RECONCILIATION
AUSTRALIA

Reconciliation Australia Limited

ABN 76 092 919 769

Annual Financial Report

For the year ended 30 June 2020

Contents to financial report

Directors' report

Your directors present this report to the members of Reconciliation Australia Limited (Reconciliation Australia) for the year ended 30 June 2020.

Directors

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

Name	*Particulars*
Ms Melinda A. Cilento (Co Chair) *BA, BEc (Hons), MEc*	Ms Cilento is CEO of the Committee for Economic Development of Australia (CEDA), a non-executive director of Australian Unity and a member of the Parliamentary Budget Office panel of expert advisors. She was previously a non-executive director of Woodside Petroleum and has held senior management and economist roles at the Productivity Commission, Business Council of Australia, International Monetary Fund and the Commonwealth Department of Treasury.
Mr Glen A. Kelly (Acting Co-Chair) *BEnvSc, MAICD*	Mr Kelly is a Noongar man and is CEO of the Forum for Directors of Indigenous Organisations (FDIO) and principal of Djiba Consulting. He is a director of the Museum of Freedom and Tolerance WA and a member of the Murdoch University Senate. Mr Kelly was formerly the CEO of the National Native Title Conference and CEO of the South West Aboriginal Land and Sea Council where he was the chief negotiator of the Noongar Native Title Settlement. Mr Kelly was appointed as Acting Co-Chair on 26 November 2019.
Professor Thomas E. Calma AO (Co Chair until 26 November 2019) *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 Co-Chair of the Senior Advisory Group of the Indigenous Voice co-design process. Professor Calma holds board positions with Ninti One 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. Professor Calma was granted a leave of absence from the Board and as Co-Chair from 26 November 2019.
Mr Kenny R. Bedford *BAppHSc, DipYW*	Mr Bedford is of the Meuram tribe of Erub Island in the Torres Strait. He is a Director of My Pathway, Debe Mekik Le Consultancy and the Indigenous Empowerment Network. Mr Bedford was previously the President of the Erub Fisheries Management Association and on the board of the Torres Strait Regional Authority.
Ms Sharon L. Davis *BEd, MSc (Oxon.)*	Ms Davis is from both the Bardi and Kija Peoples of the Kimberly and is the Director of Education at the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS). She is a Trustee of the Roberta Skyes Indigenous Education Foundation and previously lead Aboriginal education with Catholic Education Western Australia. Ms Davis was appointed to the Board on 1 December 2019.
Mr Bill D. Lawson AM *BEng*	Mr Lawson is Co-Chair of Reconciliation 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.

Name	***Particulars***
Ms Djapirri Mununggirritj	A Yolgnu elder from North East Arnhem, Ms Mununggirritj is a 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, FCA*	A Chartered Accountant with over 30 years' experience, Mr Nash is the non-executive Chairman of Johns Lyng Group and a non-executive director of Westpac Banking Corporation, Mirvac and ASX Limited. He was previously 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 the Director of Aboriginal Affairs and Reconciliation with the Department of Premier and Cabinet (SA). She was previously 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 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:

- Professor Calma who was granted a leave of absence from the Board and as Co-Chair from 26 November 2019.
- Ms Davis who was appointed to the Board on 1 December 2019.

Company secretary

Ms Karen Mundine (Chief Executive Officer) has been the Company Secretary since 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.

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 Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians.

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.

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 Program
- Constitutional Reform and Truth Telling
- Narragunnawali: Reconciliation in Education
- National Reconciliation Week
- Australian Reconciliation Barometer

Review of operations

The result of Reconciliation Australia's operations in the current year was a surplus of $143,106 (deficit of $214,166 in 2019).

Reconciliation Australia's general operational activities were primarily funded by the Commonwealth Government, through the National Indigenous Australians Agency. Funding was also received from the BHP Foundation, corporate supporters and private donors.

In preparing these financial statements the directors have considered the impact of the COVID-19 pandemic. The directors are of the opinion that COVID-19 related circumstances have not materially impacted the Company's performance, current year financial results or future outlook. Reconciliation Australia was able to ensure that it's operations were not adversely impacted by quickly transitioning to effective remote work arrangements and digital delivery mechanisms.

Changes in the state of affairs

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

Subsequent events after the balance date

On 14 July 2020 Reconciliation Australia entered into a new three year $10.8m funding agreement with the Federal Government through the National Indigenous Australians Agency.

On 22 May 2020 the directors approved a revised Investment Policy Statement to allow for the organisation's long term cash reserves to be invested in capital guaranteed and capital stable products. This change was made in order to maximise investment returns within a low risk environment. In line with the revised policy, between 8 September and 30 September 2020, Reconciliation Australia through Morgan Stanley, purchased $2m of Australian Stock Exchange listed hybrid securities issued by the four major Australia banks.

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 six board meetings and five audit and risk committee meetings were held.

Director	Board of directors		Audit and risk committee	
	Held	Attended	Held	Attended
Mr K. R. Bedford	6	5	5	2
Prof. T. E. Calma AO	2	2	3	3
Ms M. A. Cilento	6	6	5	5
Ms S. L. Davis	4	4	-	-
Mr G. A Kelly	6	4	3	3
Mr W. D. Lawson AM	6	6	5	5
Ms D. Mununggirritj	6	6	-	-
Mr P. S. Nash	6	4	5	5
Ms K. M. Parker	6	6	-	-
Ms J. Thomas	6	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 $10.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of this financial report. The directors' report is signed in accordance with a resolution of directors.

On behalf of the directors:

Melinda Cilento

Ms Melinda Ann Cilento
Director

Mr Glen Alan Kelly
Director

23 October 2020

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

23 October 2020

Dear Directors

Auditor's Independence Declaration to 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 report of Reconciliation Australia Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of 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 faithfully

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.

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

Mr Glen Alan Kelly
Director

23 October 2020

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	4(a)	**6,380,163**	6,275,626
Employee benefits expense		**(3,621,144)**	(3,084,170)
Consultants and outside services expense		**(214,126)**	(361,555)
Communications and marketing expense		**(1,377,494)**	(1,988,717)
Workshops and events expense		**(289,118)**	(143,662)
Travel and accommodation expense		**(327,270)**	(517,781)
Office communications and supplies expense		**(54,660)**	(86,028)
Office facilities and utilities expense		**(42,815)**	(269,322)
Depreciation and amortisation expense	4(b)	**(292,029)**	(29,158)
Other expenses		**(18,401)**	(9,399)
Surplus / (deficit) before tax		**143,106**	(214,166)
Income tax expense	3	**-**	-
Surplus / (deficit) for the year from continuing operations		**143,106**	(214,166)
Other comprehensive income for the year		**-**	-
Total comprehensive income / (loss) for the year		**143,106**	(214,166)

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

Statement of financial position

as at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents		**1,807,956**	674,152
Investments	6	**1,610,484**	2,338,284
Trade and other receivables	7	**104,307**	161,997
Other assets	8	**128,709**	74,678
Total current assets		**3,651,456**	3,249,111
Non current assets			
Property, plant and equipment	9	**128,811**	141,927
Right-of-use assets	10	**252,617**	-
Total non current assets		**381,428**	141,927
Total assets		**4,032,884**	3,391,038
Liabilities			
Current liabilities			
Trade and other payables	11	**263,496**	289,988
Lease liabilities	10	**224,996**	-
Provisions	12	**340,812**	246,496
Contract liability	13	**366,339**	235,000
Total current liabilities		**1,195,643**	771,484
Non current liabilities			
Lease liabilities	10	**36,425**	-
Provisions	12	**90,895**	52,739
Total non current liabilities		**127,320**	52,739
Total liabilities		**1,322,963**	824,223
Net assets		**2,709,921**	2,566,815
Equity			
Capital and reserves			
Retained earnings	14	**2,284,391**	2,087,763
Reserves	15	**425,530**	479,052
Total equity		**2,709,921**	2,566,815

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

Statement of changes in equity

for the year ended 30 June 2020

	Note	Constitutional Reform Reserve $	Retained earnings $	Total $
Balance at 30 June 2018		**564,267**	**2,216,714**	**2,780,981**
(Deficit) for the year		-	(214,166)	(214,166)
Other comprehensive income for the year		-	-	-
Total comprehensive (loss) for the year		**-**	**(214,166)**	**(214,166)**
Transferred to / (from) reserve	15(a)	(85,215)	85,215	-
Balance at 30 June 2019		**479,052**	**2,087,763**	**2,566,815**
Surplus for the year		-	143,106	143,106
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**143,106**	**143,106**
Transferred to / (from) reserve	15(a)	(53,522)	53,522	-
Balance at 30 June 2020		**425,530**	**2,284,391**	**2,709,921**

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

Statement of cash flows

for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flow from operating activities			
Receipts from sponsors		**370,931**	130,038
Project funding received		**2,283,020**	2,544,632
Government grants received		**3,650,000**	3,600,000
Proceeds from donations and fundraising appeals		**146,596**	65,977
Interest paid on lease liabilities		**(17,651)**	-
Payments to suppliers and employees		**(4,934,645)**	(5,812,938)
Net GST and employee taxes paid		**(886,398)**	(772,197)
Net cash generated by / (used in) operating activities	5	**611,853**	(244,488)
Cash flow from investing activities			
Interest received		**64,359**	100,047
Net proceeds from investments		**727,800**	385,162
Purchase of property, plant and equipment		**(32,022)**	(72,117)
Net cash generated by investing activities		**760,137**	413,092
Cash flow from financing activities			
Payment of principal portion of lease liabilities		**(238,186)**	-
Net cash (used in) in financing activities		**(238,186)**	-
Net increase / (decrease) in cash and cash equivalents		**1,133,804**	168,604
Cash and cash equivalents at the beginning of the year		**674,152**	505,548
Cash and cash equivalents at the end of the year		**1,807,956**	674,152

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 2020

1. Corporate information

The financial statements of Reconciliation Australia Limited (the Company) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 13 October 2020.

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 Company has adopted all of the new and revised standards and interpretations issued by the Australia Accounting Standards board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

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

- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

In the current year, the Company has applied AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* which are effective for an annual period that begins on or after 1 January 2019. The date of initial application of AASB 1058 and AASB 15 for the Company is 1 July 2019.

Overview of AASB 1058 and AASB 15 requirements

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. The new income recognition requirements shift the focus form a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.

The core principle of new income recognition requirements in AASB 15 and in cases where there is an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, is that income is recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to any excess above the related amounts that would be immediate income recognition under AASB 1058.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 introduces a five step approach to revenue recognition, which is more prescriptive than AASB 118.

General impact of application

The Company has applied the new income requirements to its main revenue/income streams as listed below:

- Government grants
- Project funding
- Charitable donations

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

Government grants and project funding

AASB 1058 requires that in cases where there in an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, the transaction should be accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied, as opposed to immediate income recognition under AASB 1058.

The Company has conducted an analysis of the government grant and project funding contracts and analysed the terms of each contract to determine whether the arrangement meets the enforceability and the ‘sufficiently specific’ criteria under AASB 15. For those contracts that are not enforceable or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058. Income will be deferred under AASB 15 otherwise and recognised when (or as) the performance obligations are satisfied.

Based on an analysis of the Company’s contracts as at 1 July 2019 the adoption of AASB 1058 and AASB 15 has not led to led to any changes in the recognition of revenue or deferred revenue.

Charitable donations

Based on an analysis of the Company’s underlying arrangements for donations as at 1 July 2019, the Company has assessed that the adoption of the new income requirements do not have a significant impact on the amounts recognised in the Company’s financial statements as the majority of the donations do not meet the enforceability and the ‘sufficiently specific’ criteria under AASB 15 and would therefore be recognised as income once the Company controlled the relevant asset (assuming no other related amounts are applicable) under AASB 1058, which is in line with the previous income recognition under AASB 1004.

Financial statement impact

The Company’s accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company’s revenue transactions, the application of AASB 15 and AASB 1058 has not had an impact on the financial position and/or financial performance of the Company.

AASB 16 Leases

In the current year, the Company has applied AASB 16 *Leases* which is effective for an annual period that begins on or after 1 January 2019. The date of initial application of AASB 16 for the Company is 1 July 2019.

Overview of AASB 16 and AASB 2018-8 requirements

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. It requires the recognition of a right-of-use asset and a lease liability at commencement for all leases except for short-term leases and leases of low value assets.

General impact of application

AASB 16 changes how the Company accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet. Applying AASB 16 for all leases, the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position initially measured at the present value of the future lease payments.
- Recognises depreciation of right of use assets and interest on lease liabilities in profit or loss.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

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

Financial statement impact

The Company has applied AASB 16 in accordance with the modified retrospective (with practical expedients) method whereby the comparative years are not restated. Instead, the Company has recognised a right-of-use asset and lease liability at the start of the current year which has been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application.

The tables below show the amount of adjustment for each financial statement line affected by the application of AASB 16 for the current and prior years.

	2020 $	2019 $
Impact on profit and loss		
Increase in depreciation of right-of-use asset	**246,991**	-
Increase in finance costs	**17,651**	-
Decrease in other expenses	**(255,838)**	-
Increase / (decrease) in profit for the year	**(8,804)**	**-**

	30 June 2020 $	1 July 2019 $
Impact on statement of financial position		
Increase in right-of-use asset	**252,617**	499,608
Increase in lease liability	**261,421**	499,608
Increase / (decrease) in net assets	**(8,804)**	-

	2019 $
Reconciliation of lease liabilities on the date of transition with lease commitments at 30 June 2019	
Operating lease commitments at 30 June 2019	385,431
Office equipment lease not included in disclosure	75,204
Office premises lease extension not included in disclosure	63,333
Discounting	(24,360)
Additional lease liability as a result of the initial application of AASB 16 at 1 July 2019	499,608

2.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* which is effective for annual reporting periods beginning on or after 1 July 2021.

2.3 Statement of compliance

These financial statements are general purpose financial statements that 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.

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

2.4 Basis of preparation

These 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 in these financial statements is determined on such a basis, except for 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.

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.

3. 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.

3. Significant accounting policies (continued)

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.

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.

Provision 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.

Going concern

The financial statements have been prepared on the going concern basis.

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 gross 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.

3. Significant accounting policies (continued)

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).

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.

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is engaged, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments.
The lease liability is presented as a separate line in the statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

3. Significant accounting policies (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, lease any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

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.

Revenue recognition

The Company recognise income from its main revenue/income streams as listed below:

- Government grants and project funding
- Charitable donations
- Interest income
- Other revenue

3. Significant accounting policies (continued)

Government grants, project funding and charitable donations

When the Company receives government grants, project funding and charitable donations that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire the asset is significantly less than fair value principally to enable the Company to further its objectives), it performs an assessment to determine if the contract is ‘enforceable’ and contains ‘sufficiently specific’ performance obligations.

In cases where there is an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not ‘enforceable’ or the performance obligations are not ‘sufficiently specific’), the transaction is accounted for under AASB 1058 where the Company:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards (e.g. AASB 9, AASB 16, AASB 116 and AASB 138).
- Considers whether any other financial statement elements should be recognised (‘related amounts’) in accordance with the relevant applicable Australian Accounting Standard including:
    - Contributions by owners (AASB 1004)
    - A lease liability (AASB 16)
    - Revenue, or a contract liability arising from a contract with a customer (AASB 15)
    - a financial instrument (AASB 9)
    - a provision (AASB 137)
- Recognises income immediately in the profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised

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.

Interest income and other revenue

Interest income and other revenue is 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.

Critical account judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

	2020 $	2019 $
4. Surplus / (deficit) from operations		
(a) Revenue		
Government grants	**3,650,000**	3,600,000
Project funding	**2,151,681**	2,379,632
Charitable donations	**146,596**	65,977
Interest income	**55,955**	99,979
Other revenue	**375,931**	130,038
Total revenue	**6,380,163**	6,275,626
Timing of revenue recognition		
Services transferred at a point in time	**628,482**	295,994
Services transferred over time	**5,751,681**	5,979,632
Total revenue	**6,380,163**	6,275,626
(b) Surplus / (deficit) before income tax		
Surplus / (deficit) before tax has been arrived at after charging the following losses:		
Loss from disposal of property, plant and equipment and intangible assets	**1,078**	8,244
Surplus / (deficit) before tax has been arrived at after charging the following expenses:		
Depreciation and amortisation expense:		
- Furniture and fittings	**4,004**	3,983
- Office equipment	**6,926**	481
- IT equipment	**33,131**	24,090
- Leasehold improvements	**977**	604
- Right-of-use assets	**246,991**	-
Total depreciation and amortisation expense	**292,029**	29,158
Post employment benefits:		
- Defined contribution plans	**281,220**	247,928
Charitable donations administration costs	**943**	482

	2020 $	2019 $
5. Cash and cash equivalents		
Reconciliation of profit / (loss) for the year to net cash flows from operating activities		
Cash flows from operating activities		
Profit / (loss) for the year	**143,106**	(214,166)
Interest income recognised in profit and loss	**(55,955)**	(99,979)
Depreciation and amortisation of property, plant and equipment	**45,037**	29,158
Loss on disposal of property, plant and equipment	**1,078**	8,246
Revaluation of make good provision	**(977)**	(121)
Payment of principal portion of lease liabilities	**238,186**	-
Movements in working capital:		
(Increase) / decrease in trade receivables	**49,286**	18,449
(Increase) / decrease in other financial assets	**(54,031)**	(4,567)
(Increase) / decrease in right-of-use assets	**(252,617)**	-
Increase / (decrease) in trade and other payables	**(26,492)**	(133,565)
Increase / (decrease) in lease liability	**261,421**	-
Increase / (decrease) in provisions	**132,472**	(12,943)
Increase / (decrease) in revenue received in advance	**131,339**	165,000
Cash flow generated by / (used in) operating activities	**611,853**	(244,488)

6. Investments

Bank term deposits	**1,610,484**	2,338,284
Total investments	**1,610,484**	2,338,284

Bank term deposits earn interest at market rates. The average interest rate for the year was 1.31% (2019: 2.28%).

7. Trade and other receivables

Trade receivables	**-**	-
Other receivables	**104,307**	161,997
Total trade and other receivables	**104,307**	161,997

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

	2020 $	2019 $

8. Other assets

	2020 $	2019 $
Prepayments	**110,709**	56,678
Bonds	**18,000**	18,000
Total other assets	**128,709**	74,678

9. Property, plant and equipment

	Furniture and fittings $	Artwork $	Office equipment $	IT equipment $	Leasehold improvement $	Total $
Carrying amounts						
At 1 July 2019	31,016	4,483	32,517	73,911	-	**141,927**
At 30 June 2020	28,577	4,483	29,204	66,547	-	**128,811**
Cost or valuation						
At 1 July 2019	47,620	4,483	38,525	190,133	109,939	**390,700**
Additions	1,564	-	3,613	26,845	977	**32,999**
Disposals	-	-	-	(3,540)	-	**(3,540)**
At 30 June 2020	49,184	4,483	42,138	213,438	110,916	**420,159**
Accumulated depreciation						
At 1 July 2019	(16,604)	-	(6,008)	(116,222)	(109,939)	**(248,773)**
Charge for the year	(4,003)	-	(6,926)	(33,131)	(977)	**(45,037)**
Disposals	-	-	-	2,462	-	**2,464**
At 30 June 2020	(20,607)	-	(12,934)	(146,891)	(110,916)	**(291,348)**

10. Leases

The Company leases several assets including office premises and equipment. The lease terms range from 9 months to 5 years.

	Office equipment $	Office premises $	Total $
<u>**Right-of-use assets**</u>			
Carrying amounts			
At 1 July 2019	429,388	70,220	**499,608**
At 30 June 2020	205,804	46,813	**252,617**
Cost			
At 1 July 2019	429,388	70,220	**499,608**
Additions	-	-	**-**
At 30 June 2020	429,388	70,220	**499,608**

10. Leases (continued)

	Office equipment $	Office premises $	Total $
Accumulated depreciation			
At 1 July 2019	-	-	**-**
Charge for the year	(223,584)	(23,407)	**(246,991)**
At 30 June 2020	(223,584)	(23,407)	**(246,991)**

	2020 $	2019 $
Lease liability		
At 1 July	**499,608**	-
Repayments	**(238,187)**	-
At 30 June 2020	**261,421**	-
Current	**224,996**	-
Non- current	**36,425**	-
Total	**261,421**	-
Amounts recognised in the profit and loss		
Depreciation expense on right-of-use assets	**246,991**	-
Interest expense on lease liabilities	**17,651**	-
Total amounts recognised in the profit and loss	**264,642**	-

11. Trade and other payables

	2020 $	2019 $
Trade payables	**118,504**	197,529
Other payables	**144,992**	92,459
Total trade and other payables	**263,496**	289,988

No interest was charged on trade or other creditors.

12. Provisions

	2020 $	2019 $
Employee entitlements – current	**286,561**	193,222
Employee entitlements – non current	**90,895**	52,739
Make good (leasehold office premises) – current	**54,251**	53,274
Total provisions	**431,707**	299,235

	2020 $	2019 $
13. Contract liability		
Project funding received in advance	**366,339**	235,000
Total contract liability	**366,339**	235,000
14. Retained earnings		
Balance at beginning of the year	**2,087,763**	2,216,714
Total comprehensive income for the year	**143,106**	(214,166)
Total available for appropriation	**2,230,869**	2,002,548
Transferred from / (to) Constitutional Reform reserve	**53,522**	85,215
Balance at end of the year	**2,284,391**	2,087,763
15. Reserves		
Constitutional Reform reserve	**425,530**	479,052
Total reserves	**425,530**	479,052

(a) Constitutional Reform reserve

Nature and purpose of reserve:
The Constitutional Reform reserve represents the proceeds of fundraising and is being specifically used to progress the establishment of a First Nation's Voice to Parliament and facilitate truth telling and agreement making measures.

Movements in reserve:

	2020 $	2019 $
Balance at beginning of the year	**479,052**	564,267
Transferred to / (from) reserve	**(53,522)**	(85,215)
Balance at end of year	**425,530**	479,052

	2020 $	2019 $
16. Key management personnel compensation		
Aggregate compensation to key management personnel and directors of the company	**375,270**	389,847

The directors of Reconciliation Australia are volunteers. They are not paid to perform their roles and responsibilities but are entitled to claim a set amount, in lieu of forgone income due to time spent on Reconciliation Australia business.

17. Related parties

(a) Transactions with other related parties

During the financial year ended 30 June 2020, the following transaction (ex. GST) occurred between the Company and its other related parties:

- Payments totalling $54,738 (2019: $33,942) were made to Reconciliation Tasmania to support National Reconciliation Week and Narragunnawali: Reconciliation in Education activities. Mr W. D. Lawson, a director of the Company is also the Co-Chair of Reconciliation Tasmania.
- Payments totalling $63,667 (2019: $31,667) were made to Reconciliation Western Australia to support National Reconciliation Week, the National RAP Conference and Narragunnawali: Reconciliation in Education activities. Ms S. L. Davis, a director of the Company was also a director of Reconciliation Western Australia from December 2019 to July 2020.

During the financial year ended 30 June 2019, the following transactions (ex. GST) occurred between the Company and its other related parties:

- Payments totalling $33,942 (2018: $15,000) were made to Reconciliation Tasmania to support National Reconciliation Week and Narragunnawali: Reconciliation in Education activities. Mr W. D. Lawson, a director of the Company is also the Co-Chair of Reconciliation Tasmania.

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 2020 the number of members was 10.

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

Old Parliament House
King George Terrace
Parkes ACT 2600

19. Subsequent events

On 14 July 2020 Reconciliation Australia entered into a new three year, $10.8m funding agreement with the Federal Government through the National Indigenous Australians Agency.

On 22 May 2020 the directors approved a revised Investment Policy Statement to allow for the organisation's long term cash reserves to be invested in capital guaranteed and capital stable products. This change was made in order to maximise investment returns within a low risk environment. In line with the revised policy, between 8 September and 30 September 2020 Reconciliation Australia through Morgan Stanley, purchased $2m of Australian Stock Exchange listed hybrid securities issued by the four major Australia banks.

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.

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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") which comprises the statement of financial position as at 30 June 2020, statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

In our opinion, the accompanying financial report of the Entity 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 Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Entity 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 (including Independence Standards) (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

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2020, 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 the 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 Requirements 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 Entity 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 Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 23 October 2020