Reconciliation Australia Limited

ABN 76 092 919 769

Annual Financial Report

For the year ended 30 June 2017

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Directors' report

Your directors present this report to the members of Reconciliation Australia Limited (Reconciliation Australia) for the year ended 30 June 2017.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Name	***Particulars***
Professor Thomas E. Calma AO (Co Chair) *Hon DLitt, Hon DSc, Hon DUniv*	Professor Calma is an Aboriginal elder from the Kungarakan tribal group and a member of the Iwaidja tribal group in the NT. He is currently the Chancellor of the University of Canberra and the National Coordinator for Tackling Indigenous Smoking. Professor Calma holds a number of board positions with Ninti One, the Australian Indigenous Leadership Centre and the Australia Literacy and Numeracy Foundation. He previously served as the Aboriginal and Torres Strait Islander Social Justice Commissioner and the Race Discrimination Commissioner.
Ms Melinda A. Cilento (Co Chair) *BA, BEc (Hons), MEc*	Ms Cilento is CEO of the Committee for Economic Development of Australia (CEDA) and a non-executive director with Woodside Petroleum and Australian Unity. She previously held senior management and economist roles at the Productivity Commission, Business Council of Australia, International Monetary Fund and the Commonwealth Department of Treasury.
Mr Kenny R. Bedford *BAppHSc, DipYW*	Mr Bedford lives on the remote island of Erub (Darnley) and until recently was on the board of the Torres Strait Regional Authority. He is Manager of Culture and Diversity at My Pathway, President of the Eurb Fisheries Management Association and a director of Debe Mekik Le Consultancy. Mr Bedford was a convener at the recent Referendum Council dialogues and is a member of the Uluru Statement Working Group.
Mr Jason C. Glanville	A member of the Wiradjuri peoples from south-western New South Wales, Mr Glanville is currently the Program Director for the Atlantic Fellows for Social Equity. He was the inaugural CEO of the National Centre of Indigenous Excellence and holds board positions with the Australian Indigenous Governance Institute, National Australia Day Council, Carriageworks and the Australian Indigenous Leadership Centre. Mr Glanville resigned from the Board on 29 August 2016.
Dr Ken R. Henry AC FASSA *BCom (Hons), PhD, DB h.c*	Dr Henry is the Chairman and a non-executive director of National Australia Bank Ltd and a non-executive director of the Australian Stock Exchange. He is also Chairman of the Sir Ronald Wilson Foundation and Governor of the Committee of Economic Development of Australia (CEDA) and Director of the Cape York Partnership. For a decade commencing in 2001 Dr Henry was Secretary to the Treasury, a member of the Board of the Reserve Bank of Australia and a member of the Board of Taxation. Dr Henry resigned from the Board on 14 September 2016.
Mr Glen A. Kelly *BEnvSc, MAICD*	Mr Kelly is a Noongar man and is currently a Director at KPMG Arilla Indigenous Services. From 2006 to 2015 he served as CEO of the South West Aboriginal Land and Sea Council where he was the chief negotiator of the Noongar Native Title Settlement. Mr Kelly is also a director of the Museum of Freedom and Tolerance WA and a member of the Murdoch University Senate.

Name	*Particulars*
Mr Bill D. Lawson AM *BEng*	Mr Lawson is a Director of the Reconciliation Council of Tasmania and a retired engineer, most recently working as a Principal at Sinclair Knight Merz. From 2011 to 2012 Mr Lawson was the Tasmanian representative on the Prime Minister's Expert Panel for the Recognition of Indigenous Australians. He is also the founder of the Beacon Foundation.
Ms Djapirri Mununggirritj	A Yolgnu elder from North East Arnhem, Ms Mununggirritj is currently an Indigenous Liaison Officer with the Department of Prime Minister and Cabinet. She is member of the board of Miwatj Aboriginal Health, Gumatj Aboriginal Corporation and the Dhumurru Land Management Aboriginal Corporation. Ms Mununggirritj is also heavily involved in the Yothu Yindi Foundation including the Garma Festival.
Mr Peter S. Nash *BComm, CA*	A Chartered Accountant with over 30 years' experience, Mr Nash was most recently the Australian Chairman of KPMG, where he held positions on KPMG's Global and Asia Pacific boards. Mr Nash is also a board member of the Koorie Heritage Trust, Golf Victoria and the Migration Council of Australia.
Ms Kirstie M. Parker	A Yuwallarai woman from northwest NSW, Ms Parker is currently Director of Aboriginal Affairs and Reconciliation with the Department of State Development (SA). She was previously the the CEO of the National Centre of Indigenous Excellence and Co-Chair of the National Congress of Australia's First Peoples. Ms Parker has over 25 years' experience in journalism and the management of Indigenous organisations, including as the Editor of the Koori Mail.
Ms Joy Thomas	Ms Thomas comes from a background in federal politics, serving for many years as an adviser and chief of staff to Ministers in the Howard Government. She previously held senior management positions with the Australian Medicare Local Alliance (AML Alliance) and Australian General Practice Network (AGPN). Ms Thomas works as a private consultant to peak industry bodies and the primary health care sector.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Jason C. Glanville who resigned from the Board on 29 August 2016; and
- Mr Ken R. Henry who resigned from the Board on 14 September 2016.

Company secretary

Ms Karen Mundine (Chief Executive Officer) was appointed as Company Secretary on 18 September 2017. She is from the Bundjalung Nation of northern NSW and has more than 20 years' experience leading community engagement, public advocacy, communications and social marketing campaigns. Ms Mundine holds a Bachelor of Arts in Communications and is a Director of Gondwana Choirs and the Australian Indigenous Leadership Centre.

Mr Justin Mohamed held the position of Company Secretary from 1 November 2014 to 17 September 2017. He is a Gooreng Gooreng man from Bundaberg in Queensland and was previously the Chairperson of the National Aboriginal Community Controlled Health Organisation (NACCHO), after working with Victorian Aboriginal communities for twenty years. Mr Mohamed holds an Advanced Diploma of Business Management and a Certificate IV in Managing Social and Community Services.

Short and long term objectives and strategy

Reconciliation Australia is the lead body for reconciliation in the nation. The Company is an independent, not-for-profit organisation that promotes and facilitates reconciliation by building relationships, respect and trust between the wider Australian community and Aboriginal and Torres Strait Islander peoples.

Our purpose is to inspire and enable all Australians to contribute to the reconciliation of our nation. Our vision of a just, equitable and reconciled Australia and is based on five inter-related dimensions: race relations, equality and equity, unity, institutional integrity and historical acceptance. These five dimensions do not exist in isolation; they are inter-related and Australia can only achieve full reconciliation if we progress all five.

Principal activities

During the year, Reconciliation Australia was involved in a range of programs and projects aimed at connecting people and promoting a greater understanding of Australia's First Nations' histories, cultures, identities and successes. This includes:

- Reconciliation Action Plan (RAP) program
- Indigenous Governance Awards
- Constitutional recognition of our nation's First Peoples (Recognise Campaign)
- Narragunnawali: Reconciliation in Schools and Early Learning
- National Reconciliation Week
- Australian Reconciliation Barometer

Review of operations

The result of Reconciliation Australia's consolidated operations in the current year was a surplus of $271,245 (surplus of $236,990 in 2016).

Reconciliation Australia's general operational activities and the constitutional recognition (Recognise) campaign were primarily funded by the Commonwealth Government, through the Department of Prime Minister and Cabinet. Funding was also received from BHP, corporate supporters and private donors.

Changes in the state of affairs

On 19 June 2017 the directors resolved to windup and dissolve the Reconciliation Australia Fund effective 30 June 2017. From 1 July 2017 the Public Fund required under Reconciliation Australia's deductable gift recipient (DGR) status is being maintained directly within Reconciliation Australia Limited.

There were no other significant changes in the state of affairs of Reconciliation Australia during the financial year.

Subsequent events after the balance date

Mr Justin Mohamed, Chief Executive Officer since November 2014 concluded his role with Reconciliation Australia on 28 July 2017. Ms Karen Mundine was appointed as the new Chief Executive Officer from 29 July 2017. Ms Mundine has been with the organisation since 2008, most recently as Deputy Chief Executive Officer.

On 11 July 2017, the BHP Foundation announced that it would be entering into a five year, $11m grant agreement with Reconciliation Australia for the Narragunnawali and Indigenous Governance Programs. The grant agreement is due to commence in November 2017.

On 11 August 2017 it was announced that the Recognise campaign would be ceasing operations by 30 September 2017, due to the conclusion of Federal Government funding for this project.

On 13 September 2017 The Myer Foundation requested that given the conclusion of the Recognise campaign on 30 September 2017, Reconciliation Australia should formally reapply to the Foundation to use the unspent portion of the funding the Foundation had provided for the Recognise regional field campaign. The balance of this unspent funding is included in the Revenue Received in Advance account and amounted to $445,605 at 30 June 2017, and the date of this report.

There have been no other significant events occurring after balance date which may affect either the operations of Reconciliation Australia, or the results of those operations or the state of affairs of the organisation.

Environmental regulation and performance

Reconciliation Australia is not subject to any particular or significant environmental regulation.

Indemnification of officers and auditors

During the financial year, Reconciliation Australia paid a premium in respect of a contract insuring the directors of Reconciliation Australia (as named above), the company secretary, the Chief Executive Officer and all executive officers of Reconciliation Australia against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the amount of the premium.

Reconciliation Australia has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of Reconciliation Australia against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year four board meetings and five audit and risk committee meetings were held.

Director	Board of directors		Audit and risk committee	
	Held	Attended	Held	Attended
Prof. T. E. Calma AO	4	4	5	2
Ms M. A. Cilento	4	4	5	5
Mr K. R. Bedford	4	4	5	3
Mr J. C. Glanville	-	-	-	-
Dr K. R. Henry AC	-	-	-	-
Mr G. A Kelly	4	3	-	-
Mr W. D. Lawson AM	4	4	2	2
Ms D. Mununggirritj	4	4	-	-
Mr P. S. Nash	4	2	5	4
Ms K. M. Parker	4	3	-	-
Ms J. Thomas	4	4	-	-

Members' guarantee

In accordance with Reconciliation Australia's constitution, each member is liable to contribute $1 in the event that the company is wound up. The total amount members would contribute is $9.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of this financial report. The directors' report is signed in accordance with a resolution of directors.

On behalf of the directors:

Ms Melinda Ann Cilento	Professor Thomas Edwin Calma AO
Director	Director

20 October 2017

Deloitte.

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The Board of Directors
Reconciliation Australia Limited
Old Parliament House
King George Terrace
Parkes ACT 2600

20 October 2017

Dear Directors

Reconciliation Australia Limited

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of Reconciliation Australia Limited.

As lead audit partner for the audit of the financial statements of Reconciliation Australia Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) 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) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that Reconciliation Australia will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes there to, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s. 60.15 of the Australian Charities and Not-for-profits Commission Regulation 2013.

On behalf of the directors:

Ms Melinda Ann Cilento
Director

Professor Thomas Edwin Calma AO
Director

20 October 2017

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	3(a)	**13,772,008**	10,885,826
Employee benefits expense		**(6,283,527)**	(5,645,332)
Consultants and outside services expense		**(363,793)**	(425,267)
Communications and marketing expense		**(4,460,461)**	(2,624,771)
Workshops and events expense		**(920,627)**	(445,290)
Travel and accommodation expense		**(840,786)**	(733,393)
Office communications and supplies expense		**(156,915)**	(176,342)
Office facilities and utilities expense		**(389,274)**	(463,425)
Depreciation and amortisation expense	3(b)	**(82,430)**	(128,502)
Other expenses		**(2,950)**	(6,514)
Surplus before tax		**271,245**	236,990
Income tax expense	2.4	**-**	-
Surplus for the year from continuing operations		**271,245**	236,990
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**271,245**	236,990

This statement of profit or loss and other comprehensive income is to read in conjunction with the attached notes.

Consolidated statement of financial position
as at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents		**1,630,505**	1,413,490
Investments	5	**6,034,176**	10,704,587
Trade and other receivables	6	**426,600**	441,348
Other assets	7	**93,665**	130,585
Total current assets		**8,184,946**	12,690,010
Non current assets			
Property, plant and equipment	8	**120,068**	215,077
Total non current assets		**120,068**	215,077
Total assets		**8,305,014**	12,905,087
Liabilities			
Current liabilities			
Trade and other payables	9	**1,178,537**	1,483,354
Provisions	10	**268,480**	287,043
Revenue received in advance	11	**4,266,178**	8,835,591
Total current liabilities		**5,713,195**	10,605,988
Non current liabilities			
Provisions	10	**233,846**	212,371
Total non current liabilities		**233,846**	212,371
Total liabilities		**5,947,041**	10,818,359
Net assets		**2,357,973**	2,086,728
Equity			
Capital and reserves			
Retained earnings	12	**1,735,862**	1,586,702
Reserves	13	**622,111**	500,026
Total equity		**2,357,973**	2,086,728

This statement of financial position is to read in conjunction with the attached notes.

Consolidated statement of changes in equity
for the year ended 30 June 2017

	Note	Constitutional Recognition Reserve $	Retained earnings $	Total $
Balance at 30 June 2015		**463,371**	**1,386,368**	**1,849,739**
Surplus for the year		**-**	236,990	236,990
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**236,990**	**236,990**
Transferred to reserve	13(a)	36,656	(36,656)	-
Balance at 30 June 2016		**500,026**	**1,586,702**	**2,086,728**
Surplus for the year		**-**	271,245	271,245
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**271,245**	**271,245**
Transferred to reserve	13(a)	122,085	(122,085)	-
Balance at 30 June 2017		**622,111**	**1,735,862**	**2,357,973**

This statement of changes in equity is to read in conjunction with the attached notes.

Consolidated statement of cash flows

for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flow from operating activities			
Receipts from sponsors		**217,900**	164,680
Project funding received		**4,195,032**	7,349,642
Government grants received		**3,885,885**	3,243,253
Proceeds from donations and fundraising appeals		**860,463**	260,048
Payments to suppliers and employees		**(11,492,802)**	(11,628,474)
Net GST and employee taxes paid		**(2,308,397)**	(2,010,306)
Net cash (used in) in operating activities	4	**(4,641,919)**	(2,621,157)
Cash flow from investing activities			
Interest received		**205,326**	209,080
Proceeds from / (purchase of) investments		**4,670,411**	(174,935)
Purchase of property, plant and equipment		**(16,803)**	(59,057)
Net cash (used in) / generated by investing activities		**4,858,934**	(24,912)
Net (decrease) / increase in cash and cash equivalents		**217,015**	(2,646,069)
Cash and cash equivalents at the beginning of the year		**1,413,490**	4,059,559
Cash and cash equivalents at the end of the year		**1,630,505**	1,413,490

This statement of cash flows is to read in conjunction with the attached notes.

Notes to the financial statements
for the year ended 30 June 2017

1. Corporate information

The consolidated financial statements of Reconciliation Australia Limited (the Company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 17 October 2017.

Reconciliation Australia is a company limited by guarantee, incorporated and domiciled in Australia.

2. Application of new and revised accounting standards

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

The Group has adopted all of the new and revised standards and interpretations issued by the Australia Accounting Standards board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised standards and amendments thereof and interpretations that are relevant to the Group include:

- AASB 1057 *Application of Australia Accounting Standards* and AASB 2015-9 *Amendments to Australia Accounting Standards – Scope and Application Paragraphs*.
- AASB 2014-4 *Amendments to Australia Accounting Standards – Clarification of Acceptable Methods of Deprecations and Amortisation*.
- AASB 2015-1: *Amendments to Australia Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*.
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

Impact of the application of AASB 1057 Application of Australia Accounting Standards and AASB 2015-9 Amendments to Australia Accounting Standards – Scope and Application Paragraphs

The Group has applied these amendments for the first time in the current year. The amendments effectively move Australian specific application paragraphs from each standard into a combined standard. The application of these amendments has no impact on the Group's consolidated financial statements.

Impact of the application of AASB 2014-4 Amendments to Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue based depreciation methods for items of property, plant and equipment. As the Group already uses the diminishing value and straight line method for depreciation and amortisation for its property, plant and equipment, the application of these amendments has no impact on the Group's consolidated financial statements.

2. Application of new and revised accounting standards (continued)

Impact of the application of AASB 2015-1: Amendments to Australia Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. Relevant amendments include additional application guidance on *AASB 7: Financial Instruments: Disclosure* including the concept of continuing involvement for the purposes of disclosures required by the standard, and the removal of the requirement to provide disclosure relating to offsetting financial assets and financial liability in interim financial reports. The application of these amendments has no impact on the Group's consolidated financial statements.

Impact of the application of* AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure requirement by an AASB if the information resulting from the disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. The amendments also provide examples of systematic ordering or grouping of the notes. The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

2.2 Statement of compliance

These financial statements are general purpose financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012,* Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the group. For the purpose of preparing the consolidated financial statements, the Company is a not-for-profit entity.

2.3 Basis of preparation

These consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117: Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102: Inventories or value in use in AASB 136: Impairment of Assets.

2.3 Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices including within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are observable inputs for the asset or liability.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.5 Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank.

Investments

Investments comprise of short-term bank deposits and are measured at amortised cost using the effective interest method less any impairment.

Financial assets

Investments are measured on the cost basis which is considered to be at fair value. As fair value assets any resultant gain or loss is recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Trade receivables and other receivables are measured at amortised cost using the effective interest rate method, less any impairment

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs.

Trade and other payables are subsequently measured at amortised costs using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

2.5 Significant accounting policies (continued)

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits expected to be settled within twelve months are measured at their nominal amounts using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item or expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

Impairment of assets

At each reporting date the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and depreciated replacement cost. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which the impairment loss is treated as a revaluation decrease (refer Property, plant and equipment).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit and loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer Property, plant and equipment).

2.5 Significant accounting policies (continued)

Income tax

The Company is a charitable institution and has been endorsed by the Australian Taxation Office to access income tax exemptions under Subdivision 50-B of the Income Tax Assessment Act 1997. This endorsement applies from 1 July 2000 and there have been no changes to the Company's status to warrant a change to this endorsement.

In-kind contributions

From time to time Reconciliation Australia receives donated services and facilities. These contributions are not considered to be material and are not recognised in the financial report as the related transaction would be recorded as revenue and disbursement in the same financial year and therefore has no effect on the results of the Company.

Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment (except artwork). Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment (except artwork). Depreciation is calculated on a diminishing balance method so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The following estimated useful lives are used in the calculation of depreciation:

- Furniture and fitting 5 to 20 years
- Office equipment 3 to 10 years
- IT equipment 2 to 4 years
- Leasehold improvements 2 to 3 years

Artwork is stated at cost and is not depreciated. The cost of the artwork approximates the fair value of this asset.

There have been no changes to the estimated useful lives of property, plant and equipment since the prior year.

Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

2.5 Significant accounting policies (continued)

Revenue recognition

The Company receives funding by way of grants and sponsorships for specific projects. Funding received in one year may be expected to fund the costs of that project over the course of more than one financial year. Revenues are recognised in a financial year to the extent of the relevant project's outlay in that period. Funds to be spent in future periods are provided for as revenue received in advance.

In addition, the Company receives funding in the form of government grants for the purpose of general reconciliation activities. Reconciliation Australia recognises this grant funding over the course of the term within the Commonwealth Deed of Grant. In this respect, the Board will be recognising revenue to the extent of eligible expenditure incurred in each financial year.

All other revenue including registration fees, donations and interest are recognised when the right to receive the income has been established.

Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

	Note	2017 $	2016 $
3. Surplus from operations			
(a) Revenue			
Government grants		**3,725,000**	3,525,000
Project funding		**8,777,341**	6,727,019
Charitable donations		**383,199**	260,049
Proceeds from fundraising appeals		**529,514**	-
Interest income		**189,041**	210,453
Other revenue		**167,913**	163,305
Total revenue		**13,772,008**	10,885,826
(b) Surplus before income tax			
Surplus before tax has been arrived at after charging the following losses:			
Loss from disposal of property, plant and equipment and intangible assets		**25,094**	749
Surplus before tax has been arrived at after charging the following expenses:			
Depreciation and amortisation expense:			
- Furniture and fittings		**2,795**	4,725
- Office equipment		**6,076**	11,195
- IT equipment		**32,687**	37,707
- Leasehold improvements		**40,872**	74,875
Total depreciation and amortisation expense		**82,430**	128,502
Post employment benefits:			
- Defined contribution plans		**511,618**	461,763
Charitable donations administrative costs		**5,443**	7,461

	2017 $	2016 $

4. Cash and cash equivalents

Reconciliation of profit for the year to net cash flows from operating activities

	2017 $	2016 $
Cash flows from operating activities		
Profit for the year	**271,245**	236,990
Interest income recognised in profit and loss	**(189,041)**	(210,453)
Depreciation and amortisation of non current assets	**57,133**	128,502
Loss on disposal of property, plant and equipment	**25,090**	749
Writeback of make good provision not required	**29,589**	-
Movements in working capital:		
(Increase) / decrease in trade receivables	**(1,537)**	274,501
(Increase) / decrease in other financial assets	**36,920**	(28,638)
Increase / (decrease) in trade and other payables	**(304,817)**	(3,273,053)
Increase / (decrease) in provisions	**2,912**	57,358
Increase / (decrease) in revenue received in advance	**(4,569,413)**	7,046,330
Cash flow (used in) operating activities	**(4,641,919)**	(2,621,157)

5. Investments

	2017 $	2016 $
Bank term deposits	**6,034,176**	10,704,587
Total investments	**6,034,176**	10,704,587

Bank term deposits earn interest at market rates. The average interest rate for the year was 2.26% (2016: 2.56%).

6. Trade and other receivables

	2017 $	2016 $
Trade receivables	**52,879**	198,605
Other receivables	**373,721**	242,743
Total trade and other receivables	**426,600**	441,348

The average credit period on trade receivables is 14 days. No interest is charged on trade and other receivables.

	Note	2017 $	2016 $

7. Other assets

	2017 $	2016 $
Prepayments	**75,665**	72,585
Bonds	**18,000**	58,000
Total other assets	**93,665**	130,585

8. Property, plant and equipment

	Furniture and fittings $	Artwork $	Office equipment $	IT equipment $	Leasehold improvements $	Total $
Carrying amounts						
Balance at the beginning of the year	34,550	5,026	20,249	98,155	57,097	**215,077**
Balance at the end of the year	28,000	5,026	9,207	63,829	14,006	**120,068**
Cost or valuation						
Balance at 1 July 2016	65,159	5,026	69,030	263,845	197,794	**600,855**
Additions	-	-	1,922	12,808	2,073	**16,803**
Disposals	(13,541)	-	(35,570)	(95,239)	(89,735)	**(234,085)**
Balance at 30 June 2017	51,618	5,026	35,382	181,414	110,132	**383,572**
Accumulated depreciation						
Balance at 1 July 2016	(30,609)	-	(48,781)	(165,690)	(140,697)	**(385,777)**
Charge for the year	(2,795)	-	(6,076)	(32,687)	(40,872)	**(82,430)**
Disposals	9,786	-	28,682	80,792	85,442	**204,703**
Balance at 30 June 2017	(23,618)	-	(26,175)	(117,585)	(96,126)	**(263,504)**
Carrying amounts						
Balance 1 July 2015	35,594	5,026	27,554	87,044	130,054	**285,272**
Balance at 30 June 2016	34,550	5,026	20,249	98,155	57,097	**215,077**
Cost or valuation						
Balance at 1 July 2015	61,584	5,026	65,140	215,027	195,876	**542,653**
Additions	4,431	-	3,890	48,818	1,918	**59,057**
Disposals	(855)	-	-	-	-	**(855)**
Balance at 30 June 2016	65,160	5,026	69,030	263,845	197,794	**600,855**
Accumulated depreciation						
Balance at 1 July 2015	(25,990)	-	(37,586)	(127,983)	(65,822)	**(257,381)**
Charge for the year	(4,725)	-	(11,195)	(37,707)	(74,875)	**(128,502)**
Disposals	105	-	-	-	-	**105**
Balance at 30 June 2016	(30,610)	-	(48,781)	(165,690)	(140,697)	**(385,778)**

	Note	2017 $	2016 $

9. Trade and other payables

		2017 $	2016 $
Trade payables		**606,262**	462,914
Other payables		**572,275**	1,020,440
Total trade and other payables		**1,178,537**	1,483,354

No interest was charged on trade or other creditors.

10. Provisions

		2017 $	2016 $
Employee entitlements – current		**268,480**	257,454
Employee entitlements – non current		**180,379**	159,323
Make good (leasehold office premises) - current		**-**	29,589
Make good (leasehold office premises) – non current		**53,467**	53,048
Total provisions		**502,326**	499,414

11. Revenue received in advance

		2017 $	2016 $
Project funding and government grants received in advance		**4,266,178**	8,835,591
Total revenue received in advance		**4,266,178**	8,835,591

12. Retained earnings

		2017 $	2016 $
Balance at beginning of the year		**1,586,702**	1,386,368
Total comprehensive income for the year		**271,245**	236,990
Total available for appropriation		**1,857,947**	1,623,358
Transferred to Constitutional Recognition Reserve		**(122,085)**	(36,656)
Balance at end of the year		**1,735,862**	1,586,702

	2017 $	2016 $

13. Reserves

	2017 $	2016 $
Constitutional Recognition reserve	**622,111**	500,026
Total reserves	**622,111**	500,026

(a) Constitutional Recognition reserve

Nature and purpose of reserve:
The Constitutional Recognition reserve represents the proceeds of fundraising and will be specifically used to support the ongoing movement to recognise Aboriginal and Torres Strait Islander peoples in Australia's Constitution.

Movements in reserve:

	2017 $	2016 $
Balance at beginning of the year	**500,026**	463,371
Transferred to reserve	**122,085**	36,656
Balance at end of year	**622,111**	500,026

14. Key management personnel compensation

	2017 $	2016 $
Aggregate compensation to key management personnel and directors of the company	**1,226,153**	1,106,775

The directors of Reconciliation Australia are volunteers. They are not paid to perform their roles and responsibilities but are entitled to claim for reimbursement of lost wages due to time spent on Reconciliation Australia business.

15. Related parties

(a) Subsidiaries

The immediate parent of the group is Reconciliation Australia Limited. The Reconciliation Australia Fund is the only controlled entity within the group.

Reconciliation Australia Limited acts as trustee for the Reconciliation Australia Fund and holds a 100% beneficial interest in the trust. The fund was established to enable the receipt of tax deductible donations from the public. There has been no change to the relationship between the company and the trust.

Balances and transactions between the Company and its subsidiary, which is a related party, have been eliminated on consolidation and are not disclosed in this note.

(b) Transactions with other related parties

During the financial year ended 30 June 2017, the following transactions (ex. GST) occurred between the Company and its other related parties:

- Income of $6,800 (2016: $13,600) was received from the Australian Indigenous Governance Institute (AIGI) for the provision of accounting and payroll services. Mr J.C. Glanville, a director of the Company until 29 August 2016, is Chair of AIGI.
- Funding of $12,500 (2016: nil) was received from KPMG for attendance at the Recognise Gala Fundraising Dinner in December 2016. Mr P.S. Nash, a director of the Company was Chairman of KPMG during the year ended 30 June 2017.
- Funding of $41,000 (2016: nil) was received from Australia Unity for sponsorship of, and attendance at, the Recognise Gala Fundraising Dinner in December 2016. Ms M.A. Cilento, a director of the Company is a director of Australian Unity.
- A payment of $3,500 (2016: nil) was made to the Australian Indigenous Governance Institute (AIGI) for research services. Mr J.C. Glanville, a director of the Company until 29 August 2016 is Chair of AIGI.
- Payments totalling $300,000 (2016: $172,721) were made to the Australian Indigenous Governance Institute (AIGI) in relation to donations received from the Annamila Foundation (through the Australian Communities Foundation). Mr J.C. Glanville, a director of the Company until 29 August 2016, is Chair of AIGI.
- A payment of $5,852 (2016: $227) was made to the National Centre of Indigenous Excellence (NCIE) for venue hire and event costs. Ms K.M. Parker, a director of the Company was Chief Executive Officer of the NCIE during the year ended 30 June 2017.
- Payments totalling $45,600 (2016: $31,200) were made to Mr J.C. Glanville for consulting services provided to the Recognise Campaign. Mr Glanville was a director of the Company until 29 August 2016.
- A payment of $1,000 (2016: $6,500) was made to Mr K.R. Bedford for consulting services provided to the Recognise Campaign. Mr Bedford is a director of the Company.

	2017 $	2016 $

16. Parent entity information

The accounting policies of the parent entity are the same as those applied in the consolidated financial statements.

Financial position

	2017 $	2016 $
Assets		
Current assets	**8,184,945**	12,690,009
Non current assets	**120,069**	215,078
Total assets	**8,305,014**	12,905,087
Liabilities		
Current liabilities	**5,713,195**	10,605,988
Non current liabilities	**233,846**	212,371
Total liabilities	**5,947,041**	10,818,359
Equity		
Reserves	**1,735,862**	500,026
Accumulated funds	**622,111**	1,586,702
Total equity	**2,357,973**	2,086,728

Financial performance

	2017 $	2016 $
Net surplus for the year	**271,245**	236,990
Other comprehensive income	**-**	-
Total comprehensive income	**271,245**	236,990

Other parent entity information

	2017 $	2016 $
Guarantees entered into by the parent entity in relation to the debts of its subsidiary	**-**	-
Contingent liabilities of the parent entity	**-**	-
Commitments for the acquisition of property, plant and equipment by the parent entity	**-**	-

	Note	2017 $	2016 $

17. Operating lease arrangements

Operating leases relate to office premises with lease terms of up to three years. Several of the leases include an option to extend for a further three years, with a market review clause in the event that the Company exercises the option to review. The Company does not have the option to purchase the leased asset at the expiry of the lease period.

(a) Payments recognised as an expense

	Note	2017 $	2016 $
Lease payments recognised as an expense		**273,239**	400,041

(b) Non cancellable operating lease commitments

	Note	2017 $	2016 $
Not longer than 1 year		**288,684**	276,967
Longer than 1 year and not longer than 5 years		**236,926**	11,427
Longer than 5 years		**100,741**	-
Total commitments under operating leases		**626,351**	288,394

18. Additional company information

Reconciliation Australia is a company limited by guarantee, incorporated and operating in Australia. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $1 each towards meeting any outstanding obligations. As at 30 June 2017 the number of members was 9.

The registered office and principal business address of Reconciliation Australia is:

Old Parliament House
King George Terrace
Parkes ACT 2600

19. Subsequent events

The subsequent events occurred after the balance date:

- Mr Justin Mohamed, Chief Executive Officer since November 2014 concluded his role with Reconciliation Australia on 28 July 2017. Ms Karen Mundine was appointed as the new Chief Executive Officer from 29 July 2017. Ms Mundine has been with the organisation since 2008, most recently as Deputy Chief Executive Officer.
- On 11 July 2017, the BHP Foundation announced that it would be entering into a five year, $11m grant agreement with Reconciliation Australia for the Narragunnawali and Indigenous Governance Programs. The grant agreement is due to commence in November 2017.

19. Subsequent events (continued)

- On 11 August 2017 it was announced that the Recognise campaign would be ceasing operations by 30 September 2017, due to the conclusion of Federal Government funding for this project.
- On 13 September 2017 The Myer Foundation requested that given the conclusion of the Recognise campaign on 30 September 2017, Reconciliation Australia should formally reapply to the Foundation to use the unspent portion of the funding the Foundation had provided for the Recognise regional field campaign. The balance of this unspent funding is included in the Revenue Received in Advance account and amounted to $445,605 at 30 June 2017.

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Independent Auditor's Report to the members of Reconciliation Australia Limited

Opinion

We have audited the financial report of Reconciliation Australia Limited (the "Entity") and its subsidiary (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the directors' as set out on pages 9 to 28.

In our opinion, the accompanying financial report of the Group is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (the "ACNC Act"), including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of 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 Group in accordance with the auditor independence requirements of the ACNC Act 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 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.

Other Information

Directors' are responsible for the other information. The other information comprises the information included in the Group's annual financial report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Directors' for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the ACNC Act 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 judgement 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 Group'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 Group'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 Group 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.

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

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.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 20 October 2017