

# **Great Barrier Reef Foundation**

ABN 82 090 616 443

## **Annual report for the year ended 31 December 2018**

**Great Barrier Reef Foundation** ABN 82 090 616 443  
**Annual report - 31 December 2018**

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## **Great Barrier Reef Foundation**

### **Annual report for the year ended 31 December 2018**

#### **Directors' report**

The Great Barrier Reef Foundation has the responsibility of serving one of the most extraordinary and awe-inspiring places on the planet. Yet the deep and sobering realisation that comes with such a role is that every year matters, as we are rapidly running out of time to save this natural wonder. It is true to say 2018 – the International Year of the Reef – was a year that mattered. The Foundation – our people and our partners – gave their very best and we are proud to reflect on some of these achievements.

Innovation with outcomes has always been part of the Foundation's DNA – new thinking, new technology, and new models excite us and engender hope for the future. Prototypes and pilots such as RangerBot, coral IVF and coral sunshields are among our most recent successes attracting global attention and offering genuine progress in local treatments for corals. In 2018, we launched a global search for new ideas and approaches to reef recovery in partnership with The Tiffany & Co. Foundation. The Out of the Blue Box Reef Innovation Challenge called on inspiring minds from around the world to consider new ways to boost reef health. The global response was inspiring and we look forward to reporting the progress of the winning projects – to scale up and combine coral IVF with delivery using an underwater 'drone', and coral probiotics – in future years.

Unfortunately, no individual action, no matter how valiant will solve all the challenges facing coral reefs. That's why we remain committed to connecting and uniting the best minds, communities, organisations and nations through our work. The International Year of the Reef presented an ideal platform to tell the story of the Great Barrier Reef to the world. In April the Foundation, in partnership with Prince's Trust Australia, hosted a Leadership Roundtable with His Royal Highness The Prince of Wales on Lady Elliot Island. This group of 22 leaders across policy, conservation, industry and science shared insights of obstacles and opportunities for coral reefs and unanimously agreed everyone must do more and do better for the sake of future generations.

2018 saw the launch of two new signature projects. Firstly, the Resilient Reefs project is being carried out in collaboration with the BHP Foundation, UNESCO World Heritage Centre, 100 Resilient Cities—Pioneered by The Rockefeller Foundation, and The Nature Conservancy's Reef Resilience Network, and is a world first project giving five World-Heritage listed coral reef sites their best chance of survival by building resilience in the face of climate change. Truly an initiative of global impact, we are partnering with the Great Barrier Reef, Ningaloo Coast, Palau's Rock Islands, Lagoons of New Caledonia and the Belize Barrier Reef. This represents a new way of thinking to respond to the scale and severity of the challenge posted by climate change to coral reefs – the first time coral reef managers are partnering with global climate resilience experts and local community stakeholders to build and embed resilience into the successful management of coral reefs.

Secondly, our new Reef Islands Initiative builds on the current work underway to protect and restore the world's largest remaining green turtle rookery on Raine Island, enabled through a successful public / private partnership. We're now applying that model to other priority reef islands to build the resilience of these precious land and sea scapes in the face of climate change – essentially creating a series of modern day 'arks'. During the year, on-ground restoration and conservation work commenced on the first island refuge, Lady Elliot Island, known for its amazing array of seabirds, turtles, manta rays, dolphins, sharks and coral reefs. We look forward to tackling more island ecosystems in the future with our funding partners Lendlease, the Australian and Queensland Governments, and the Fitzgerald Family Foundation.

In May, the Australian Government announced the largest single grant for the Great Barrier Reef's protection in the country's history. An investment of \$443.3 million to be managed through the Foundation was a funding step change for Reef health. Through the Foundation, the Reef Trust

Partnership represents an unprecedented opportunity for the Great Barrier Reef. It delivers sustained and strategic funding allowing greater confidence in longer term protection efforts. It enables the extraordinary individuals, community groups and Traditional Owners who are working to protect the Reef to implement the local actions they have been desperate to do for the sake of the Reef. It puts vital funding in the hands of the innovators, the brightest minds, the scientists, engineers, technology experts and others who are working to crack the ecological equivalent of the moon landing. It creates a new era of collaboration and partnerships – empowering us all to work together to boost the resilience and health of the Great Barrier Reef. It's an opportunity to treat the Reef's ecosystem holistically rather than threat by threat.

This partnership will tackle critical issues of improving water quality and crown-of-thorns starfish control, harness the best science to restore reefs and support reef resilience and adaptation, enhance Reef health monitoring and reporting, and increase community and Traditional Owner engagement in Reef protection. The Foundation is leading the collaboration of science, business, government, industry, philanthropy and community to amplify the impact of this investment and the benefits it delivers for the Reef.

In August we unveiled an ambitious campaign to leverage the government grant by a further \$300 million – \$400 million through Australia's largest environmental fundraising campaign. This multi-faceted fundraising effort aims to generate a global community of Reef partners and patrons focused on a better future for our reefs.

The Foundation is acutely aware of the additional attention and responsibility that comes with a grant like the Reef Trust Partnership. For two decades, the Foundation has prided itself on being a good investor in projects to help save the Reef. From multi-million dollar grants to pocket money posted to our office by young Australians, our pledge has been consistent – to spend it on the Reef where it can make the biggest difference.

Our work has always been about and for the Reef. We know we make a difference in tackling the effects of climate change and building the Reef's resilience, we know the Reef needs us and now, more than ever before in our 20 years, we have the circumstance and the opportunity to lead the change the Reef needs and deserves.

So many people contributed to our endeavours in 2018. Sitting on the Foundation's Board and committees are a distinguished group of people, each so deeply passionate about this cause that they generously give their time, skills and networks. The events of 2018 have required us to lean so much on our volunteer brains trust, and we are grateful for their steady support and advice. We are fortunate to have a world class team of staff for whom working at the Foundation is a labour of love and who go above and beyond because they passionately believe in this cause. Our research partners are global leaders and we are honoured to be enabling the work of the likes of James Cook University, Queensland University of Technology, University of Hawaii, Australian Institute of Marine Science, Bureau of Meteorology, CSIRO, Queensland's Department of Environment and Science, and Taronga Zoo this year.

Our achievements in 2018 are a tribute to our many supporters who include every day Australians from all walks of life, people living far from the Reef on the other side of the world, iconic companies that are household names, governments at all levels, and businesses large and small. The one thing they all have in common is a desire to take an active part in conserving something bigger than us all – the world's greatest coral reef. Your support humbles and inspires us all.

Throughout 2018, the Great Barrier Reef was rarely out of the spotlight. With the release of the Intergovernmental Panel on Climate Change (IPCC) Report declaring the loss of the world's coral reefs by 2050 if we do not meet the Paris Agreement targets, this attention will not change. Our Board, staff and partners are united in the commitment that, through our work and our voice telling

the story of what Australia and Australians are doing to protect our irreplaceable natural wonder, we will leave nothing in the tank to ensure there is a Great Barrier Reef for future generations to enjoy.

### 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

The Foundation made an operating profit of \$1,731,092 this year (2017: operating deficit \$1,339,246). The 2018 profit reflects the timing of revenue being ahead of committed project expenditure.

At year-end \$4,458,649 (2017: \$2,742,322) is considered tied or restricted funds for application towards future research project commitments.

### Operations

The total number of employees at reporting date was 29, equating to 28.6 FTE (2017: 11; 8.9 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.

The Australian organisations that provided pro bono services in 2018 include:

- Allens Linklaters (Legal)
- Clouding Around (IT Services)
- KPMG (Company Secretarial and Market Research)
- PwC Australia (Accounting)
- Google (Advertising)
- Venture Pro (Consulting)
- AECOM (Consulting)
- Fundraising Force (Consulting)

In the last twelve months, these organisations have collectively provided pro bono services valued at \$355,034 (2017: \$931,405).

During 2018 the principal beneficiaries of research funding by the Foundation were:

<i>Institution</i>	<i>Funding (\$)</i>
Australian Institute of Marine Science	220,000
Bureau of Meteorology	170,000
CSIRO	654,000
Department of Environment & Heritage Protection	104,000
Department of Environment and Science (Qld)	977,500
James Cook University	10,000
Queensland University of Technology	17,500
Taronga Conservation Society	7,063
Taronga Western Plains Zoo	40,000
University of Hawaii Foundation	51,000
<b>Grand Total</b>	<b>2,251,063</b>

## 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 cost of administration and fundraising as a percentage of total expenses (excluding the Reef Trust Partnership) was 20.2% and 6.3%, respectively.

The Reef Trust Partnership grant agreement allocates \$44,330,300 for administrative activities from 1 July 2018 to 30 June 2024. From 1 July to 31 December 2018, \$3.6m (8.1%) was spent on administrative activities related to the partnership to ensure good governance is in place, including systems and processes, and effective project management and scaling up activities are taking place as required by the grant agreement. These costs are naturally higher in the set-up year and will taper in subsequent years. In this financial year, encompassing the first six months of the grant agreement, the Foundation delivered all of the 10 scaling up activities required under the agreement.

The Foundation sought independent advice from PricewaterhouseCoopers to develop a methodology for determining the Foundation's administration and fundraising ratios referred to above. These ratios were then benchmarked to publicly available information from similar conservation charities. The Foundation's performance rated very favourably to those organisations.

### Directors and meetings of directors (01/01/2018 – 31/12/2018)

Directors	Board start date	Board end 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, FIChemE</i>	04/11/2001		8	8
Amanda McCluskey <i>BEcon (Hons)</i>	31/08/2009		8	8
Anna Marsden (Managing Director) <i>BArts</i>	25/03/2016		8	8
Cindy Hook <i>BAcc, CPA</i>	05/09/2018		3	1
David Turner <i>FCA</i>	28/07/2007	19/01/2018	0	0
Grant King <i>BEng, MMA, FAICD</i>	28/11/2017		8	8
John Mulcahy <i>BE (First Class Hons), PhD (Civil Eng)</i>	12/05/2006	04/07/2018	4	4
John Gunn <i>BSc (Hons 1), FTSE</i>	07/03/2018		8	7
Keith Tuffley <i>BEc, LL.M., Grad Dip Applied Fin and Invest</i>	22/11/2006	29/01/2018	0	0
Maureen Dougherty <i>BMEng, MEng, Fellow of the Royal Aeronautical Society</i>	04/11/2015		8	7
Michael Cameron <i>BBus, FCPA, FCA, FAICD</i>	09/06/2010		8	3
Olivia Wirth <i>BComm</i>	30/01/2018		8	6
Paul Greenfield AO <i>BEcon QLD, BE (Hons) NSW, PhD NSW, FIE Aust, FTSE, FIChemEng, MAIChe</i>	21/12/2007		8	6
Peter Mason AM <i>BCom (Hons), MBA, Hone.Dbuis, FAICD</i>	25/03/2015	23/01/2018	0	0
Phillip Strachan <i>BCom, FCPA</i>	23/12/2003		8	8
Russell Reichelt <i>BSc PhD, FAICD, FTSE</i>	31/08/2004		* 8	5
Stephen Fitzgerald AO <i>BEcon</i>	25/11/2010		8	6
Stephen Roberts <i>BEc</i>	24/11/2015	04/07/2018	4	0

Steven Sargent <i>BBus, Fellow Australian Academy of Technology Sciences and Engineering</i>	18/02/2015		8	7
Dean Knudson ( <i>Commonwealth Observer</i> ) *			4	3

\* Matt Cahill observed as proxy for Dean Knudson on one eligible meeting

The Foundation has established a number of committees who meet regularly and advise the board on a range of matters. Each committee is chaired by a director of the board.

<b>Audit, Risk and Compliance Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
Phillip Strachan	Chair	8	8
Anthony Rose	Member	8	5
Clayton Herbert	Member	8	8
Tendai Mkwanzani	Member (from July 2018)	7	6
Trevor Mahony	Member	8	7

<b>International Scientific Advisory Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
Paul Greenfield AO	Chair	3	3
Aidan Byrne	Member (until July 2018)	3	2
Bronwyn Harch	Member	3	1
Chris Cocklin	Member	3	3
Christian Roth	Member	3	2
John Schubert	Member	3	1
Ove Hoegh-Guldberg	Member (until July 2018)	3	2
Paul Hardisty	Member	3	3
Peter Mumby	Member (from July 2018)	3	3
Russell Reichelt	Member	3	3
Steve Sargent	Member	3	3

<b>Nominations Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
John Schubert AO	Chair	2	2
Anna Marsden	Employee member	2	2
Grant King	Member (from Sep 2018)	2	2
Paul Greenfield AO	Member	2	2
Stephen Fitzgerald AO	Member	2	2

<b>Investment Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
Stephen Fitzgerald AO	Chair (from May 2018)	6	6
Stephen Roberts	Chair (until May 2018)	1	1
Amanda McClusky	Member	6	5
Anna Marsden	Employee member	6	6
Anthony Rose	Member	6	5
David Neal	Member (from June 2018 until July 2018)	3	3

<b>Partnership Management Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
John Gunn	Co-chair	3	3
Steven Sargent	Co-chair	3	3
Theresa Fyffe	Employee member	3	3
Deb Callister	Member	3	3
Elisa Nichols	Member	3	3
Geoff Garrett AO	Member	3	3
Larissa Hale	Member	3	2
Margaret Johnson	Member	3	3
Ove Hoegh-Guldberg	Member	3	1
Paul Greenfield AO	Member	3	3
Wendy Morris	Member	3	3

<b>Philanthropy Committee</b>		<b>No. of meetings eligible to attend</b>	<b>No. of meetings attended</b>
Stephen Fitzgerald AO	Chair	1	1
Anna Marsden	Employee member	1	1
Jeff McDaniel	Employee member (from Nov 2018)	1	1
Margot Andersen	Employee member (from Nov 2018)	1	1

### **Dividends**

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

### **Insurance of officers**

During the financial year, the Foundation paid a premium of \$18,508 (2017: \$5,499) including stamp duty, a broker's fee and GST, to insure the directors, secretary and officers 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 and auditor**

Under section 65 of the Foundation's constitution, the Foundation indemnifies each person who is or has been a director or secretary 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 9. In 2018 Ernst & Young was appointed by the directors as the incoming auditor to fill the vacancy created by the resignation of Deloitte Touche Tohmatsu. The reason for the change in auditor was due to Deloitte Australia's CEO Cindy Hook joining the Foundation board.

### **Environmental regulation**

The Foundation's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board is confident 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 29, equating to 28.6 FTE (2017: 11; 8.9 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 31 December 2018, the number of members was 128 (2017: 127).

### **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 operations**

Through its International Scientific Advisory Committee, the Foundation has adopted a new research focus around Reef recovery: building the Reef’s resilience through innovations in monitoring, protection and restoration. The Foundation has a number of signature research projects in development in line with this theme. With a large program of existing projects currently under management, significant effort is being, and will continue to be, dedicated to overseeing delivery of this work and enabling its adoption by reef managers and policy makers.

On 29 April 2018 the Australian Government announced a new funding investment through the Reef Trust which included a partnership with the Great Barrier Reef Foundation to implement Great Barrier Reef protection activities aligned with the Reef 2050 Plan.

The partnership included a grant of \$443,303,000 from the Reef Trust paid in full in the 2018 financial year for delivery of outcomes over the following six years inclusive of 2023-24.

The federal leader of the opposition publicly stated that should the Australian Labor Party win the next federal election, they will withdraw the funding from the Great Barrier Reef Foundation under the terms of the Reef Trust Partnership (RTP) Agreement by enacting clause 25.1 (Termination for Convenience).

While the outcome of the election and the extent to which the withdrawal of funding may eventuate are unknown at the date of this report, there is a risk that the RTP Agreement will be subject to early termination.

**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



Anna Marsden  
Managing Director

## 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 31 December 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



Mike Reid  
Partner  
9 May 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. 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 of directors 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 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 of directors, 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; and
- 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; and
- 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, sub-committee, advisory committee and Managing Director roles.

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 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;
- Provides strategic and operational direction on all matters related to the implementation of the programs; and
- Promotes and champions philanthropic contributions to the Foundation.

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](http://www.barrierreef.org)

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**Annual report - 31 December 2018**

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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 2, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on \_\_\_ May 2019.

**Great Barrier Reef Foundation**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2018**

	Notes	2018 \$	2017 \$
<b>Revenue</b>	2	<b>12,271,926</b>	7,715,306
Science investments	3	<b>(5,308,179)</b>	(5,907,940)
Employee benefits expense		<b>(2,802,170)</b>	(1,442,143)
Engagement and communications expense	3	<b>(783,513)</b>	(938,871)
Occupancy and administration expense	3	<b>(1,605,521)</b>	(615,114)
Business development costs	3	<b>(19,203)</b>	(124,822)
Depreciation and amortisation expense		<b>(16,150)</b>	(21,608)
Finance costs		<b>(6,098)</b>	(4,054)
<b>Operating surplus (deficit) before income tax</b>		<b>1,731,092</b>	(1,339,246)
Income tax expense		-	-
<b>Operating surplus (deficit) for the year</b>		<b>1,731,092</b>	(1,339,246)
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income (loss) for the year</b>		<b>1,731,092</b>	(1,339,246)

*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 31 December 2018**

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	450,978,363	3,110,144
Trade and other receivables	6	1,958,892	547,440
Financial assets	7	334,838	202,615
Other current assets	8	137,426	48,535
<b>Total current assets</b>		<u>453,409,519</u>	<u>3,908,734</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	103,330	36,011
Intangible assets	10	183,791	12,030
<b>Total non-current assets</b>		<u>287,121</u>	<u>48,041</u>
<b>Total assets</b>		<u>453,696,640</u>	<u>3,956,775</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	1,434,506	352,242
Provisions	12	162,469	84,116
Deferred revenue	13	446,972,335	193,000
<b>Total current liabilities</b>		<u>448,569,310</u>	<u>629,358</u>
<b>Non-current liabilities</b>			
Provisions	12	98,559	29,738
<b>Total non-current liabilities</b>		<u>98,559</u>	<u>29,738</u>
<b>Total liabilities</b>		<u>448,667,869</u>	<u>659,096</u>
<b>Net assets</b>		<u>5,028,771</u>	<u>3,297,679</u>
<b>FUNDS</b>			
Restricted reserves	14(a)	4,458,649	2,742,322
Retained operating surplus	14(b)	570,122	555,357
<b>Total funds</b>		<u>5,028,771</u>	<u>3,297,679</u>

*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 year ended 31 December 2018**

	Notes	Restricted reserves \$	Retained operating surplus \$	Total equity \$
<b>Balance at 1 January 2017</b>		3,963,248	673,677	4,636,925
Surplus (deficit) for the year		-	(1,339,246)	(1,339,246)
Other comprehensive income		-	-	-
<b>Total comprehensive loss for the year</b>		-	<b>(1,339,246)</b>	<b>(1,339,246)</b>
Transfer to (from) retained opening surplus to (from) restricted reserves	14	(1,220,926)	1,220,926	-
<b>Balance at 31 December 2017</b>		<b>2,742,322</b>	<b>555,357</b>	<b>3,297,679</b>
<b>Balance at 1 January 2018</b>		2,742,322	555,357	3,297,679
Surplus (deficit) for the year		-	1,731,092	1,731,092
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		-	<b>1,731,092</b>	<b>1,731,092</b>
Transfer to (from) retained opening surplus to (from) restricted reserves	14	1,716,327	(1,716,327)	-
<b>Balance at 31 December 2018</b>		<b>4,458,649</b>	<b>570,122</b>	<b>5,028,771</b>

*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 year ended 31 December 2018**

	2018	2017
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Grants and donations received (inclusive of GST) *	498,815,132	7,971,563
Payments to tax authority, suppliers and researchers (inclusive of GST) *	(51,651,259)	(7,913,328)
Employment costs	(2,689,886)	(1,424,841)
<b>Net cash inflow (outflow) from operating activities</b>	<b>444,473,987</b>	<b>(1,366,606)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment (exclusive of GST)	(44,309)	(10,458)
Term deposits held as bank guarantees	-	2,796
Payments for intangibles	(175,000)	-
Interest received	3,613,541	62,311
<b>Net cash inflow from investing activities</b>	<b>3,394,232</b>	<b>54,649</b>
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>447,868,219</b>	<b>(1,311,957)</b>
Cash and cash equivalents at the beginning of the financial year	3,110,144	4,422,101
<b>Cash and cash equivalents at end of year</b>	<b>450,978,363</b>	<b>3,110,144</b>

\* Grants and donations received 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.

*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 all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years 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 2018:

- *AASB 9 Financial Instruments*

This standard did not have any material impact on the current period or any prior period and is not expected to have a material affect on 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 31 December 2018 reporting periods and have not been early adopted by the Foundation. The Foundation's assessment of the impact of these new standards and interpretations is set out below.

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

<b>Title of standard</b>	<b>AASB 15 Revenue from Contracts with Customers</b>
<b>Nature of change</b>	When effective, this standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.
<b>Impact</b>	<p>The Foundation has established a project team and is completing its impact assessment of AASB 15. The assessment included identification and categorisation of sufficiently specific performance obligations on contracts, which would influence the timing of revenue recognition on these contracts deliverable. Based on the assessment performed so far for each revenue contract, the effects of AASB 15 on the Foundation's financial statements are expected to be the recording of deferred grant revenue where the consideration has been received but the performance obligations have not been met on contracts identified as containing sufficiently specific performance obligations.</p> <p>The Foundation has assessed the contracts which contain sufficiently specific obligations and has estimated the impact of AASB 15 to be a reduction in equity as at 1 January 2019 of approximately \$1,321,306 and a increase in deferred grant revenue at the same date of approximately \$1,321,306.</p> <p>All other contracts that do not contain sufficiently specific obligations have been reviewed and the Foundation has determined that there will be no material impact on transition.</p>
<b>Mandatory application date/ Date of adoption by the Foundation</b>	<p>For not-for-profit entities: applicable to annual reporting periods beginning on or after 1 January 2019.</p> <p>The Foundation has elected to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.</p>

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

<b>Title of standard</b>	<b>AASB 1058 Income of Not-for-Profit Entities</b>
<b>Impacts</b>	This standard is applicable when an entity receives volunteer services or enters into other transactions where the consideration to acquire the asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.
<b>Nature of change</b>	<p>The significant accounting requirements of AASB 1058 are as follows:</p> <ul style="list-style-type: none"> <li>- Income arising from an excess of the initial carrying amount of an asset over the related amount being contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable standards.</li> <li>- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable standards. Income must be recognised in profit or loss when the entity satisfies its obligations under the transfer.</li> </ul> <p>The directors have determined that the adoption of AASB 1058 is not expected to have an impact on the Foundation's financial statements at the date of initial application, being 1 January 2019.</p>
<b>Mandatory application date/ Date of adoption by the Foundation</b>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019. Expected date of adoption by the Foundation: 1 January 2019.</p> <p>The Foundation has elected to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.</p>
<b>Title of standard</b>	<b>AASB 16 Leases</b>
<b>Impacts</b>	AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
<b>Nature of change</b>	<p>The only significant operating lease is the lease of premises in Ann Street, Brisbane. An asset and associated liability is expected to be recognised for this lease upon adoption of this Standard. A periodic amortisation and interest charge is expected to be recognised in the statement of profit or loss and other comprehensive income, the amounts of which have been quantified below.</p> <p>On the date of application, being 1 January 2019, the Foundation will recognise a right-of-use asset of \$1,538,172 and a lease liability of \$1,557,781 on the statement of financial position and an adjustment to equity of approximately \$19,609. For the year ending 31 December 2019, a rental expense of approximately \$292,000 will be replaced in the statement of profit or loss and other comprehensive income with an amortisation charge of approximately \$274,000, and a finance charge of approximately \$84,000.</p>
<b>Mandatory application date/ Date of adoption by the Foundation</b>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019. Expected date of adoption by the Foundation: 1 January 2019</p> <p>The Foundation intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.</p>

## **1 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

There are no other 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.

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 when the Foundation obtains control of the grant and it is 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 does not control the contribution, the recognition of the grant as revenue is deferred until control has been obtained.

#### *(iv) Government grants*

Government grant revenue is recognised in profit or loss when the Foundation obtains control of the grant and it is 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 does not control the contribution, the recognition of the grant as revenue is deferred until control has been obtained.

#### *(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 control over the grant.

#### *(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.

## **1 Summary of significant accounting policies (continued)**

### **(d) Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Foundation as lessee are classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### **(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.

## **1 Summary of significant accounting policies (continued)**

### **(h) Trade and other receivables (continued)**

#### *Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Foundation considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

### **(i) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation.

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) IT development and 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.



## **1 Summary of significant accounting policies (continued)**

### **(j) Intangible assets (continued)**

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

### **(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Foundation prior to the end of the financial year 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 12 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 annual 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.

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.

**Great Barrier Reef Foundation**  
**Notes to the financial statements**  
**31 December 2018**  
(continued)

## 2 Revenue

	2018	2017
	\$	\$
Project grants received	2,467,771	1,657,000
Government research contributions	5,389,001	1,983,925
Donations	2,534,305	1,402,697
Pro bono services	355,034	831,405
Donations - Chairman's Panel	604,500	744,000
Grants received - project fees	571,644	552,075
Membership fees - Chairman's Panel	163,400	190,000
Royalties - cause related marketing	30,400	63,657
Interest income	80,871	60,330
Other revenue	75,000	230,217
	<u>12,271,926</u>	<u>7,715,306</u>

## 3 Expenses

	2018	2017
	\$	\$
<b>Surplus (deficit) before income tax includes the following specific expenses:</b>		
<b><i>Employee benefits</i></b>		
Defined contribution superannuation expense	<u>200,144</u>	120,013
<b><i>Business development</i></b>		
Pro bono services	1,250	-
Expenses other than pro bono services	<u>17,953</u>	124,822
	<u>19,203</u>	124,822
<b><i>Occupancy and administration</i></b>		
Pro bono services	234,780	257,211
Expenses other than pro bono services	<u>1,370,741</u>	357,903
	<u>1,605,521</u>	615,114
<b><i>Engagement and communications</i></b>		
Pro bono services	93,790	574,193
Expenses other than pro bono services	<u>689,723</u>	364,678
	<u>783,513</u>	938,871
<b><i>Science investments</i></b>		
Pro bono services	25,215	-
Expenses other than pro bono services	<u>5,282,964</u>	5,907,940
	<u>5,308,179</u>	5,907,940

#### 4 Current assets - Cash and cash equivalents

	2018	2017
	\$	\$
Public fund accounts (a)	29,660	324,779
Operating accounts	275,602	167,414
Project accounts (b)	11,390,396	982,260
Bank deposits (c)	439,282,705	1,635,691
	450,978,363	3,110,144

##### (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 \$439,282,705 (2017:\$1,635,691) of restricted cash. These amounts are reserved and their use restricted for specific research projects and both the project and administration component of the Reef Trust Partnership.

#### 5 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.

## 5 Assets subject to a restriction (continued)

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 MacFarlane. The board has resolved to separately invest these funds with the earnings to be used to fund lectures and training.

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

	2018	2017
	\$	\$
<i>Funds recognised as restricted reserves:</i>		
eReefs	1,055,913	1,618,631
Reef Resilience fund	7,667	133,045
Sir Ian MacFarlane bequest	151,442	151,277
Reef Island Refuge Initiative	1,252,555	212,500
Resilient Reefs	867,872	-
Sponsorships	9,092	9,092
Other	1,114,108	617,777
Balance at 31 December	<u>4,458,649</u>	<u>2,742,322</u>

## 6 Current assets - Trade and other receivables

	2018	2017
	\$	\$
Grants, donations and royalties receivable	150,171	328,785
Interest receivable	1,692,214	2,298
Goods and services tax (GST) receivable	48,568	144,500
Other receivables	67,939	110,457
Provision for impairment of receivables	-	(38,600)
	<u>1,958,892</u>	<u>547,440</u>

The Foundation has recognised \$15,500 in losses in respect to the write off of trade receivables during the year ended 31 December 2018 (2017: \$77,960). There is \$19,680 in trade receivables past their due date at 31 December 2018. The Foundation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A loss allowance has not been recognised in the current year on the basis that it is not considered material.

## 7 Current assets - Financial assets

	2018	2017
	\$	\$
Term deposit held as security	<u>334,838</u>	<u>202,615</u>

## 8 Current assets - Other current assets

	2018	2017
	\$	\$
Deposits paid	-	32,533
Prepayments	137,426	16,002
	137,426	48,535

## 9 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leasehold improvements \$	Artwork \$	Total \$
<b>At 1 January 2017</b>				
Cost	43,793	-	19,572	63,365
Accumulated depreciation	(13,736)	-	(5,892)	(19,628)
Net book amount	30,057	-	13,680	43,737
<b>Year ended 31 December 2017</b>				
Opening net book amount	30,057	-	13,680	43,737
Additions	5,865	-	4,593	10,458
Depreciation charge **	(16,106)	-	(2,078)	(18,184)
Closing net book amount	19,816	-	16,195	36,011
<b>At 31 December 2017</b>				
Cost	49,657	-	24,165	73,822
Accumulated depreciation	(29,841)	-	(7,970)	(37,811)
Net book amount	19,816	-	16,195	36,011
<b>Year ended 31 December 2018</b>				
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
<b>At 31 December 2018</b>				
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

\*\* Depreciation of \$12,911 (2017: \$18,184) is included in depreciation and amortisation expense in profit or loss.

## 10 Non-current assets - Intangible assets

	Trademarks at cost \$	Software \$	Total \$
<b>At 1 January 2017</b>			
Cost	32,706	-	32,706
Accumulation amortisation	(17,252)	-	(17,252)
Net book amount	<u>15,454</u>	<u>-</u>	<u>15,454</u>
<b>Year ended 31 December 2017</b>			
Opening net book amount	15,454	-	15,454
Amortisation charge **	(3,424)	-	(3,424)
Closing net book amount	<u>12,030</u>	<u>-</u>	<u>12,030</u>
<b>At 31 December 2017</b>			
Cost	32,706	-	32,706
Accumulation amortisation	(20,676)	-	(20,676)
Net book amount	<u>12,030</u>	<u>-</u>	<u>12,030</u>
<b>Year ended 31 December 2018</b>			
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>
<b>At 31 December 2018</b>			
Cost	29,467	175,000	204,467
Accumulated amortisation	(20,676)	-	(20,676)
Net book amount	<u>8,791</u>	<u>175,000</u>	<u>183,791</u>

\*\* Amortisation of \$3,239 (2017: \$3,424) is included in depreciation and amortisation expense in profit or loss.

## 11 Current liabilities - Trade and other payables

	2018 \$	2017 \$
Accounts payable	<b>718,700</b>	89,392
Science project accrued expenses	<b>715,806</b>	262,850
	<u><b>1,434,506</b></u>	<u>352,242</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.

## 12 Provisions

	2018			2017		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Provision for employee benefits	162,469	62,638	225,107	84,116	29,738	113,854
Make good provision	-	35,921	35,921	-	-	-
	<b>162,469</b>	<b>98,559</b>	<b>261,028</b>	84,116	29,738	113,854

## 13 Deferred revenue

	2018 \$	2017 \$
Reef Trust Partnership (a)	439,480,960	-
Interest - Reef Trust Partnership	5,221,375	-
Reef Islands project	2,250,000	-
Other	20,000	193,000
	<b>446,972,335</b>	193,000

### (a) Reef Trust Partnership

The Reef Trust Partnership is a partnership between the Great Barrier Reef Foundation and the Australian Government to fund new and existing projects that will help to protect and restore the reef, delivering and building on the Reef 2050 plan. The Opposition Leader has publicly stated that should the Australian Labour Party win the federal election in May 2019, they will withdraw the funding from the Foundation under the terms of the Reef Trust Partnership Agreement by enacting clause 25.1 (Termination for Convenience). This clause states that if there is a material change in Australian Government policy that is inconsistent with the continued operation of the Agreement, the Department of the Environment and Energy (the Department) may, by notice, terminate the Agreement or reduce the scope of the Agreement immediately. On suspension or repayment of the grant, the Department may recover funds in accordance with clause 27.1. According to the definitions in clause 1.1 of the Reef Trust Partnership Agreement, interest earned on money paid by the Department forms part of the grant.

## 14 Funds

### (a) Reserves

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Restricted funds reserve	<u><b>4,458,649</b></u>	<u>2,742,322</u>

#### Movements:

<i>Restricted funds reserve</i>		
Balance at 1 January	2,742,322	3,963,248
Transfer to retained operating surplus (restricted expenses)	<b>(3,428,958)</b>	(5,832,495)
Transfer from retained operating surplus (restricted income)	<u><b>5,145,285</b></u>	<u>4,611,569</u>
Balance at 31 December	<u><b>4,458,649</b></u>	<u>2,742,322</u>

### (b) Retained operating surplus

Movements in retained operating surplus were as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 January	<b>555,357</b>	673,677
Net operating surplus (deficit) for the year	<b>1,731,092</b>	(1,339,246)
Transfer from retained operating surplus (restricted income)	<b>(5,145,285)</b>	(4,611,569)
Transfer to retained operating surplus (restricted expenses)	<u><b>3,428,958</b></u>	<u>5,832,495</u>
Balance at 31 December	<u><b>570,122</b></u>	<u>555,357</u>

## 15 Contingent liabilities

In the event that funding is withdrawn under clause 25.1 of the Reef Trust Partnership Agreement, an amount of funds will become due and payable. The basis upon which this might occur is described in note 13. Due to the very preliminary nature of this matter and therefore the high levels of uncertainty associated with it, the Foundation is unable to quantify the amount and timing of any repayment that might occur should the agreement be terminated.

The Foundation had bank guarantees at 31 December 2018 of \$184,837 (2017: \$51,425). The likelihood that these guarantees will be forfeited is remote.



## 16 Commitments

### (a) Capital and other commitments

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

	2018	2017
	\$	\$
<b>eReefs projects payable:</b>		
Within one year	1,240,100	392,363
	1,240,100	392,363
<b>Reef Trust Partnership projects payable:</b>		
Within one year	2,004,782	-
Later than one year but not later than five years	945,346	-
	2,950,128	-
<b>Reef Resilience projects payable:</b>		
Within one year	244,446	855,000
Later than one year but not later than five years	295,818	990,000
	540,264	1,845,000
<b>Raine Island projects payables:</b>		
Within one year	690,000	-
Later than one year but not later than five years	300,000	-
	990,000	-
<b>Other projects payable:</b>		
Within one year	677,520	181,500
Later than one year but not later than five years	325,000	-
	1,002,520	181,500

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.

### (b) Lease commitments: Foundation as lessee

#### (i) Non-cancellable operating leases

	2018	2017
	\$	\$
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as liabilities, payable:		
Within one year	296,757	121,819
Later than one year but not later than five years	1,308,982	354,752
	1,605,739	476,571

## 17 Related party transactions

### (a) Key management personnel

	2018	2017
	\$	\$
Key management personnel compensation	<u>1,001,763</u>	<u>884,596</u>

Great Barrier Reef Foundation Board is comprised of volunteers and employees. Other committee 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:

	2018	2017
	\$	\$
<b><i>Amounts recognised as revenue</i></b>		
Grants and donations received	<u>297,347</u>	<u>814,987</u>

## 18 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that have 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.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 32 are in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:
  - (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 31 December 2018 and of its performance, as represented by the results of its operations and its cash flows, for the financial year 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.



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John Schubert AO  
Chairman

9 May 2019



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Anna Marsden  
Managing Director

9 May 2019

## 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 31 December 2018, the statement of profit or loss or other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Foundation's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Ernst & Young



Mike Reid  
Partner  
Brisbane  
9 May 2019