

Great Barrier Reef Foundation

ABN 82 090 616 443

Financial report for the period ended 30 June 2019

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Financial report - 30 June 2019

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Great Barrier Reef Foundation

Annual report for the year ended 30 June 2019

Directors' report

As the lead charity for the Great Barrier Reef (the Reef), the Foundation is privileged to have been afforded the unique and unprecedented opportunity to catalyse a step change in Australia's efforts to protect, restore and ensure a future for the Great Barrier Reef World Heritage Area.

The Great Barrier Reef is one of the most spectacular and wonderful things on the planet. The Reef is celebrated and loved for its beauty, its complexity, and an inherent resilience that has allowed it to thrive and grow over hundreds and thousands of years. But that resilience is under threat. The accumulated impacts of climate change, poor water quality and crown-of-thorns starfish outbreaks are having a dramatic effect on the state of the Reef. The latest International Panel on Climate Change Report paints a worrying future. The Reef needs a global solution to climate change – the biggest threat it faces. Curbing temperature rises to the lowest thresholds in the Paris Agreement is a must (and arguably we need to do better). All the science tells us that hand in hand with meeting these targets must be local actions that build the resilience of the Reef – helping it to bounce back and recover. This is where the Foundation's work is primarily focused.

Leveraging and building on the Foundation's existing partnerships and established framework, the first six months of 2019 signalled an acceleration in momentum and action for protecting and restoring the Reef, both through the Foundation's current portfolio of signature projects and with new projects developed through the partnership with the Australian Government's Reef Trust. Significant time and resources were dedicated to developing the plans that will shape and guide the delivery and investment in the solutions that will contribute to a healthy Great Barrier Reef now and for the future.

Change in reporting cycle

In 2018 the Board approved to change the Foundation's annual reporting cycle from calendar year to financial year. Financial year reporting aligns with the majority of other reporting (financial and project) within the enterprise and this decision was made for efficiency and as an ongoing commitment to organisational improvements.

As a result of this decision this report only covers a six month period (1 January 2019 – 30 June 2019). Next year, the Foundation's annual report will cover a full 12 month cycle (1 July 2019 – 30 June 2020). As we transition to the new reporting cycle, this annual report compares the six month period ended 30 June 2019 with the 12 month period ended 31 December 2018.

Reef Trust Partnership

The overarching investment strategy for the Reef Trust Partnership was published in January 2019 to guide the strategic investment priorities for the \$443 million partnership. Between January and June 2019, 58 Reef projects were committed with funding from the Reef Trust Partnership. These included 11 Water Quality projects, 18 Traditional Owner Reef Protection projects, 25 Community Reef Protection projects, three Reef Restoration and Adaptation projects and one Integrated Monitoring and Reporting project. These projects focus on improving the delivery of on-ground activities tackling threats and improving Reef resilience and health.

The industry and community responded positively and proactively to these initial project funding opportunities. The initial water quality projects are being delivered in partnership with landholders and industry who are providing an additional \$13 million of in-kind co-contributions.

The first community citizen science grant round issued in January 2019 represents the largest single investment in Reef citizen science to date and produced new strategic alliances and collaborations. The 15 citizen science projects have brought together 84 partners working with grantees. While the community local action projects are now empowering locals to take direct action to reduce threats and generating grass-roots changes need to improve the outlook of the Reef.

The Traditional Owner Reef protection projects are improving Traditional Owner involvement in Reef management through caring for country projects including, the development and implementation of land and sea country planning projects, and junior ranger programs to keep people and country healthy and strong.

The Reef Restoration and Adaptation Science grant for coral settlement is delivering promising results with work now progressing from the lab to the field to commence trials. The first Integrated Monitoring and Reporting project filled a vital information gap through a 25-day reef health check to provide an assessment of the reef conditions and recovery in the remote northern section of the Reef.

In addition to this suite of new projects commencing, importantly the comprehensive frameworks for investments in Reef protection and for measuring success of the Reef Trust Partnership were completed in June. The Annual Work Plan and final Monitoring and Evaluation Plan were developed through a highly collaborative process with Reef 2050 Plan partner agencies, Traditional Owners, the scientific community, industry and the broader Reef community. Together these plans detail the major investments for the 2019-2020 financial year as well as over a five-year horizon to address key threats to the Reef and enable effective tracking of performance. All plans are publicly available on the Foundation's website.

Additionally, the Foundation continued working to ensure that fit-for-purpose governance arrangements and project management systems supported the delivery of the Partnership throughout the period. These systems are necessarily being progressively refined and adapted as the Reef Trust Partnership transitions from the initial planning phase to implementation and operationalisation.

During the period, we also continued the foundational work required to build Australia's largest environmental fundraising campaign that will leverage the government investment by seeking to raise a further \$300-\$400 million across the five-year Reef Trust Partnership.

As required by the grant agreement, the Foundation's financial statements for the six months ended 30 June 2019 include an additional note (note 21) showing the statement of profit or loss and other comprehensive income and statement of financial position in respect of the Foundation's receipt and expenditure of the Reef Trust Partnership grant and other contributions for the first full year from 1 July 2018 to 30 June 2019.

Signature initiatives

There were also important highlights from existing projects. The Foundation's Resilient Reefs Initiative launched in 2018 achieved a world first this year. Recruitment of the first Chief Resilience Officer commenced for the Ningaloo Coast, with the final appointment confirmed in July 2019. This is the first of five appointments to be made through the global coral reefs leadership initiative that spans five World-Heritage listed coral reef sites – Australia's Great Barrier Reef and Ningaloo Coast, Palau's Rock Islands, Lagoons of New Caledonia and the Belize Barrier Reef. With our project partners the BHP Foundation, UNESCO World Heritage Centre, 100 Resilient Cities—Pioneered by The Rockefeller Foundation, and The Nature Conservancy's Reef Resilience Network, we are working to achieve a new way of managing for coral reef resilience, encompassing both the reef ecosystems and the individuals, businesses and communities that depend on them.

Work on the Reef Islands project also progressed to further build the resilience of the Lady Elliot Island ecosystem, which this year included planting 1002 native trees on the island which hosts a significant seabird breeding population.

We also worked with our project partners to promote a deeper understanding of both the challenges facing the Reef and the solutions being deployed to address those challenges. Building on the Reef Islands Initiative partnership with Lendlease, the first of the Lendlease Foundation's global Springboard program saw the employees from around the world attend an innovative five-day residential program to listen, learn and find new ways to make a difference. Basing the program in Yeppoon in central Queensland provided employees with a unique opportunity to learn about the impacts and threats to the southern region of the Great Barrier Reef, including the on-ground work underway on Lady Elliot Island through the Reef Islands Initiative. Eight programs will be held each year over the next four years.

Collaboration is our core business

In 2019, collaboration, partnership, and leveraging capabilities across the Reef community continued to be cornerstone of the Foundation's operations. Strong engagement with the Reef community underpinned this year's achievements from delivering projects to developing the considered roadmap for the next five years of the Reef Trust Partnership. The Foundation's dedicated team of staff, Board and committees are privileged to be working side by side with people and organisations who are equally committed and dedicated to ensuring a bright future for our natural wonder. It will take all of us working together to find the solutions to what is fast becoming one of the more significant environmental challenges of our time and we are grateful to everyone for their individual and collective contributions. Together we are rising to the challenge of making a difference for the Great Barrier Reef.

Principal activities

The principal activity of the Foundation is to support the protection and enhancement of tropical reefs (especially the Great Barrier Reef) and adjoining coral coasts for the benefit of the world community including through the funding and provision of research, information and education. There were no significant changes to the nature of the activities carried out by the Foundation during the year.

Review of results and operations ¹

For the period 1 Jan 2019 to 30 June 2019, the Foundation made an operating surplus of \$441,319 (2018: operating surplus \$1,731,092).

For the six months ended 30 June 2019, \$3,524,366 (31 December 2018: \$4,458,649) is considered tied or restricted funds for application towards future research project commitments.

As at 30 June 2019, a balance of \$443,782,430 (2018: \$446,972,335) is deferred revenue that is considered tied or restricted funds for application towards future research project commitments.

Operations

The total number of employees at 30 June 2019 was 23 FTE (31 December 2018: 28.6 FTE). The work of employees is supplemented by the Foundation's network of supporters and partners, in particular its pro bono partners and committees.

Pro bono partners

The Foundation is very fortunate to be supported by a prestigious group of pro bono partners and greatly appreciates the value and quality of service provided by these organisations.

1. Unless otherwise noted, all comparisons for 2018 represent the full calendar year from 1 January 2018 to 31 December 2018.

The Australian organisations that provided pro bono services in 2019, include:

Allens Linklaters (Legal)

KPMG (Company Secretarial and Market Research)

PwC Australia (Accounting)

Google (Advertising)

Fundraising Force (Consulting)

For the six months ended 30 June 2019, these organisations have collectively provided pro bono services valued at \$91,221 (2018: \$355,034).

Future in-kind contributions, being provided as part of the existing Reef Trust Partnership Reef projects, will be reported at the completion of each project and therefore are not accounted for in this reporting period.

The principal project investments and funding beneficiaries for the six months ended 30 June 2019 were:

Projects / Programs	Investment (\$)	Project Delivery Partners
Resilient Reefs Initiative	298,796	AECOM
		The Nature Conservancy
		UNESCO
Reef Islands Initiative	236,665	Lady Elliot Island Eco Resort
		Reef Catchments
e-Reefs	586,250	Australian Institute of Marine Science
		Bureau of Meteorology
		CSIRO
		Department of Environment and Science (Qld)
		Truui
Innovation Fund	179,630	Department of Environment and Science (Qld)
		Federal University of Rio De Janeiro – Fundacao Educational Ciencia Desenvolvimento
		Taronga Conservation Society Australia
		The University of Queensland
		University of Hawaii Foundation
Reef Trust Partnership – Water Quality Improvement	7,043,259	Alluvium
		Aurecon
		BRIA (Burdekin River Irrigation Area) Irrigators Ltd
		Catchment Solutions
		Farmacist Pty Ltd
		Greening Australia Ltd
		Mary River Catchment Coordination Association Inc
		NQ Dry Tropics Ltd
		Queensland Canegrowers Organisation Ltd
		Queensland Farmers Federation
		Resource Consulting Services Pty Ltd
		Sugar Research Australia
Reef Trust Partnership – Crown-of-Thorns Starfish Control	15,000	Murdoch University

Reef Trust Partnership – Reef Restoration and Adaptation Science	762,000	Australian Institute of Marine Science
		The University of Queensland
Reef Trust Partnership – Traditional Owner Reef Protection	981,960	Balkanu Cape York Development Corporation Pty Ltd
		Dawul Wuru Aboriginal Corporation
		Djarnda Enterprises
		Gidarjil Development Corporation Ltd
		Girringun Aboriginal Corporation
		Ipima Ikaya Aboriginal Corporation
		Jabalbina Yalanji Aboriginal Corporation
		Juru Enterprises Ltd
		Mandubarra Aboriginal Land and Sea Inc
		Radiant Life Education Ltd
		South Cape York Catchments Inc.
		Wuthathi Aboriginal Corporation
		Yuku Baja Muliku Landowner & Reserves Ltd
Reef Trust Partnership – Community Reef Protection	557,724	Bowen Tourism & Business
		Bundaberg Fruit & Vegetable Growers Cooperative Limited
		Cairns and Far North Environment Centre
		Conservation Volunteers Australia
		Earthwatch Institute
		Fitzroy Basin Association Inc
		Flying Fish Point State School
		Gidarjil Development Corporation Ltd
		Great Barrier Reef Legacy
		James Cook University
		Lady Musgrave Experience
		Marine Discoveries
		Port Douglas Daintree Tourism Limited
		Queensland University of Technology
		Reef Catchments Ltd
		Reef Check Foundation Ltd
		Reef Ecologic
		Science Under Sail Australia
		South Cape York Catchments Inc.
		The University of Queensland.
		Turtle Care Volunteers Queensland
		Whitsunday Charter Boat Industry Society Australia
		Whitsunday Transit
Reef Trust Partnership – Integrated Monitoring and Reporting	574,000	Australian Institute of Marine Science
TOTAL	\$11,235,284	

Benchmarking:

Administration and Fundraising costs

Our donors naturally expect that the majority of their donation will be directed to projects and activities that protect and restore the Great Barrier Reef. The Foundation has always strived to minimise its administration and fundraising overheads to ensure the greatest impact for our partners and for the Reef.

In 2018 the Foundation sought independent advice from corporate advisers PricewaterhouseCoopers to develop a methodology for measuring the Foundation's administration and fundraising ratios. These ratios were benchmarked to publicly available information from similar conservation charities. The Foundation's performance is rated favourably to those organisations.

For the six months ended 2019, the cost of administration and cost of fundraising as a percentage of total expenses were 20.9% and 7.4% respectively.

The Reef Trust Partnership grant agreement allocates \$44,330,300 for administrative activities from 1 July 2018 to 30 June 2024. From 1 January 2019 to 30 June 2019, the Foundation's expenses for administrative activities related to the Reef Trust Partnership were \$4.2 million (9.5% of the total allocation). These costs were incurred to establish and maintain appropriate governance frameworks, including systems and processes, effective project management and scaling up activities as required by the grant agreement. This was anticipated to be higher in the first establishment year of the Reef Trust Partnership (1 July 2018 to 30 June 2019) and is expected to taper in subsequent years.

Directors and meetings of directors (01/01/2019 – 30/06/2019)

Directors	Board start date	Board retired date	No. of meetings eligible to attend	No. of meetings attended
John Schubert AO (Chairman) <i>BCEng (Hons 1), PhD (Chem Eng), FIEAust, CPEng, FTS, FICHEM E</i>	04/11/2001		5	5
Anna Marsden (Managing Director) <i>BArts</i>	25/03/2016		5	5
Michael Cameron <i>BBus, FCPA, FCA, FAICD</i>	09/06/2010		5	1
Maureen Dougherty <i>BMEng, MEng, Fellow of the Royal Aeronautical Society</i>	04/11/2015		5	4
Stephen Fitzgerald AO <i>BEcon</i>	25/11/2010		5	4
Paul Greenfield AO <i>BEcon QLD, BE (Hons) NSW, PhD NSW, FIE Aust, FTSE, FICHEM Eng, MAICHE</i>	21/12/2007		5	4
John Gunn <i>BSc (Hons 1), FTSE</i>	07/03/2018		5	4
Cindy Hook <i>BAcc, CPA</i>	09/05/2018		5	5
Grant King <i>BEng, MMA, FAICD</i>	28/11/2017		5	5
Amanda McCluskey <i>BEcon (Hons)</i>	31/08/2009	15/08/2019	5	2
Russell Reichelt <i>BSc PhD, FAICD, FTSE</i>	31/08/2004		5	4
Steven Sargent <i>BBus, Fellow with the Australian Academy of Technology Sciences and Engineering</i>	18/02/2015		5	5
Phillip Strachan <i>BCom, FCPA</i>	23/12/2003		5	3
Olivia Wirth <i>BComm</i>	30/01/2018		5	3
<i>Dean Knudson (Commonwealth Observer)</i>			5	4

The Foundation has established a number of committees who meet regularly and advise the Board on a number of key issues.

Audit, Risk and Compliance Committee		No. of meetings eligible to attend	No. of meetings attended
Phillip Strachan	Chair	3	3
Clayton Herbert	Member	3	3
Trevor Mahony	Member	3	2
Tendai Mkwanzani	Member	3	2
Anthony Rose	Member	3	2

International Scientific Advisory Committee		No. of meetings eligible to attend	No. of meetings attended
Paul Greenfield AO	Chair	0	0
Chris Cocklin	Member	0	0
Bronwyn Harch	Member	0	0
Paul Hardisty	Member	0	0
Peter Mumby	Member	0	0
Russell Reichelt	Member	0	0
Christian Roth	Member	0	0
Steve Sargent	Member	0	0
John Schubert	Member	0	0

During the period 1 January to 30 June 2019, there were no meetings of the International Scientific Advisory Committee

Nominations Committee		No. of meetings eligible to attend	No. of meetings attended
John Schubert AO	Chair	0	0
Anna Marsden	Managing Director	0	0
Stephen Fitzgerald AO	Member	0	0
Paul Greenfield AO	Member	0	0
Grant King	Member	0	0

During the period 1 January to 30 June 2019, there were no meetings of the Nominations Committee

Investment Committee		No. of meetings eligible to attend	No. of meetings attended
Stephen Fitzgerald AO	Chair	1	1
Anna Marsden	Managing Director	1	1
Amanda McClusky	Member	1	1
Anthony Rose	Member	1	1
Kerri Ryan	Employee	1	1

		No. of meetings eligible to attend	No. of meetings attended
Partnership Management Committee			
John Gunn	Co-Chair	6	4
Steve Sargent	Co-Chair	6	5
Deb Callister	Member	6	5*
Geoff Garrett AO	Member	6	5
Paul Greenfield AO	Member	6	5
Larissa Hale	Member	6	3
Ove Hoegh-Guldberg	Member	6	3
Margaret Johnson	Member	6	2
Wendy Morris	Member	6	4
Elisa Nichols	Member	6	4
Theresa Fyffe	Employee	6	6

* Craig Moore was proxy for Deb Callister for one meeting

		No. of meetings eligible to attend	No. of meetings attended
Philanthropy Committee			
Stephen Fitzgerald AO	Chair	1	1
Anna Marsden	Managing Director	1	1
Jeff McDaniel	Employee	1	1

		No. of meetings eligible to attend	No. of meetings attended
Resilient Reefs Board			
Amanda McCluskey	Chair (until May 2019)	2	1
Phillip Strachan	Chair (from June 2019)	2	2
Samuel Carter	Member	2	2
Caleb McClennen	Member	2	2
Peter Mumby	Member	2	2
Theresa Fyffe	Employee	2	2

Dividends

The Foundation is a company limited by guarantee and is restricted from declaring any dividends.

Insurance of officers

A premium of \$18,508 was paid in 2018 and was current for the period 1 January 2019 to 30 June 2019 (2018: \$18,508). This amount included stamp duty, a broker's fee and GST, to insure the directors, secretary, senior officers and committee members of the Foundation.

Proceedings on behalf of the Foundation

No proceedings have been brought or intervened in on behalf of the Foundation which requires the leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification of officers, committee members and auditor

Under section 65 of the Foundation's constitution, the Foundation indemnifies each person who is or has been a director, secretary, officer or committee member of the Foundation. The indemnity relates to any liability (other than liability to the Foundation or related body corporate, pecuniary penalties or compensation orders and liability that did not arise out of conduct in good faith) which results directly or indirectly from facts or circumstances relating to service as a director or secretary of the Foundation and extends to the payment of legal costs described therein.

The Foundation has not otherwise during or since the financial year indemnified or agreed to indemnify an auditor of the Foundation or of any related body corporate against a liability incurred as such as an auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under subdivision 60 C of the *Australia Charities and Not-for-profits Commission Act* is set out on page 11.

Environmental regulation

The Foundation's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Foundation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Foundation.

Remuneration report

No director of the Foundation has received or become entitled to receive a benefit, by reason of a contract made by the Foundation with the director of a related company, other than in the case of the current Managing Director, whose remuneration is determined by the Board.

Employee numbers

The total number of employees at reporting date was 23 FTE (2018: 28.6 FTE).

Members' guarantee

The Foundation is a public company limited by guarantee. Members are nominated and determined in accordance with the constitution. If the Foundation is wound up, the constitution states that each member is required to contribute a maximum of \$10.00 towards meeting any outstanding obligations of the Foundation. As at 30 June 2019, the number of members was 114 (2018: 128).

State Government fundraising legislative requirements

Several state governments in Australia have specific licensing and reporting requirements implemented to inform and protect the interests of donors and regulate fundraising operations.

The Foundation holds the following licences:

- Queensland, the principal place of its operations: *Collections Act 1966*, *Certificate of Sanction Number*: CP5118
- New South Wales: *Charitable Fundraising Act 1991*, *Charitable fundraising number*: CFN/24247
- Tasmania: *section 6 of Collections for Charities Act 2001*: C/10381
- Victoria: *The Fundraising Act 1998*: Registration number: 14114
- Western Australia: *Charitable Collections Act 1946*: *Licence No*: CC 22070

Key Australian Government legislative and regulatory requirements

The *Australian Charities and Not-for-profits Commission Act* sets out laws dealing with registration of a business entity as a charity. From 1 January 2014, the Foundation (in its capacity as a large registered charity with an annual revenue >\$1m) must submit an annual information statement, a financial report and an audit report (auditing the Financial Statements) to the Australian Charities and Not-for-profits Commission.

Environmental organisations, including the Foundation, are required to comply with the requirements of the Australian Government Department of the Environment and Energy and the Australian Taxation Office in order to remain on the Register of Environmental Organisations (REO). This register lists environmental organisations, like the Foundation, which are eligible to receive tax deductible donations. This register was established under item 6.1.1 subsection 30-55(1) of the *Income Tax Assessment Act 1997*.

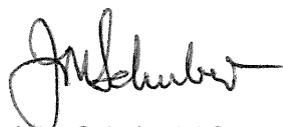
Likely developments and expected results of those operations

With the commencement of the Reef Trust Partnership and a refreshed science portfolio, the Foundation anticipates an uplift across it's fundraising, partnership, engagement and project delivery activity. The expected result of this will be an increase in operational revenue and expenditure.

Events subsequent to balance date

No matters or circumstances have occurred subsequent to year end that have significantly affected, or may significantly affect, the operations of the Foundation, the result of those operations or the state of affairs of the Foundation in subsequent financial years.

This report is made in accordance with a resolution of the directors.



John Schubert AO
Chairman

Date 3 October 2019



Anna Marsden
Managing Director

Date 3 October 2019



**Building a better
working world**

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Auditor's Independence Declaration to the Members of Great Barrier Reef Foundation

In relation to our audit of the financial report of Great Barrier Reef Foundation for the financial year ended 30 June 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid
Partner
3 October 2019

Corporate governance statement

Great Barrier Reef Foundation (the Foundation) is a not-for-profit public company limited by guarantee, incorporated under the *Corporations Act 2001*. Ultimate responsibility for the governance of the Foundation rests with the Board of directors (the Board). This governance statement outlines how the Board meets that responsibility.

The Board's primary role is to ensure that the Foundation's activities are directed towards achieving its mission: the raising and provision of funding to support research contributing to the environmental protection, enhancement, preservation and conservation of tropical reefs (especially the Great Barrier Reef) and adjoining coral coasts.

All members of the Board are appointed through the constitution and are themselves members of the company. Non-executive directors serve in an honorary capacity and do not receive remuneration for their role. Directors and senior staff have formal duties under company law and are kept apprised of these, using professional advice where necessary. There are conflict of interest provisions in the constitution and in company law, applicable to the directors, together with an internal policy.

The Foundation's constitution governs the regulations of meetings and proceedings of the Board, together with the procedures for appointment and replacement of directors. The Board regularly reviews the skills and experience necessary for its activities and currently considers it appropriate that there is the following mix: business management, ecological and scientific, financial, legal, marketing and philanthropic.

In addition to those matters required by the constitution and company law, the Board's principal roles are to:

- Approve the annual budget;
- Receive and review regular and comprehensive financial and investment reports;
- Oversee risk management analysis;
- Make final decisions with respect to research projects;
- Prepare and approve policy statements;
- Determine strategic and long-term objectives.

The Audit, Risk and Compliance Committee monitors the Foundation's financial activities and performance. The Audit, Risk and Compliance Committee may call on external advice from outside parties as required. It:

- Reviews the accounts and assists in development of annual budgets and long-term projections;
- Provides strategic financial advice and support to management
- Reviews the risk management register and strategies
- Advises the Board on financial matters including property acquisition, the formation of policies and guidelines related to financial management, and the monitoring of financial performance

The Investment Committee is appointed to assist the Board in implementing and managing the Foundation's investment strategy, investment risk management and investment exposure.

The Nominations Committee is appointed to provide advice to the Board on potential candidates that fill the requirements of key positions on the Board and the Managing Director role.

The International Scientific Advisory Committee is appointed to assist the Board in establishing the research vision for the Foundation outlining and focusing the Foundation's research investment priorities and opportunities and to provide strategic guidance for the Board in respect of the current and possible project portfolios in which the Foundation should invest.

The Resilient Reefs Project Committee is appointed to assist the Board in identifying and managing the progress, budget, allocation, opportunities, risk and reputational aspects of the Resilient Reefs

Project including ensuring that the appropriation of funds is in accordance with the terms of the grant agreement.

The Partnership Management Committee is appointed to assist the Board in identifying and managing the progress, budget, allocation, opportunities, risk and reputational aspects of the Reef Trust Partnership portfolio including ensuring that the appropriation of funds is in accordance with the terms of the grant agreement.

The Philanthropy Committee is appointed to assist the Board in fulfilling its oversight responsibilities by monitoring and reporting to the Board on the advancement of the Foundation's philanthropic programs. This committee guides the development and implementation of programs to raise funds for the protection, preservation and conservation of the Great Barrier Reef and other purposes as set out in the Foundation's constitution; to provide strategic and operational direction on all matters related to the implementation of the programs; and to promote and champion philanthropic contributions to the Foundation.

The Public Fund Committee is appointed by the Board to approve the release of contributions to the public fund of the Foundation, in fulfilment of the requirements of the Australian Taxation Office.

The Board delegates the day to day management of the Foundation to the Managing Director and oversees and monitors their performance in that regard.

The process of evaluation of the Managing Director is ongoing, and a session on key performance indicators is held with the Chairman annually. The Board or its delegate conducts an annual performance review of the Managing Director. The remuneration and terms and conditions for the Managing Director are reviewed and approved by the Board after seeking professional advice. The Managing Director reviews and approves remuneration and conditions for other staff in the context of agreed parameters established by the Board.

Communication of the Foundation's affairs to members, supporters and the public is widely undertaken. There is direct communication through newsletters and the provision of the annual report to members. The annual report and full financial disclosure, together with the Foundation's Constitution, are available online at www.barrierreef.org

Great Barrier Reef Foundation

ABN 82 090 616 443

Financial report - 30 June 2019

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A description of the nature of the entity's operations and its principal activities is included in the review of operations and activities on page 3, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on ____ October 2019.

Great Barrier Reef Foundation
Statement of profit or loss and other comprehensive income
for the period ended 30 June 2019

	Notes	1 Jan 2019 to 30 Jun 2019 \$	1 Jan 2018 to 31 Dec 2018 \$
Revenue	3	17,162,020	11,761,021
Other income	4(a)	167,732	510,905
Project investments		(12,315,270)	(5,308,179)
Employee benefits expense		(2,340,522)	(2,802,170)
Engagement and communications expense		(323,112)	(783,513)
Occupancy and administration expense		(1,246,512)	(1,605,521)
Business development costs		(456,899)	(19,203)
Depreciation and amortisation expense		(155,288)	(16,150)
Finance expenses	4(b)	(50,830)	(6,098)
Operating surplus before income tax		441,319	1,731,092
Income tax expense		-	-
Operating surplus for the period/year		441,319	1,731,092
Other comprehensive income for the period/year		-	-
Total comprehensive income for the period/year		441,319	1,731,092

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of financial position
as at 30 June 2019

		30 June 2019	31 December 2018
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	450,516,618	450,978,363
Trade and other receivables	7	2,856,231	1,958,892
Other financial assets	8	369,838	334,838
Other current assets	9	126,926	137,426
Total current assets		453,869,613	453,409,519
Non-current assets			
Property, plant and equipment	10	1,497,670	103,330
Intangible assets	11	198,536	183,791
Total non-current assets		1,696,206	287,121
Total assets		455,565,819	453,696,640
LIABILITIES			
Current liabilities			
Trade and other payables	12	5,826,470	1,434,506
Provisions	13	270,103	162,469
Deferred revenue	14	443,782,430	446,972,335
Other liabilities	15	219,432	-
Total current liabilities		450,098,435	448,569,310
Non-current liabilities			
Provisions	13	54,214	98,559
Other liabilities	15	1,237,509	-
Total non-current liabilities		1,291,723	98,559
Total liabilities		451,390,158	448,667,869
Net assets		4,175,661	5,028,771
FUNDS			
Restricted reserves	6, 16(a)	3,524,366	4,458,649
Retained operating surplus	16(b)	651,295	570,122
Total funds		4,175,661	5,028,771

The above statement of financial position should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of changes in equity
for the period ended 30 June 2019

	Notes	Restricted reserves \$	Retained operating surplus \$	Total equity \$
Balance at 1 January 2018		2,742,322	555,357	3,297,679
Surplus for the year		-	1,731,092	1,731,092
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	1,731,092	1,731,092
Transfer to (from) retained opening surplus to (from) restricted reserves	16	1,716,327	(1,716,327)	-
Balance at 31 December 2018		4,458,649	570,122	5,028,771
	Notes	Restricted reserves \$	Retained operating surplus \$	Total equity \$
Balance at 1 January 2019		4,458,649	570,122	5,028,771
Adjustment on adoption of AASB 15	2(a)	-	(1,286,586)	(1,286,586)
Adjustment on adoption of AASB 16	2(b)	-	(7,843)	(7,843)
Restated total equity at the beginning of the financial period		4,458,649	(724,307)	3,734,342
Surplus for the period		-	441,319	441,319
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	441,319	441,319
Transfer to (from) retained opening surplus to (from) restricted reserves	16	(934,283)	934,283	-
Balance at 30 June 2019		3,524,366	651,295	4,175,661

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of cash flows
for the period ended 30 June 2019

		1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 31 Dec 2018
	Notes	\$	\$
Cash flows from operating activities			
Grants and donations received (inclusive of GST)	1(n)	4,846,760	498,815,132
Payments to tax authority, suppliers and researchers (inclusive of GST)	1(n)	(9,762,231)	(51,651,259)
Employment costs		(2,278,282)	(2,689,886)
Net cash (outflow) inflow from operating activities	22(a)	<u>(7,193,753)</u>	<u>444,473,987</u>
Cash flows from investing activities			
Payments for property, plant and equipment (exclusive of GST)		-	(44,309)
Term deposits held as bank guarantees		(35,000)	-
Payments for intangibles		(26,200)	(175,000)
Interest received on financial assets held as investments		6,937,749	3,613,541
Net cash inflow from investing activities		<u>6,876,549</u>	<u>3,394,232</u>
Cash flows from financing activities			
Principal elements of lease payments		(144,541)	-
Net cash (outflow) inflow from financing activities		<u>(144,541)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents		(461,745)	447,868,219
Cash and cash equivalents at the beginning of the financial year		<u>450,978,363</u>	<u>3,110,144</u>
Cash and cash equivalents at end of period	5	<u>450,516,618</u>	<u>450,978,363</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Great Barrier Reef Foundation.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*. Great Barrier Reef Foundation is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The financial statements of the Great Barrier Reef Foundation comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) New and amended standards adopted by the Foundation

The Foundation has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2019:

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

The Foundation had to change its accounting policies and make certain retrospective adjustments following the adoption of AASB 15 and AASB 16. This is disclosed in note 2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Foundation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(v) Comparatives

When required by accounting standards, comparative information is adjusted to conform to changes for the current financial year.

(vi) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Foundation.

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and duties and taxes paid.

1 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Foundation expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue is recognised for the major business activities using the methods outlined below.

(i) Interest

Interest earned on term deposits that is restricted in accordance with a grant agreement, is deferred until the interest entitlement has been earned. If there is no restriction on how the interest is spent, interest is recognised on an accruals basis when the interest entitlement is earned.

(ii) Donations

Income from donations is recognised at the earlier of when the donation is received or entitled to be received by the Foundation.

(iii) Corporate grants

Corporate grant revenue is recognised in profit or loss over time when the performance obligations of the contract are fulfilled.

(iv) Government grants

Government grant revenue is recognised in profit or loss over time when the performance obligations of the contract are fulfilled.

(v) Matched funding agreements

Grants received from matched funding agreements, where control of the grant requires the Foundation to obtain co-funding, are recognised as revenue to the extent that the corresponding co-funding amounts have been secured.

Where the co-funding has not been secured, the recognition of the grant revenue is deferred until the co-funding has been secured and the Foundation has met the performance obligations of the agreement.

(vi) Royalties

Revenue from royalties is recognised when the royalty is earned.

(vii) In-kind donations

In-kind donations, such as the provision of goods and services from pro bono partners, are recognised as revenue when provided to the Foundation. These in-kind donations are also recorded as a matching asset or expense depending on the nature of the service provided.

(c) Income tax

The Foundation is a tax exempt entity and is therefore not liable for income tax.

(d) Leases

As explained in note 1(a) above, the Foundation has changed its accounting policy for leases. The new policy is described below and the impact of the change in note 2.

1 Summary of significant accounting policies (continued)

(d) Leases (continued)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Foundation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Foundation's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(f) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Summary of significant accounting policies (continued)

(h) Trade and other receivables

Trade receivables are amounts due in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Foundation holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

The Foundation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and financial assets.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. The accounting policy for right-of-use assets is detailed in note 1(d).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- | | |
|--------------------------|--------------|
| - Furniture and fittings | 2 - 20 years |
| - Plant and equipment | 2 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(j) Intangible assets

(i) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 5 to 10 years.

Trademarks that do not have a finite useful life are carried at cost less accumulated impairment.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Foundation are recognised as intangible assets. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of 5 years.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

1 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

(ii) Software (continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Foundation prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables and other accounts payable are recognised when the Foundation becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(m) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The Foundation does not expect its long service leave and annual leave benefits to be settled wholly within 12 months of each reporting date. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting date on high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Sick leave

Liabilities for non-accumulating sick leave are not recognised by the Foundation in its financial report.

(iv) Superannuation

The Foundation makes compulsory superannuation contributions in accordance with the superannuation guarantee charge. Any superannuation accrued and not paid at balance date is recognised as a liability.

(n) Goods and Services Tax

Revenues, 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 Australian Taxation Office (ATO). In these circumstances, the GST recognised is part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

1 Summary of significant accounting policies (continued)

(n) Goods and Services Tax (continued)

Cash flows are included in the statement of cash flows on a gross basis, with the GST component of cash flows arising from investing activities which are recoverable from, or payable to, the ATO classified as operating cash flows.

The statement of cash flows, for grants and donations received in prior year includes a GST receipt of \$44,330,300 in respect of GST received for the Reef Trust Partnership Agreement. Payments to tax authority, suppliers and researchers includes a GST payment of \$44,330,300 in respect of GST paid to the Australian Tax Office for the Reef Trust Partnership Agreement.

2 Changes in accounting policies

As explained in note 1(a)(iii) above, the Foundation has adopted a number of new or revised accounting standards this period that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

	Reported carrying amount 31 Dec 2018 \$	AASB 15 Remeasurements \$	AASB 16 Remeasurements \$	Restated carrying amount 1 January 2019 \$
Property, plant and equipment	103,330	-	1,538,173	1,641,503
Lease liabilities	-	-	(1,557,782)	(1,557,782)
Deferred revenue	(446,972,335)	(1,286,586)	11,766	(448,247,155)
Restricted reserves	(4,458,649)	1,286,586	-	(3,172,063)
Retained operating surplus	(570,122)	-	7,843	(562,279)
		-	-	

(a) AASB 15 Revenue from Contracts with Customers

The Foundation has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. AASB15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Where these agreements create sufficiently specific requirements of the parties, the revenue is recognised in the statement of profit or loss over the course of the contract period once the performance obligations are fulfilled. In accordance with the transition provisions in AASB 15, the Foundation has adopted the new rules retrospectively and has not restated comparatives for the 2018 financial year. In summary, an increase in deferred revenue of \$1,286,586 and a corresponding adjustment to retained surplus were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2019).

(i) Accounting for grants

In previous reporting years, corporate and government grants were recognised when the Foundation obtained control of the grant and it was probable that the economic benefits gained from the grant will flow to the Foundation and the amount of the grant can be reliably measured. If the Foundation did not control the contribution, the recognition of the grant as revenue is deferred until control has been obtained.

Under AASB 15, corporate and government grants are recognised when the performance obligations under the contract have been fulfilled.

(b) AASB 16 Leases

The Foundation has adopted AASB 16 *Leases* retrospectively from 1 January 2019, as permitted under the specific transition provisions in the standard. Comparatives for the 2018 financial year have therefore not been restated.

2 Changes in accounting policies (continued)

(b) AASB 16 Leases (continued)

On adoption of AASB 16, the Foundation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Foundation's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.92%.

	2019
	\$
Operating lease commitments disclosed as at 31 December 2018	\$1,605,739.00
Discounted using the Foundation's incremental borrowing rate of 5.92%	(\$307,019.00)
(Less): low-value leases recognised on a straight-line basis as expense	(\$19,140.00)
Add: adjustments as a result of a different treatment of extension and termination options	\$278,202.00
Lease liability recognised as at 1 January 2019	<u>\$1,557,782.00</u>

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Property, plant and equipment increased by \$1,538,173 on 1 January 2019. The net impact on retained earnings on 1 January 2019 was \$7,843 and deferred revenue was \$11,766.

In applying AASB 16 for the first time, the Foundation has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Great Barrier Reef Foundation
Notes to the financial statements
30 June 2019
(continued)

3 Revenue

	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 31 Dec 2018
	\$	\$
Project grants received	545,500	2,467,771
Government research contributions	14,745,262	5,389,001
Donations	1,201,461	2,534,305
Donations - Chairman's Panel	434,090	604,500
Grants received - project fees	112,500	571,644
Membership fees - Chairman's Panel	110,200	163,400
Royalties - cause related marketing	13,007	30,400
	17,162,020	11,761,021

From 1 January 2019 to 30 June 2019, the Foundation derived revenue from contracts with partners from the delivery of project investments over time of \$15,335,430.

4 Other income and expense items

(a) Other income

	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 31 Dec 2018
	\$	\$
Pro bono services	91,221	355,034
Interest income	30,061	80,871
Other revenue	46,450	75,000
	167,732	510,905

(b) Finance expenses

	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 31 Dec 2018
	\$	\$
Interest and finance charges paid/payable	6,082	6,098
Provisions: unwinding of discount	1,048	-
Interest on leases	43,700	-
Finance costs expensed	50,830	6,098

5 Current assets - Cash and cash equivalents

	30 June 2019	31 December 2018
	\$	\$
Public fund accounts (a)	80,520	29,660
Operating accounts	874,527	275,602
Project accounts (b)	11,464,986	11,390,396
Bank deposits (c)	438,096,585	439,282,705
	450,516,618	450,978,363

(a) Public fund monies

The Foundation is registered as an environmental organisation under legislative requirements in the *Income Tax Assessment Act*.

One of the mandatory constitutional requirements of environmental organisations includes the establishment and maintenance of a public fund:

- to which gifts of money or property for its principal purpose are to be made; and
- to which any money received because of such gifts is to be credited; and
- that does not receive any other money or property.

The release of monies from the public fund account and the management of, and sale of, public fund assets must be authorised by the fund's management committee.

(b) Project account

The project account is restricted for use of specific project income and expenditure. This includes monies received and relating to project grants.

(c) Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include \$438,096,585 (2018: \$439,282,705) of restricted cash. These amounts are reserved and its use restricted for specific research projects and both the project and administration component of the Reef Trust Partnership.

6 Assets subject to a restriction

Funds received for research generally consist of two components. The first component is a management fee that can be used by the Foundation to manage the project and meet operating and administrative costs. The second component is to be directed in its entirety towards future research projects. There is generally a timing difference between earning income and the matching expenditure. Income received for projects is considered to be restricted income to the extent that it is to be matched by expenditure. When income is earned in a year and the matched expenditure is less than the income earned, the surplus amount is moved from retained earnings to the restricted funds reserve. Conversely, where the matched expenditure in any given year is greater than the income earned, the shortfall amount is moved from the restricted funds reserve to retained earnings.

In the years when restricted fund reserve increases, there will be a negative effect on retained earnings for the year. Conversely, in the years when the restricted fund reserve decreases, there will be a positive effect on retained earnings for the year. Over the long term, the position is neutral on the basis that all restricted funds received are fully expended.

Funds from bequests, sponsorships and interest earned on project funds are also considered to be restricted. The primary bequest was received during 2009 from Sir Ian McFarlane.

The board and management consider the following net assets to be restricted for application towards future research projects:

	30 June 2019	31 December 2018
	\$	\$
<i>Funds recognised as restricted reserves:</i>		
eReefs	556,957	1,055,913
Reef Resilience fund	-	7,667
Sir Ian MacFarlane bequest	151,442	151,442
Reef Island Refuge Initiative	1,667,866	1,252,555
Resilient Reefs	-	867,872
Sponsorships	9,092	9,092
Other	1,139,009	1,114,108
Closing balance	<u>3,524,366</u>	<u>4,458,649</u>

7 Current assets - Trade and other receivables

	30 June 2019	31 December 2018
	\$	\$
Grants, donations and royalties receivable	2,187,940	150,171
Loss allowance	(35,180)	-
	2,152,760	150,171
Goods and services tax (GST) receivable	302,952	48,568
Interest receivable	399,325	1,692,214
Other receivables	1,194	67,939
	2,856,231	1,958,892

The Foundation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 30 June 2019 was determined as follows for receivables:

30 June 2019	Current	More than 30 days past due	More than 60 past due	More than 120 days past due	Total
Expected loss rate	0%	56.6%	50%	0%	
Gross carrying amount – receivables	1,951,330	27,360	39,360	-	2,018,050
Loss allowance	-	(15,500)	(19,680)	-	(35,180)
31 December 2018	Current	More than 30 days past due	More than 60 past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – receivables	130,491	19,680	-	-	150,171
Loss allowance	-	-	-	-	-

8 Current assets - Other financial assets

	30 June 2019	31 December 2018
	\$	\$
Term deposit held as security	369,838	334,838
	369,838	334,838

9 Current assets - Other current assets

	30 June 2019	31 December 2018
	\$	\$
Deposits paid	750	-
Prepayments	126,176	137,426
	126,926	137,426

10 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leasehold improvements \$	Artwork \$	Right-of-use assets \$	Total \$
At 1 January 2018					
Cost	49,657	-	24,165	-	73,822
Accumulated depreciation	(29,841)	-	(7,970)	-	(37,811)
Net book amount	19,816	-	16,195	-	36,011
Year ended 31 December 2018					
Opening net book amount	19,816	-	16,195	-	36,011
Additions	44,309	35,921	-	-	80,230
Depreciation charge	(10,903)	-	(2,008)	-	(12,911)
Closing net book amount	53,222	35,921	14,187	-	103,330
At 31 December 2018					
Cost	93,966	35,921	24,165	-	154,052
Accumulated depreciation	(40,744)	-	(9,978)	-	(50,722)
Net book amount	53,222	35,921	14,187	-	103,330
Year ended 30 June 2019					
Opening net book amount	53,222	35,921	14,187	-	103,330
Adoption of AASB 16	-	-	-	1,538,173	1,538,173
Transfers	-	(35,921)	-	35,921	-
Depreciation charge	(6,097)	-	(857)	(136,879)	(143,833)
Closing net book amount	47,125	-	13,330	1,437,215	1,497,670
At 30 June 2019					
Cost	93,966	-	24,165	1,574,094	1,692,225
Accumulated depreciation	(46,841)	-	(10,835)	(136,879)	(194,555)
Net book amount	47,125	-	13,330	1,437,215	1,497,670

(a) Depreciation

Depreciation of \$143,833 (2018: \$12,911) is included in depreciation and amortisation expense in profit or loss.

(b) Right-of-use assets

The right-of-use assets relate entirely to property leases.

11 Non-current assets - Intangible assets

	Trademarks at cost \$	Software \$	Total \$
At 1 January 2018			
Cost	32,706	-	32,706
Accumulation amortisation	(20,676)	-	(20,676)
Net book amount	<u>12,030</u>	<u>-</u>	<u>12,030</u>
Period ended 31 December 2018			
Opening net book amount	12,030	-	12,030
Additions	-	175,000	175,000
Amortisation charge **	(3,239)	-	(3,239)
Closing net book amount	<u>8,791</u>	<u>175,000</u>	<u>183,791</u>
At 31 December 2018			
Cost	32,706	175,000	207,706
Accumulation amortisation	(23,915)	-	(23,915)
Net book amount	<u>8,791</u>	<u>175,000</u>	<u>183,791</u>
Period ended 30 June 2019			
Opening net book amount	8,791	175,000	183,791
Additions	1,200	25,000	26,200
Amortisation charge **	(1,455)	(10,000)	(11,455)
Closing net book amount	<u>8,536</u>	<u>190,000</u>	<u>198,536</u>
At 30 June 2019			
Cost	33,907	200,000	233,907
Accumulated amortisation	(25,371)	(10,000)	(35,371)
Net book amount	<u>8,536</u>	<u>190,000</u>	<u>198,536</u>

** For the period ended 30 June 2019 amortisation of \$11,455 (2018: \$3,239) is included in depreciation and amortisation expense in profit or loss.

12 Current liabilities - Trade and other payables

	30 June 2019 \$	31 December 2018 \$
Accounts payable	935,453	718,700
Project accrued expenses	4,891,017	715,806
	<u>5,826,470</u>	<u>1,434,506</u>

No interest is charged on trade payables. The Foundation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Great Barrier Reef Foundation
Notes to the financial statements
30 June 2019
(continued)

13 Provisions

	30 June 2019			31 December 2018		
	Current \$	Non-current \$	Total \$	Current \$	Non-current \$	Total \$
Make good provision	-	36,969	36,969	-	35,921	35,921
Provision for employee benefits	270,103	17,245	287,348	162,469	62,638	225,107
	270,103	54,214	324,317	162,469	98,559	261,028

14 Deferred revenue

	30 June 2019 \$	31 December 2018 \$
Reef Trust Partnership	425,253,679	439,480,960
Interest - Reef Trust Partnership	10,836,174	5,221,375
Reef Islands Project	2,601,647	2,250,000
Resilient Reefs Project	3,895,295	-
Reef Resilience - Raine Island	1,195,635	-
Other	-	20,000
	443,782,430	446,972,335

15 Other liabilities

	30 June 2019			31 December 2018		
	Current \$	Non-current \$	Total \$	Current \$	Non-current \$	Total \$
Lease liabilities	219,432	1,237,509	1,456,941	-	-	-

16 Funds

(a) Reserves

	30 June 2019	31 December 2018
	\$	\$
Restricted funds reserve	<u>3,524,366</u>	<u>4,458,649</u>

Movements:

Restricted funds reserve

Balance at 1 January	4,458,649	2,742,322
Transfer to retained operating surplus (restricted expenses)	(485,930)	(3,428,958)
Transfer from retained operating surplus (restricted income)	838,233	5,145,285
Transfer to retained operating surplus	(1,286,586)	-
Balance at 30 June	<u>3,524,366</u>	<u>4,458,649</u>

(b) Retained operating surplus

Movements in retained operating surplus were as follows:

	30 June 2019	31 December 2018
	\$	\$
Balance at 1 January	570,122	555,357
Net operating surplus for the period/year	441,319	1,731,092
Adoption of AASB 16	(7,843)	-
Adoption of AASB 15	(1,286,586)	-
Transfer from retained operating surplus (restricted income)	(838,233)	(5,145,285)
Transfer to retained operating surplus (restricted expenses)	485,930	3,428,958
Transfer to retained operating surplus	1,286,586	-
Balance at 30 June	<u>651,295</u>	<u>570,122</u>

17 Contingent liabilities

The Foundation had bank guarantees at 30 June 2019 of \$669,837 (2018: \$184,837). The likelihood that these guarantees will be forfeited is remote.

18 Commitments

(a) Capital and other commitments

Grant expenditure contracted for at the reporting date but not recognised as liabilities is:

	30 June 2019	31 December 2018
	\$	\$
eReefs projects payable:		
Within one year	<u>486,250</u>	1,240,100
	486,250	<u>1,240,100</u>
Reef Trust Partnership projects payable:		
Within one year	11,504,745	2,004,782
Later than one year but not later than five years	<u>3,889,737</u>	945,346
	15,394,482	<u>2,950,128</u>
Reef Resilience projects payable:		
Within one year	245,923	244,446
Later than one year but not later than five years	<u>749,895</u>	295,818
	995,818	<u>540,264</u>
Raine Island projects payables:		
Within one year	690,000	690,000
Later than one year but not later than five years	<u>300,000</u>	300,000
	990,000	<u>990,000</u>
Other projects payable:		
Within one year	407,970	677,520
Later than one year but not later than five years	<u>50,000</u>	325,000
	457,970	<u>1,002,520</u>

Contracts for revenue are committed and in place to cover the above listed commitments over the five year period. Contracts that can terminate on convenience are not included in the amounts disclosed.

19 Related party transactions

(a) Key management personnel

	30 June 2019	31 December 2018
	\$	\$
Key management personnel compensation	763,406	1,001,763

Great Barrier Reef Foundation Board is comprised of volunteers and employees. Other committees are comprised of volunteers, employees and paid members.

(b) Other transactions with key management personnel or entities related to them

Directors of Great Barrier Reef Foundation

Some of the directors are donors in their own right or are directors of companies which have donated monies to the Foundation.

Aggregate amounts of donations received from related parties of Great Barrier Reef Foundation:

	30 Jun 2019	31 Dec 2018
	\$	\$
Amounts recognised as revenue		
Grants and donations received	343,634	297,347

20 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Foundation, the results of those operations or the state of affairs of the Foundation or economic entity in subsequent financial years.

21 Reef Trust Partnership

In accordance with Schedule 1 Section 2.2 of the Grant Agreement between the Reef Trust and Great Barrier Reef Foundation, the below statement of profit or loss and other comprehensive income and statement of financial position have been prepared in respect of the Foundation's receipt and expenditure of the Reef Trust Partnership Grant and Other Contributions for each component for the year from 1 July 2018 to 30 June 2019.

(a) Statement of profit or loss and other comprehensive income

	1 July 2018 to 30 June 2019 \$
Revenue	18,075,177
Expenses	
Component 1 - Administrative Activities	(8,141,234)
Component 2 - Water Quality Activities	(7,043,259)
Component 3 – Crown of Thorns Starfish Control Activities	(15,000)
Component 4 – Reef Restoration and Adaption Science Activities	(762,000)
Component 5 – Indigenous and Community Reef Protection Activities	(1,539,684)
Component 6 – Integrated Monitoring and Reporting Activities	(574,000)
Total expenses	(18,075,177)
Operating surplus for the year	-

(b) Statement of financial position

	30 June 2019 \$
Current assets	441,414,167
Non-current assets	882,177
	442,296,344
Current liabilities	(441,531,657)
Non-current liabilities	(764,687)
	(442,296,344)
Net assets	-

22 Cash flow information

(a) Reconciliation of surplus to net cash (outflow) inflow from operating activities

	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 31 Dec 2018
	\$	\$
Surplus for the period/year	441,319	1,731,092
Adjustments for		
Depreciation and amortisation	155,288	16,150
Interest income	(30,061)	(80,871)
Interest on leases	43,700	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,360,117)	(1,395,883)
Decrease (increase) in other operating assets	10,500	(221,113)
Increase in trade and other payables	4,561,855	1,082,263
Increase in other operating liabilities	63,288	111,254
(Decrease) increase in deferred revenue	(10,079,525)	443,231,095
Net cash (outflow) inflow from operating activities	<u>(7,193,753)</u>	<u>444,473,987</u>

Great Barrier Reef Foundation
Directors' declaration
30 June 2019

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 37 are in accordance with the *Charities and Not-for-profits Commission (ACNC) Act 2012*, including:
Australian
- (i) complying with accounting standards and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Foundation's financial position as at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows, for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



John Michael Schubert AO
Chairman

3 October 2019



Anna Catherine Marsden
Managing Director

3 October 2019



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Independent Auditor's Report to the Members of Great Barrier Reef Foundation

Opinion

We have audited the financial report of Great Barrier Reef Foundation (the Foundation), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Foundation's financial position as at 30 June 2019 and of its financial performance for the period ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Foundation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



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

Responsibilities of the Directors for the Financial Report

The directors of the Foundation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid' in a cursive style.

Mike Reid
Partner
Brisbane
3 October 2019