)

	June 2018	June 2017
	\$	\$
<b>3 REVENUE AND EXPENSES</b>		
<b>a. Investment income</b>		
Notional interest on affiliate loans	12,149	13,040
Bank interest received	6,615	15,066
Total investment income	<u>18,764</u>	<u>28,106</u>
<b>b. Depreciation expense</b>		
Furniture and fittings	1,685	1,905
Computers	7,932	7,533
Total depreciation expense	<u>9,617</u>	<u>9,438</u>
<b>c. Operating expenses</b>		
Operating lease payments - office	115,932	111,326
Amount payable to Ernst & Young for the audit of financial statements	38,500	37,000
	<u>154,432</u>	<u>148,326</u>
<b>d. Employee benefit expenses</b>		
Wages and salaries	1,152,149	1,356,618
Worker's compensation insurance	2,832	1,732
Defined contribution superannuation plan expenses	104,450	133,279
	<u>1,259,431</u>	<u>1,491,629</u>
<b>e. Financing expense</b>		
Interest expense	3,286	4,154
	<u>3,286</u>	<u>4,154</u>
<b>4 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	1,542,623	475,371
Cash in hand	500	500
Short-term deposits	145,843	471,737
	<u>1,688,966</u>	<u>947,608</u>
<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>		
Trade receivables	48,958	70,896
Bartercard Receivable	106,039	172,485
Prepayments and Others	5,588	105,424
GST Receivable	-	5,084
	<u>160,585</u>	<u>353,889</u>
<p>The Trade receivables includes unused Bartercard credit which can be used within next 12 months.</p>		
<b>6 FINANCIAL ASSETS: LOANS AND RECEIVABLES</b>		
<i>Current</i>	105,697	40,895
Loans to Affiliates and former Affiliates	<u>105,697</u>	<u>40,895</u>
<i>Non Current</i>	42,539	118,958
Loans to Affiliates and former Affiliates	<u>42,539</u>	<u>118,958</u>
<p>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 2018 amount to \$148,454 prior to considering the impact of discounting. Refer to Note 2(m) for further details on the recognition and measurement of financial assets</p>		

# Habitat for Humanity Australia Ltd

30 June 2018

## Notes to the Financial Statements (continued)

	June 2018	June 2017
	\$	\$
<b>7</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	
	<i>Computers</i>	
	At cost	51,475
	Accumulated depreciation	(44,479)
	<i>Net carrying amount</i>	6,996
		51,475
		(36,547)
		14,928
	<i>Furniture</i>	
	At cost	9,527
	Accumulated depreciation	(9,527)
	<i>Net Carrying amount</i>	-
	Total Plant and Equipment	16,613
		9,527
		(7,842)
		1,685
		6,996
		16,613
<b>8</b>	<b>TRADE AND OTHER PAYABLES</b>	
	Trade Creditors	33,354
	GST Payable	85,857
	Payable to overseas Affiliates	164,408
	Other payables and accruals	382,954
		666,573
		25,232
		-
		61,236
		38,995
		125,463
	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.	
<b>9</b>	<b>PROVISIONS</b>	
	<i>Current</i>	
	Provision for employee annual leave entitlements within 12 month:	56,035
	Provision for long service leave	102,659
		-
		56,035
		102,659
	<i>Non Current</i>	
	Provision for long service leave	12,265
		17,493
		12,265
		17,493
	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.	
<b>10</b>	<b>DEFERRED REVENUE</b>	
	Grants and donations received in relation to future projects:	988,355
		446,383
		988,355
		446,383
	Refer to Notes to the Financial Statements 2(n).	
<b>11</b>	<b>OTHER FINANCIAL LIABILITIES</b>	
	Other financial liabilities	30,547
		27,270
		30,547
		27,270
	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.	

# Habitat for Humanity Australia Ltd

30 June 2018

## Notes to the Financial Statements (continued)

### 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 total 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 2018 is as follows:

	<b>June 2018</b>	<b>June 2017</b>
	\$	\$
Within one year	111,644	119,755
After one year but not more than five years	-	111,644
	<u>111,644</u>	<u>231,399</u>

#### Project Commitments

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

### 14 MEMBERS' GUARANTEE

HFHA has 57 (2017: 65) 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 maximum value members may be required to contribute amounts to \$2,850 (57 x \$50).

# Habitat for Humanity Australia Ltd

30 June 2018

## Notes to the Financial Statements (continued)

	June 2018	June 2017
	\$	\$

### 15 INCOME AND EXPENDITURE OF FUNDRAISING APPEALS

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	1,225,250	1,168,102
Cost of fundraising appeals	863,497	652,357
Surplus of proceeds over disbursements from fundraising appeals	<u>361,753</u>	<u>515,745</u>

The following percentages relate to the fundraising appeals:

Total cost of fundraising appeals/Gross income from fundraising	70%	56%
Net surplus from Fundraising appeals/Gross income from fundraising	30%	44%

During the year, \$165,273 (2017: \$301,774) was received as a grant from HFHI for the purpose of fundraising investment. This amount was fully spent during the year, and is included in the Cost of Fundraising appeals above.

### 16 RELATED PARTY TRANSACTIONS

#### (i) Key management personnel compensation

Short-term employee benefits	182,318	339,981
Total Compensation	<u>182,318</u>	<u>339,981</u>

Key management personnel are not entitled to post employment, long term benefits, termination or share based payments. Key management personnel include the CEO and the COO.

#### (ii) Directors' compensation

The Directors act in an honorary capacity and receive no compensation. During the year travel expenses totalling \$ 934 (2017: \$3,712) incurred by the directors in fulfilling their roles were reimbursed.

# Habitat for Humanity Australia Ltd

## 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 2018 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



Duncan West  
Chairperson  
Sydney, 23 October 2018

## Independent Auditor's Report to the Members of Habitat for Humanity Australia

### Opinion

We have audited the financial report of Habitat for Humanity Australia Ltd (the Company), which comprises the balance sheet as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial 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*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

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

## Responsibilities of the Directors for the 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

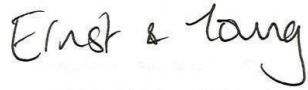
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- Evaluate 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.



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



Ernst & Young



Mark Conroy  
Partner  
Sydney  
23 October 2018