



MCGRATH FOUNDATION LIMITED

A.B.N. 23 115 566 624

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019**

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of McGrath Foundation Limited ("the Foundation") for the year ended 30 June 2019 and the auditor's report thereon.

1 Directors

The Directors of the Foundation at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience and special responsibilities
Mr John Conde AO Chairman Independent Non-Executive Director	<p>John provides pro-bono support to the Board, drawing on his experience at board level with public, private and not-for-profit organisations.</p> <p>John Conde is also the Chairman of Cooper Energy Limited, President of the (Commonwealth) Remuneration Tribunal and Deputy Chairman of Whitehaven Coal Limited. He is a Director of Dexus and a Member of the Independent Parliamentary Expenses Authority. He retired in March 2018 as Chairman of Bupa (Australia and New Zealand). Some of his other previous positions include Chairman of the Sydney Symphony Orchestra, Director of BHP Limited, Chairman of Ausgrid (formerly Energy Australia), Member of the Asian Football Confederation (AFC), Asian Cup Local Organising Committee and Chairman of the Australian Olympic Committee (NSW) Fundraising Committee. He has been a Director of the McGrath Foundation since 23 April 2012 and Chairman since 20 September 2013.</p>
Mr Glenn McGrath AM President Non-Executive Director	<p>Glenn is the co-founder and President who donates to the Foundation all of his time spent on Foundation business.</p> <p>Glenn McGrath has had a successful professional cricket career spanning 14 years. He is an Australian sporting icon and continues his contribution to cricket through his coaching activities and as a media commentator. He has been a Director on the Board of R.M. Williams since April 2015 and has been a Director of the McGrath Foundation since 20 November 2007.</p>
Mrs Tracy Bevan Foundation Ambassador Director	<p>Tracy helped set up the McGrath Foundation in 2005. As a Director and member of the staff of the McGrath Foundation, Tracy spends a great deal of her time travelling around the country speaking at different events to raise awareness about the vital role the McGrath Foundation plays in funding McGrath Breast Care Nurses in the community and encouraging greater breast health understanding. Tracy has been a Director of the McGrath Foundation since 11 December 2008.</p>
Mr Terry Brown Independent Non-Executive Director	<p>Terry is a pro-bono Director and donates all of his time spent on Foundation business.</p> <p>Terry Brown has been a practising lawyer for over 35 years, and is a fellow of the Australian and New Zealand College of Notaries. As a friend and professional advisor to the McGrath family, Terry was a co-founder of the Foundation. Terry also co-founded the Belle Property Group and presently sits on a number of Advisory Boards. He is Joint Managing Director of Tax Assure Pty Ltd.</p> <p>Terry has been a Director of the McGrath Foundation since 2 August 2005.</p>
Ms Christine McLoughlin Independent Non-Executive Director	<p>Christine has been a pro-bono Director since September 2016 and donates all of her time spent on Foundation business.</p> <p>Christine McLoughlin is an experienced Non-Executive Director and business adviser across a range of sectors including financial services, mining, infrastructure, telecommunications, insurance and health. Christine currently serves as Chairman on Suncorp Group Limited and Venues NSW. She is also a Director on nib holdings and a co-founder of Minerva Group.</p>
Ms Suzanne Storrie Independent Non-Executive Director	<p>Suzanne is a pro-bono Director and donates all of her time spent on Foundation business. Suzanne has been a Director of the McGrath Foundation since 19 September 2016 and is Chair of the Risk, Investment and Audit Committee.</p> <p>Suzanne Storrie is the Executive General Manager, Enterprise Finance and Operations at Insurance Australia Group Limited. Suzanne is a recognised senior executive and Non-Executive Director across a range of industries and regulated sectors. She has broad leadership and operational experience spanning financial services, aviation, technology, not-for-profit and professional services. Suzanne is also Chair of Surf Sports Australia Limited and a Non-Executive Director of Surf Life Saving Australia.</p>

DIRECTORS' REPORT (cont'd)

2 Company Secretary

Mr Michael Cussen joined the McGrath Foundation in 2017 and currently holds the position of Finance Director. Michael has been Company Secretary since 30 May 2018.

3 Directors' meetings

The number of directors' meetings (including meetings of committees, while holding the position of director) and number of meetings attended by each of the directors during the financial year are:

Director	Board Meetings		Risk, Investment & Audit Committee		Finance, Audit & Risk Committee*	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr John Conde AO	4	4	2	2	2	2
Mr Glenn McGrath	4	3	2	2	2	2
Mrs Tracy Bevan	4	4	2	2	2	2
Mr Terry Brown	4	3	2	2	2	2
Ms Christine McLoughlin	4	4	2	2	2	2
Ms Suzanne Young (RIAC Chair)	4	4	2	2	2	2

* The name of Finance, Audit & Risk Committee was changed to Risk, Investment & Audit Committee with effect from 12 February 2019.

4 Principal Activities

The principal activities of the Foundation during the financial year were raising funds to provide McGrath Breast Care Nurses and increase breast health understanding in the Australian community. There was a continuing expansion in the provision of nurses during the current year. Further details on the breast care nurse program are contained in the Chairman's Report.

Short and Long-term objectives of the Foundation

The Foundation's short and long term objectives are to:

- Develop and implement strategies to facilitate the employment or engagement of appropriately qualified Breast Care Nurses servicing hospitals, health care agencies and communities throughout Australia, including provision of funding for this purpose
- Increase breast health understanding in the Australian community
- Undertake fundraising activities and the procurement of donations and contributions from the public for the purpose of promoting or supporting the fulfilment of the objectives of the Foundation.

Strategy for achieving these objectives

The Foundation intends to achieve these objectives through:

- Community fundraising activities and events including but not limited to sporting events
- Partnerships with corporate entities
- Sale of goods and branded merchandise
- Implementing breast health understanding programs
- Liaising with government at all levels.

Performance measures

The Foundation measures performance through monthly monitoring and oversight to:

- Assess the cost effectiveness of fundraising activities
- Assess control over the Foundation's administrative and other indirect costs
- Ensure that funds raised are directed effectively to the employment and engagement of appropriately qualified Breast Care Nurses and breast health understanding programs
- Assess the number of Australian families experiencing breast cancer who are supported by a Breast Care Nurse and the extent of such assistance.

DIRECTORS' REPORT (cont'd)

4 Operating and financial review

The operating net surplus/(deficit) of the Foundation for the financial year amounted to \$155,492 (2018: (\$2,161,031)).

In the opinion of the Directors there were no significant changes in the state of affairs of the Foundation that occurred during the financial year under review.

5 Members

Members' guarantee

In accordance with the Foundation's constitution, each member is required to contribute a maximum of \$10 in the event that the Foundation is wound up. The total amount that all 4 members of the Foundation would contribute is \$40.

6 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Foundation, to affect significantly the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation, in future financial years.

7 Future developments

The Foundation will continue to pursue its charitable objectives described above.

8 Environmental regulations

The Foundation's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

9 Indemnification and insurance of Directors

The premium for Directors' and officers' liability and legal expense insurance contracts for the year ended 30 June 2019 were provided to the Foundation free of charge. Such insurance contracts insure against certain liabilities for all directors of the Foundation.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year.

10 Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the financial year ended 30 June 2019.

This report is made out in accordance with a resolution of the Directors:



Mr John Conde AO
Director
24 September 2019
Sydney, NSW



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

To: the Directors of McGrath Foundation Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 there have been:

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

KPMG

Daniel Robinson

Partner

Sydney

24 September 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Revenue	4.1	18,731,131	19,352,880
Expenses			
<u>Programme Expenses</u>			
Foundation funded Breast Care Nurses programme expenses		8,013,582	7,370,571
Government funded Breast Care Nurse Initiative expenses		5,171,409	5,309,256
<i>Total programme expenses</i>		13,184,991	12,679,827
<u>Non-Programme Expenses</u>			
Fundraising and marketing expenses		5,035,013	7,634,870
General and administration expenses		1,355,173	1,644,330
<i>Total non-programme expenses</i>		6,390,186	9,279,200
Total expenses		19,575,177	21,959,027
Finance income	4.1	999,538	445,116
Net surplus (deficit) for the year		155,492	(2,161,031)
Changes in fair value of financial instruments that will not be subsequently realised in surplus/(deficit) for the year		54,987	419,254
Other comprehensive income for the year		54,987	419,254
Total comprehensive income (loss) for the year		210,479	(1,741,777)

The accompanying notes on pages 11 to 20 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	5.1	11,896,133	3,311,310
Investments	5.2	100,349	-
Trade and other receivables	5.3	401,988	1,248,824
Prepayments		170,846	112,458
Inventories		16,143	59,061
Other financial assets		239,233	250,860
Total Current Assets		12,824,692	4,982,513
Non-current Assets			
Investments	5.2	17,675,274	16,725,426
Property, plant & equipment	5.5	824,809	745,696
Intangible assets – computer software	5.6	93,314	223,924
Total Non-current Assets		18,593,397	17,695,046
Total Assets		31,418,089	22,677,559
Current Liabilities			
Trade and other payables	5.4	3,422,380	2,926,723
Employee benefits		234,929	176,126
Provisions		26,964	24,436
Deferred income	4.3	7,817,560	-
Total Current Liabilities		11,501,833	3,127,285
Non-current Liabilities			
Employee benefits		61,411	46,780
Provisions		140,872	-
Total Non-current Liabilities		202,283	46,780
Total Liabilities		11,704,116	3,174,065
Net Assets		19,713,973	19,503,494
Equity			
Fair value reserve		847,788	792,801
Accumulated surpluses		18,866,185	18,710,693
Total Equity		19,713,973	19,503,494

The accompanying notes on pages 11 to 20 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Cash flow from operating activities			
Donations received		6,595,572	6,136,604
Proceeds from fundraising		3,906,406	4,806,895
Proceeds from corporate partners		3,671,188	3,065,270
Proceeds from grants		14,444,100	5,507,700
Payments to suppliers and employees		(19,953,560)	(20,808,575)
Interest received from cash accounts		36,734	81,699
Net cash (used in)/provided by operating activities		8,700,440	(1,210,407)
Cash flow from investing activities			
Proceeds from investments		-	1,400,000
Payments for property, plant & equipment	5.5	(115,617)	(741,856)
Payments for intangible assets		-	(27,265)
Net cash provided/(used in) investing activities		(115,617)	630,879
Cash flow from financing activities			
		-	-
Net increase/(decrease) in cash held		8,584,823	(579,528)
Cash and cash equivalents at the beginning of the financial year		3,311,310	3,890,838
Cash and cash equivalents at the end of the financial year	5.1	11,896,133	3,311,310

The accompanying notes on pages 11 to 20 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Fair value reserve \$	Accumulated surpluses \$	Total equity \$
Balance at 30 June 2017	373,547	20,871,724	21,245,271
Net (deficit) for the year	-	(2,161,031)	(2,161,031)
Other comprehensive income for the year:			
Changes in fair value of financial instruments that will not be subsequently realised in surplus/(deficit) for the year	419,254	-	419,254
Balance at 30 June 2018	792,801	18,710,693	19,503,494
Net surplus for the year	-	155,492	155,492
Other comprehensive income for the year:			
Changes in fair value of financial instruments that will not be subsequently realised in surplus/(deficit) for the year	54,987	-	54,987
Balance at 30 June 2019	847,788	18,866,185	19,713,973

The accompanying notes on pages 11 to 20 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 Reporting entity

McGrath Foundation Limited ("the Foundation") is a not-for-profit entity dedicated to raising funds for the provision of Breast Care Nurses and breast health understanding programs. The Foundation is an unlisted public company limited by guarantee which does not have any share capital. If the Foundation is wound up, the constitution states that each Member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Foundation. At 30 June 2019, the number of members was 4 (2018: 4).

The Foundation's registered address and principal place of business is Level 1/32 Walker Street, North Sydney NSW 2060.

2 Basis of preparation

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were authorised for issue by the Board of Directors on 24 September 2019. Details of the Foundation's accounting policies, including changes during the year, are included in Notes 2 to 6.

The financial statements have been presented in a style which attempts to make them less complex and more relevant to the users of the financial statements, such as the supporters of the Foundation. Note disclosures are grouped into five sections: 'Basis of preparation', 'Changes in accounting policies', 'Operations of the Foundation', 'Operating assets and liabilities' and 'Other notes'. Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used.

The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Foundation and to provide commentary on each section, or note, in plain English.

In the opinion of the Directors, having regard to the not-for-profit nature of the Foundation, the terms used in the prescribed format of the Statement of Comprehensive Income are not appropriate. "Profit or Loss" in the prescribed format of the Statement of Comprehensive Income has been substituted by "Surplus or Deficit".

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Foundation's functional currency.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use within one year from the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and include those liabilities due within one year from the reporting date or where the Foundation does not have the right to defer settlement beyond 12 months. All other liabilities are classified as non-current liabilities.

Financial Instruments - non-derivative financial assets and liabilities

The Foundation's non-derivative financial assets comprise cash and cash equivalents, investments, trade and other receivables and other financial assets. Non-derivative financial liabilities comprise trade and other payables.

The Foundation initially recognises cash and cash equivalents and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

(i) Recognition and measurement of non-derivative financial assets

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred. Financial assets at fair value through profit and loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 Basis of preparation (cont'd)

A financial asset at amortised cost is initially recognised at fair value plus any directly attributable transaction costs, except for trade receivables which do not contain a significant financial component and are recognised at transaction price. Subsequent to initial measurement, they are measured at amortised cost using the effective interest rate method.

A financial asset is classified as fair value through other comprehensive income if contractual cash flows include only principal and interest in a business model where the assets are managed to collect contractual cash flows or for sale or for equity instruments where another comprehensive election is applied on initial recognition. Directly attributable transaction costs and dividend income are recognised in surplus/(deficit) as incurred. Financial assets through other comprehensive income are measured at fair value and changes therein are recognised in other comprehensive income.

(ii) Recognition and measurement of non-derivative financial liabilities

Financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowing on the effective interest basis.

(iii) De-recognition of non-derivative financial instruments

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

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

Income tax

The Foundation is a registered charity and is exempt from income tax in accordance with Section 50-B of the Income Tax Assessment Act 1997. The Foundation holds deductible gift recipient status.

Goods and Services Tax (GST)

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

Employee benefits

(i) Short-term employee benefits

Short-term employee benefits include annual leave and other leave expected to be wholly settled within the next 12 months.

The employee related expense (including subcontractors) for the year was \$4,416,588 (2018: \$4,364,210). Within employee related expenses, \$369,127 (2018: \$333,812) in expenses relating to defined contribution plans (superannuation) was recognised.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans (superannuation) are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Foundation has no obligation to pay further contributions to these plans if the plans do not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

(iii) Other long-term employee benefits

Other long-term employee benefits include annual leave not expected to be wholly settled within the next 12 months and long service leave.

The Foundation's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, applying probability assumptions, discounted to determine its present value. Reassessments are recognised in the Statement of Comprehensive Income in the period they arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 Basis of preparation (cont'd)

(iv) Breast Care Nurses

Breast Care Nurses are employed by the relevant Local Health District. The Foundation hold contracts with the Local Health Districts to fund the Breast Care Nurses employment costs. Payments made to the Local Health District by the Foundation include salaries and wages and all employee benefits. As a consequence, no employee benefits are provided for in the financial statements of the Foundation. The Foundation's future commitments for Breast Care Nurses are disclosed in Note 4.2.

3 Changes in accounting policies

Except for the changes noted below, the Foundation has consistently applied the accounting policies set out in Notes 2 to 6 to all periods presented in these financial statements.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Foundation are set out below. The Foundation does not plan to adopt these standards early.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019. The Foundation has assessed the impact on its financial statements and there is no material impact resulting from the application of AASB 15.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. The requirements of AASB 1058 more closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. The timing of recognition depends on whether such a transaction gives rise to a liability or other performance obligation.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019. The Foundation has assessed the impact on its financial statements and there is no material impact resulting from the application of AASB 1058.

(ii) AASB 16 Leases

AASB 16 Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 Revenue from contracts with customers.

The Foundation has assessed the impact on its financial statements resulting from the application of AASB 16 and is detailed below.

The Foundation will adopt AASB 16 Leases retrospectively from 1 July 2019, but will not restate comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules will therefore be recognised in the opening statement of financial position on 1 July 2019.

On adoption of IFRS 16, the Foundation will recognise lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate to be applied to the lease liabilities on 1 July 2019 will be 5%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3 Changes in accounting policies (cont'd)

Measurement of lease liabilities

Operating lease commitments disclosed as at 30 June 2019	1,077,213
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>(105,878)</u>
Lease liability recognised as at 1 July 2019	<u>971,335</u>
Of which are:	
Current lease liabilities	204,633
Non-current lease liabilities	<u>766,702</u>
	<u>971,335</u>

Measurement of right-of-use assets

The associated right-of-use asset for property lease was measured on a retrospective basis as if the new rules had always been applied.

Adjustments recognised in the statement of financial position on 1 July 2019

The change in accounting policy affected the following items in the statement of financial statements on 1 July 2019

- right-of-use assets – increase by \$ 922,718
- lease liabilities – increase by \$971,335
- provisions for AASB 117 lease straight-lining- decrease by \$26,964
- the net impact on retained earnings on 1 July 2019 will be a decrease of \$21,653

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4 Operations of the Foundation

4.1. Revenue and finance income

Revenue recognition accounting policy

Revenue is stated exclusive of GST. Selecting the appropriate timing and amount of revenue recognised requires some judgement. Revenue recognition criteria for the Foundation's key classes of revenue are recognised on the following bases:

Income stream	Nature	Recognition criteria
Donations	Amounts paid to the Foundation from supporters of the Foundation where the donor receives no material benefit or advantage.	On receipt of the cash.
Fundraising	Amounts paid to the Foundation from supporters of the Foundation where the donor is involved in a Foundation event, such as the Ladies High Tea or Pink Stumps Day. This includes revenue from the sale of merchandise related to fundraising events i.e. Pull On Your Socks.	On receipt of the cash/when goods are delivered.
Corporate partners	Partnerships with third party companies for fundraising activities and involve a contract. For example donations from the corporate partner based on sales of their product and revenue received as part of the contractual agreements.	Recognised monthly based on third party reports confirming revenue receivable by the Foundation.
Government grant income	The Foundation's Breast Care Nurse Programme receives support from the Commonwealth Government of Australia. The Foundation must comply with the conditions associated with the Grant, otherwise the funding is repayable to the Government. See Note 4.2 and 4.3 for further details on the Grant.	On a systematic basis in the same period in which the related services are delivered i.e. when expenditure is incurred in relation to the Government Breast Care Nurse Programme. The grant revenue recorded will not exceed grant related expenditure in the period.
Finance income	Finance income relates to interest and dividends received on funds invested.	As it accrues using the effective interest method.

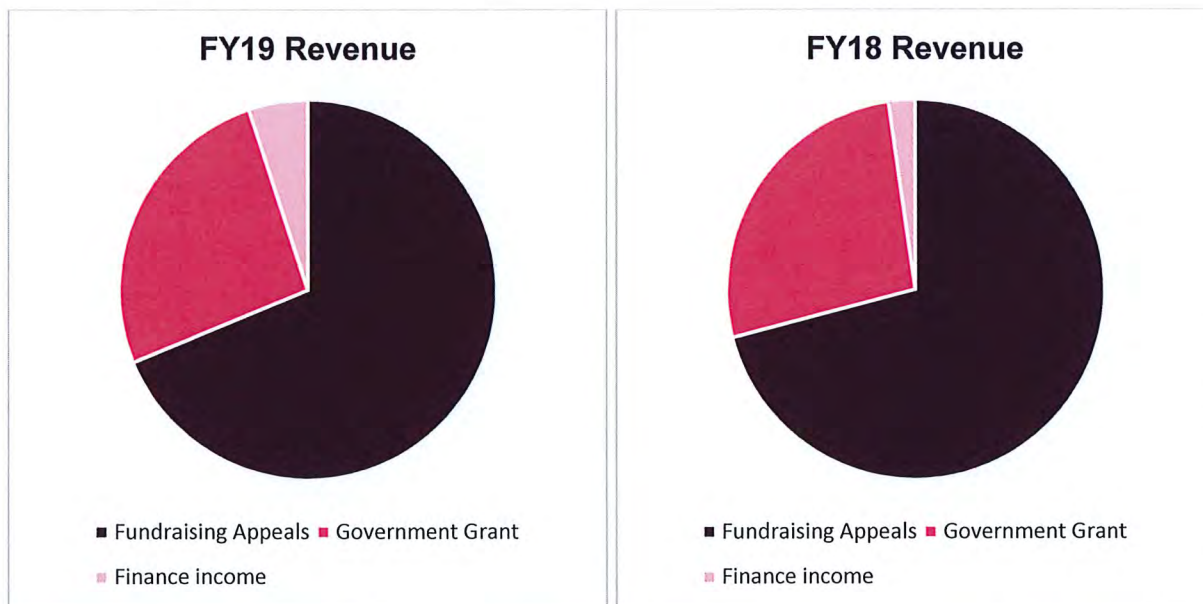
	2019	2018
Revenue	\$	\$
Donations	6,685,119	6,136,604
Fundraising	3,906,406	4,806,895
Corporate partners	2,980,913	3,102,212
Government grant	5,158,693	5,307,169
	18,731,131	19,352,880
Finance income		
Interest income	999,538	445,116
<i>Finance Income</i>	999,538	445,116

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4.1. Revenue and finance income (cont'd)

Fundraising activities conducted during the year

Major campaigns conducted during 30 June 2019 financial year included Sydney Pink Test, Pink Stumps Day and Pink Up Your Town, donations received through regular giving and major appeals (Tax Appeal and Christmas Appeal), Community Fundraising Events, High Teas and Corporate Partnerships.



The composition of revenue is from the sources outlined in the chart above. The majority of funding for the Foundation's mission is sourced from fundraising appeals, which include donations, fundraising and corporate partners.

4.2. Breast Care Nurse commitments

Commonwealth Government of Australia Funded Breast Care Nurses

The Foundation receives support from the Commonwealth Government of Australia to fund Breast Care Nurses and fulfil the Foundation's mission. On 28 June 2013, the Foundation signed a contract with the Commonwealth to fund the 44 nursing positions supported under the 2008-09 Breast Cancer Nurses Budget Initiative as well as funding the procurement of a further 13 Breast Care Nurse positions in areas where there is a demonstrated need. The contract period was 1 July 2013 to 30 June 2017. On 22 May 2017, The Foundation signed a new contract with the Commonwealth for a further four years, from 1 July 2017 to 30 June 2021. On 4 June 2019, the Foundation signed a deed of variation on the agreement and a new Standard Grant Agreement was signed which secured funding for up to 98 Breast Care Nurses by 2022-23. The new agreement is effective from 1 July 2019 to 30 June 2023.

The number of nurse positions filled under the Government contract at 30 June 2019 was 57 (2018: 57).

The commitments included in this note only include committed amounts associated with the employment costs of the Commonwealth funded Breast Care Nurses, this does not include other costs permitted under the funding agreement such as a recruitment costs, training costs, etc. as these costs are not deemed to be committed.

The total undiscounted future minimum payments under Commonwealth Government of Australia Funded Breast Care Nurses fall due for payment as follows:

	2019 \$	2018 \$
Within one year	5,191,976	4,585,871
Greater than one year but not later than five years	5,161,911	9,072,871
Total (excluding GST)	10,353,887	13,658,742

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4.2. Breast Care Nurse commitments (cont'd)

McGrath Foundation Funded Breast Care Nurses

The Foundation funds all other nurses through the support of the community. The Foundation currently supports 73 (2018: 63) Breast Care Nurse positions that are committed as at 30 June 2019 as a result of contracts executed with health care providers usually with a 3 year duration. The Foundation's goal is to fund the expansion of Breast Care Nurse positions into the future through fundraising appeals.

The total undiscounted future minimum payments under McGrath Foundation Funded Breast Care Nurses fall due for payment as follows:

	2019	2018
	\$	\$
Within one year	5,990,325	5,885,765
Greater than one year but not later than five years	4,917,183	5,801,238
Total (excluding GST)	<u>10,907,508</u>	<u>11,687,003</u>

4.3. Deferred income

	2019	2018
	\$	\$
Government grant	7,817,560	-
	<u>7,817,560</u>	<u>-</u>

Government grant

Funding received in the year ended 30 June 2019 amounted to \$14,444,100 (incl. GST) (2018: \$5,507,700) incl. GST) and was conditional on the funding being used for the provision of training to, assistance with the recruitment of, and funding of employment costs of, Commonwealth-funded McGrath Foundation Breast Care Nurses under the initiative and administration activities performed by McGrath Foundation Limited to implement the initiative. The funding is received in instalments over the period of the funding agreement and is initially recognised as deferred income. Any residual unspent grant at 30 June 2019 is payable to the Government and presented within Trade and other payables.

Revenue recognised in relation to the government grant for the year ended 30 June 2019 amounted to \$5,158,693 (2018: \$5,307,169). Revenue is released to the income statement when costs that fulfil the conditions of the funding agreement relating to the Commonwealth-funded McGrath Foundation Breast Care Nurses initiative are incurred.

See Note 4.2 for details of future commitments for Commonwealth-funded McGrath Foundation Breast Care Nurses as at 30 June 2019.

4.4. Operating leases

Leases accounting policy

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits. The Foundation has no finance leases.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

Operating leases commitments

The total undiscounted future minimum lease payments under non-cancellable operating leases fall due for payment as follows:

	2019	2018
	\$	\$
Within one year	248,552	235,599
Greater than one year but not later than five years	828,661	1,077,213
Total (excluding GST)	<u>1,077,213</u>	<u>1,312,812</u>

The Foundation entered into a 5 year commercial lease for business premises at 32 Walker Street North Sydney, NSW, 2060 commencing 1 July 2018, with lease payments increased each year by a factor of 4% p.a. This commitment is included in the table above.

During the year ended 30 June 2019, an amount of \$361,213 (2018: \$280,098) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. Operating assets and liabilities

5.1. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash balances, call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

	2019	2018
	\$	\$
Cash at bank and on hand	10,378,457	1,624,902
Term deposits	1,517,676	1,686,408
	11,896,133	3,311,310

5.2. Investments

Accounting policy

Investments comprise of both equity and debt instruments.

	2019	2018
	\$	\$
Current		
Investments measured at fair value through profit and loss	100,349	-
	100,349	-
Non-current		
Investments measured at fair value through profit and loss	12,797,359	12,230,282
Investments measured at fair value through other comprehensive income	4,877,915	4,495,144
	17,675,274	16,725,426

Investments in equity instruments are measured at fair value through other comprehensive income on a recurring basis using Level 1 inputs. All investments measured at fair value through other comprehensive income have been designated as such on initial recognition in accordance with AASB 9. Investments in debt instruments are measured at fair value through profit and loss.

The Foundation does not commit to additional nurses until funding for the full contract period is raised. The investment funds are used to fund Foundation nurses and future increases including additions to nurse positions.

5.3. Trade and other receivables

Accounting policy

Trade receivables are classified and measured as a financial asset at amortised cost. Financial assets at amortised cost are recognised at fair value. Credit terms are available to corporate partners with contracts for fundraising and a third party who manages merchandise sales. Timing differences may also occur between a Government grant funding due date and payment date which results in a receivable being recorded.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Foundation will not be able to collect all amounts due. The carrying value of trade receivables is considered to approximate fair value.

	2019	2018
	\$	\$
Trade receivables	362,842	619,169
Provision for impairment	(6,080)	-
	356,762	619,169
Other receivables (accrued interest income; net GST receivable)	45,226	474,908
Receivable in respect of Commonwealth funded Breast Care Nurses	-	154,747
	401,988	1,248,824

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.3. Trade and other receivables (cont'd)

Movement in the provision for impairment of trade receivables is as follows:

Balance at 1 July 2018	-
Impairment loss recognised during the year	27,667
Unused amount reversed during the year (amounts recovered)	-
Amounts written off during the year (utilisation of provision)	(21,587)
Balance at 30 June 2019	6,080

The impairment expense recognised in the period is \$27,667 (2018: \$51,732) and was recognised within Fundraising and marketing expenses on the Statement of Comprehensive Income.

5.4. Trade and other payables

Accounting policy

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value.

	2019	2018
	\$	\$
Trade payables	768,253	1,734,218
Other payables (net GST payable)	625,969	-
Accrued expenses	2,028,158	1,192,505
	3,422,380	2,926,723

5.5. Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of these assets is the amount initially paid for them. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Foundation.

Depreciation is provided and is charged to the Statement of Comprehensive Income to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years the Foundation expects the asset to be used (useful economic life) and is expensed to the Statement of Comprehensive Income on a straight-line basis over the useful economic life. Major categories of property, plant & equipment are depreciated as follows:

Asset class	Depreciation policy
Leasehold improvements	Lease term
Furniture and fittings	5 years
Computer equipment	3 years

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology.

Property, plant and equipment additions for the year total \$254,395 (2018: \$741,856) and relate to the capitalisation of expenses pertaining to the fit out of the new North Sydney premises, computer hardware and the make good provision for the North Sydney lease.

Additions for property, plant and equipment includes non-cash investing amount of \$138,778 for make good provision for the North Sydney lease.

The depreciation expense recognised in the year was \$175,282 (2018: \$81,246).

5.6. Intangible assets – computer software

Accounting policy

Software is recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated lives of 3 to 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Intangible additions for the year total \$0 (2018: \$27,265). The prior year additions related to the capitalisation of expenses pertaining to the implementation of software on new machines and the development and implementation of new regular giving platform software.

The amortisation expense recognised in the year was \$130,611 (2018: \$91,870).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6. Other notes

6.1. Auditor's remuneration

	2019	2018
	\$	\$
Audit of statutory financial statements	42,500	39,500
Audit/review of Government Grant funding	5,400	5,300
Assistance with compilation of financial statements	7,600	7,450
Total auditors remuneration	<u>55,500</u>	<u>52,250</u>

6.2. Related parties

The related parties identified by the Directors include key management personnel (the Foundation does not have any joint ventures, associated undertakings or direct equity investments). To enable users of our financial statements to form a view about the effects of related party relationships on the Foundation, we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

Key management personnel consists of McGrath Foundation Limited Executive and Non-executive Directors and the McGrath Foundation Chief Executive Officer.

Key management personnel compensation

Key management personnel compensation was \$524,290 (2018: \$411,580) for the year ended 30 June 2019. Non-Executive Directors do not receive any remuneration from the Foundation for their Director duties.

Transactions with key management personnel

The Directors of McGrath Foundation Limited and their related entities from time to time make donations to McGrath Foundation Limited under the same terms and conditions as donations received from members of the public and corporate organisations.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. None of these entities transacted with the Foundation during the year ended 30 June 2019 (2018: \$nil).

6.3. Significant events after balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Foundation, to affect significantly the operations of the Foundation, the results of those operations, or the state of affairs of the Company, in future financial years.

DECLARATION OF CHAIRMAN IN RESPECT OF FUNDRAISING APPEALS

I, John Conde, Chairman of McGrath Foundation Limited, declare that in my opinion:

- 1 The financial statements give a true and fair view of all income and expenditure of McGrath Foundation Limited with respect to fundraising appeal activities for the financial year ended 30 June 2019.
- 2 The statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2019.
- 3 The provisions of the Charitable Collections (WA) Act 1946 and the conditions attached to the authority have been complied with for the financial year ended 30 June 2019;
- 4 The provisions of the Charitable Fundraising (NSW) Act 1991 and Regulations and the conditions attached to the authority have been complied with for the financial year ended 30 June 2019; and
- 5 The internal controls exercised by McGrath Foundation Limited are appropriate and effective in accounting for all income received and applied by McGrath Foundation Limited from any of its fundraising appeals.



Mr John Conde AO
Chairman
24 September 2019
Sydney, NSW

DIRECTORS' DECLARATION

In the opinion of the directors of McGrath Foundation Limited (the Foundation):

- (a) the Foundation is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 7 to 20 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Foundation's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'J.C. Conde', is written above the typed name.

Mr John Conde AO
Chairman
24 September 2019
Sydney, NSW



Independent Auditor's Report

To the *members* of McGrath Foundation Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of McGrath Foundation Limited (the *foundation*).

In our opinion, the accompanying Financial Report of the Foundation is in accordance with Division 60 of the Australian Charities and not-for-profits Commission (ACNC) Act 2012 including:

- i. giving a true and fair view of the Foundation's financial as at 30 June 2019, and of its financial performance and its cash flows for the year then ended, and
- ii. complying with *Australian Accounting Standards - Reduced Disclosure Requirements* to the extent described in Note 2 and Charities and Non-for-profits Commission Regulation 2013.

The Financial Report comprises:

- Statement of financial position as at 30 June 2019
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies.
- Director's Declaration
- Declaration by the Chairman in respect of fundraising appeals of the Foundation.

Basis for opinion

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

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

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

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 to the Financial Report, which describes the basis of preparation.

The financial Report has been prepared for the purpose of fulfilling the Director's financial reporting responsibilities under ACNC Act 2012. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose.

Our report is intended solely for the members of the Foundation and ACNC and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Financial Report to which it relates to any person other than the members of the Foundation and ACNC. Our opinion is not modified in respect of this matter.

Other information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards- Reduced Disclosures Requirement and the ACNC.
- preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations and with Section 15(1) and 15(2) of the WA Charitable Collections Act 1946 and Regulations 1947, collectively the Acts and Regulations.
- determining that the basis of preparation described in Notes 2 to the Financial Report is appropriate to meet the requirements of the ACNC, the Acts and Regulations. The basis of preparation is also appropriate to meet the needs of the members.
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Foundation's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the *Foundation* or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of this Financial Report.

As a part of an audit in accordance with Australian Auditing Standards- Reduced Disclosure Requirements, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. 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.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Foundation's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Foundation to cease to continue as a going concern.
- v. 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 of the registered Foundation regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

Report on other legal and regulatory requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion,

- i. The financial report gives a true and fair view of the Foundation's financial result of fundraising appeal activities for the financial year ended 30 June 2019;
- ii. The Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2018 to 30 June 2019, in accordance with the Charitable Fundraising Act (NSW) 1991 and Regulations;
- iii. Money received as a result of fundraising appeal activities conducted during the period from 1 July 2018 to 30 June 2019 has been properly accounted for and applied in accordance with the Charitable Fundraising Act (NSW) 1991 and Regulations; and
- iv. There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In our opinion, the foundation has complied, in all material respects, with the requirements of the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947 for the year ended 30 June 2019.

KPMG

Daniel Robinson

Partner

Sydney

24 September 2019