



TO CONSERVE THE
INTEGRITY AND DIVERSITY
OF LIFE ON EARTH.

2017

FINANCIAL REPORT

YEAR ENDED 30 SEPTEMBER 2017

ACN 001 967 979

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Directors' Report

The Directors present their report together with the financial report of Earthwatch Institute for the year ended 30 September 2017 and the auditors' report thereon.

Directors

The Directors of the company at any time during or since the financial year and their attendance at the Board meetings during the 2017 financial year are:

Name	Particulars	FY2017 Board Meetings Attended
Charles Macek (Chair) (Non-executive)	BEcon and MAdmin (Monash University) Chairman, Vivid Technology Ltd. Director, Windlab Ltd. Director, Sinefa Pty. Ltd. Member, Investment Committee of UniSuper Ltd Senior Corporate Adviser, MMC Australia CEO Circle, Group 9 Chairman Member, Corporate Governance Committee of the AICD Member, ASIC, Director Advisory Panel FAICD, FCA, FCPA and Sffin <i>Appointed: 1 March 2011</i>	5/5
Heather Joy Campbell (Non-executive)	BEng – Agr (Hons) (University of Melbourne) BA - History Major (Massey University) MengSc (University of Melbourne) GradDipOccHyg (Deakin University) TGMP (Harvard Business School) Graduate, Australian Institute of Company Directors General Manager Health Safety and Environment, CSIRO <i>Appointed: 15 January 2007</i> <i>Resigned 15 December 2016</i>	2/2
Megan Flynn (Non-executive)	BCom/LLB (Australian National University) Group Environment and Carbon Strategy Manager, Qantas Airways Director, Sustainability Victoria Director, Carbon Market Institute Member, Advisory Board of the Melbourne Sustainable Society Institute, University of Melbourne <i>Appointed: 13 March 2014</i>	5/5
Colin David Gomm (Non-executive)	BEng Hons (Monash University), MBA (Monash) Former Vice President Risk & HSEC Assurance, BHP Billiton <i>Appointed: 17 November 2008</i>	4/5
Chris Schulz (Non-executive)	BComm/LLB (University of Melbourne) Consultant, Allens Linklaters <i>Appointed: 21 January 2011</i>	5/5

Name	Particulars	FY2017 Board Meetings Attended
Professor Ian Woodrow (Non-executive)	BSc Hons. (University of Melbourne) PhD (University of Sheffield, UK) Professor and Head, School of Ecosystem and Forest Sciences (The University of Melbourne) Member, Maud Gibson Trust Board <i>Appointed: 12 December 2013</i>	4/5
Kerrie Lavey (Non-executive)	BA, Eng, Politics (Monash University) MA International Business (University of Melbourne) Advanced Management Program (Harvard Business School) Company Directors Course, Australian Institute of Company Directors Member, IABC Corporate Affairs Advisory Board (Victoria) Executive General Manager Brand, Marketing and Communications - Ventia Pty Ltd. <i>Appointed: 6 March 2016</i>	5/5
Aaron Organ (Non-executive)	BAppSci, Natural Resource Management (Deakin University) Associate Diploma, Natural Resource Management, Chisholm TAFE MASocSci, Enviro, Planning, RMIT University EnviroDevelopment Advisory Board Member, Urban Development Institute of Australia (Victoria) Director, Ecology and Heritage Partners Pty Ltd <i>Appointed: 01 March 2016</i>	3/3
Mathew Nelson (Non-executive)	BEng Mechanical, University of Melbourne MA Enviro, University of Melbourne Masters of International Development Practice, Monash University Managing Partner, Asia Pacific Climate Change Sustainability Services, EY Global Climate Change and Sustainability Services Leader, EY Advisory Board, Masters of Environmental Management and Sustainability <i>Appointed: 15 July 2016</i>	3/3
Elena O'Brien (Non-executive)	BBus Marketing (Deakin University) Strata Dir E-Commerce, Sales and Marketing - AccorHotels Qld GM Brand Marketing, Communications, Partnerships, and Events - Rockwell Management Pty Ltd Committee Member Kids Tennis Foundation Committee Member Treasure Chest Charity for Breast Cancer <i>Appointed: 15 December 2016</i>	3/3
Peter Cochrane (Non-executive)	BSc ANU MPublic Policy ANU Australian Institute of Company Director's course Director, Ecotourism Australia Director, Tangaroa Blue Foundation Chair and Director, Blue Mountains World Heritage Institute Chair, Australian Tropical Herbarium Councillor, International Union for Conservation of Nature Chair, NESP Marine Biodiversity Hub <i>Appointed: 30 May 2017</i>	2/2

Directors' and key management personnel remuneration

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors and key management personnel of the company, directly or indirectly, by the company or by any related party was \$169,810 (2016: \$187,937). Remuneration of Directors is included as part of Note 10 'Employee Expenses'. Non-executive directors receive no remuneration.

Domicile, legal form and registered address

The company is limited by guarantee and is domiciled in Australia.

The address of the registered office of the company is: Suite G-07, 60L Green Building
60 Leicester Street
Carlton VIC 3053

Principal activity

The company's principal activity during the course of the financial year was to support scientific field research and education, and the promotion of understanding and action needed for sustainable development. During the financial year there was no significant change in the nature of those activities.

Review and results of operations

The company's Statement of Profit or Loss and Other Comprehensive Income shows a net deficit attributable to members of \$296,065 compared with a net deficit of \$137,294 in 2016.

The Board acknowledges the negative financial result this year. This is due to the deferring and reduction in funding by two corporate sponsors, which was only partly offset by reduced expenditure.

The company relies on the continued support of donors and volunteers for funding. The Directors acknowledge the significant level of support from the corporate sector.

Changes in state of affairs

During the financial year there was no significant change in the company's state of affairs other than that referred to in the financial statements or notes thereto.

Events subsequent to reporting date

Subsequent to the end of the financial year the BHP and Australian Government co-funded Bush Blitz program has been renewed for the next five years. There is no other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of these operations, or the state of affairs of the company, in future financial years.

Likely developments

The company has successfully secured large corporate funding for various multiyear partnerships which will provide the organisation with security for the upcoming years. This includes BHP and Australian Government matched funds for Bush Blitz over the next 5 years. New partnerships have also been forged in the corporate, government and philanthropic sector that will come to realization in 2018 and beyond, making future years look positive.

Furthermore, a strategic decision to build and enhance the organisations public expeditions will reduce reliance on external funding support and build stability for the company by increasing self-generated income. The growing travel market coupled with a growing environmental awareness is an opportunity for Earthwatch. The Directors see a number of areas of growth for the company's operations in future financial years and are confident that these will deliver major benefits for research, conservation and public education.

Environmental regulation

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. Nonetheless, Earthwatch Australia strives to demonstrate environmental sustainability through all its activities.

Indemnification of officers and auditors

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related party:

- (i) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- (ii) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

Directors and officers are covered by the Directors & Officers Liability Insurance taken out by Earthwatch Institute Inc. and by Management Liability Insurance taken out by Earthwatch Institute.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



CHARLES MACEK
Chair



CASSANDRA NICHOLS
Chief Executive Officer

Melbourne, Victoria

Date: 23/2/18

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2017

	<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Revenue from ordinary activities	2	2,412,873	2,714,557
Interest income		19,093	44,804
		<u>2,431,966</u>	<u>2,759,361</u>
Field research support		(310,664)	(388,075)
Program expenses	10	(2,013,720)	(2,024,463)
Fellowship and corporate engagement expenses		(6,919)	(3,077)
Executive and international coordination		(36,846)	(8,122)
Other expenses from ordinary activities		(359,882)	(413,114)
Development fund expenses		-	(59,804)
<i>Total expenses</i>		<u>(2,728,031)</u>	<u>(2,896,655)</u>
Profit/(Loss) for the year		(296,065)	(137,294)
Other comprehensive income		-	-
Total loss and other comprehensive income		<u>(296,065)</u>	<u>(137,294)</u>

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Statement of Financial Position at 30 September 2017

	<u>Note</u>	<u>2017</u> \$	<u>2016</u> \$
Assets			
Cash and Cash Equivalents	4	1,057,319	802,347
Investments	5	520,000	825,918
Trade Receivable	6	210,853	1,527,546
Other Current Asset		24,745	52,594
Total current assets		<u>1,812,917</u>	<u>3,208,405</u>
 Plant and Equipment	 7	 <u>36,893</u>	 <u>23,079</u>
Total non-current asset		<u>36,893</u>	<u>23,079</u>
Total assets		<u>1,849,810</u>	<u>3,231,484</u>
Liabilities			
Trade and Other Payables	8	745,079	860,221
Provisions	9	92,317	50,098
Deferred Income	11	574,681	1,577,600
Total current liabilities		<u>1,412,077</u>	<u>2,487,919</u>
 Provision	 9	 <u>2,533</u>	 <u>12,300</u>
Total non-current liability		<u>2,533</u>	<u>12,300</u>
Total liabilities		<u>1,414,610</u>	<u>2,500,219</u>
Net assets		<u>435,200</u>	<u>731,265</u>
Members' funds			
Reserves & Development Funds	16	435,200	731,265
Total Members' funds		<u>435,200</u>	<u>731,265</u>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Statement of Changes in Equity for the year ended 30 September 2017

	<u>Note</u>	<u>Development Funds</u> \$	<u>Funds in Reserve</u> \$	<u>Total</u> \$
Balance at 30 September 2015		59,804	808,755	868,559
Loss for the year		-	(137,294)	(137,294)
Total loss and other comprehensive income for the year		-	(137,294)	(137,294)
Allocation to (from) Development Fund Reserve		(59,804)	59,804	-
Balance at 30 September 2016		-	731,265	731,265
Loss for the year		-	(296,065)	(296,065)
Total loss and other comprehensive income for the year		-	(296,065)	(296,065)
Balance at 30 September 2017	16	-	435,200	435,200

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

Statement of Cash Flows for the year ended 30 September 2017

	<u>Note</u>	<u>2017</u> \$	<u>2016</u> \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,729,566	2,938,939
Cash payments in the course of operations		(3,775,920)	(3,244,714)
Interest received		19,093	44,804
		<hr/>	<hr/>
Net cash provided by/(used in) operating activities	14(b)	(27,261)	(260,971)
Cash flows from investing activities			
Receipts from/(Investment) in term deposits		305,918	561,617
Payments for plant & equipment		(23,685)	(1,125)
Proceeds from plant & equipment			5,000
		<hr/>	<hr/>
Net cash provided by investing activities		282,233	565,492
Net increase in cash held		254,972	304,521
Cash at beginning of financial year		802,347	497,826
		<hr/>	<hr/>
Cash at end of the financial year	14(a)	1,057,319	802,347
		<hr/>	<hr/>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 19.

1 Significant accounting policies

Earthwatch Institute is a company domiciled in Australia. The address of the company's registered office is Suite G-07, 60L Green Building, 60 Leicester Street, Carlton VIC 3053. The company is a not-for-profit organisation and is primarily involved in scientific field research and education.

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC). The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 23 February 2018.

The financial statements have been prepared on historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

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

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included, where applicable, in the relevant notes to the financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements:

- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial Instruments
- IFRS 16 - Leases

Other mandatory accounting standards issued and required to be adopted by the company have not been included above as they are not expected to have a material impact on the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Basis of Preparation (*continued*)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 September 2017 and the comparative information presented in these financial statements.

(b) Recognition of Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Fielded Volunteer Contributions

The company derives income by undertaking and supporting scientific research expeditions and field projects relevant to conservation and sustainable environments.

Revenue from these activities is recognised at the time of departure of the expedition.

Supporter Donations and subscriptions

Supporter donations are recognised when the right to receive the cash is established and subscriptions are recognised as it accrues.

Interest

Interest revenue is recognised as it accrues.

Program Support/Grant Income

A number of Earthwatch's programs are supported by grants received from various levels of government, trusts and foundations.

If conditions are attached to a grant which must be satisfied, recognition of the grant as revenue is deferred until those conditions are satisfied. Where a grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year end a liability is recognised until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when Earthwatch obtains control of the funds, economic benefits are probable and the amount can be measured reliably.

'In kind' Income

Income received on an 'in-kind' basis (i.e. receipt of non-cash goods or services) is recognised in accordance with the above policies. A corresponding expense for the goods or services provided is recognised in the statement of profit or loss and other comprehensive income.

(c) Income Tax

For taxation purposes the company is classified as an approved research institute, therefore it is exempt from paying income tax pursuant to section 23(e) of the Income Tax Assessment Act.

(d) 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 taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of the expenses.

(d) Goods and Services Tax (*continued*)

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

The GST components of cash flows arising from investing activity which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Plant & Equipment

Acquisition

Items of plant and equipment are recorded at cost and depreciated as outlined below.

Depreciation

Depreciation is provided on all fixed assets. Depreciation is primarily calculated on a reducing balance basis as considered appropriate so as to write off the net cost of each asset over its expected useful life.

The depreciation rates and methods used for each class of asset, for previous years are as follows:

	Depreciation Rate	Depreciation Methods
• Furniture & Equipment	10% - 100%	Diminishing value
• Computer Equipment	20% - 100%	Diminishing value

(f) Employee Entitlements

Annual Leave

The liability for annual leave represents the present obligation resulting from employees' services provided to reporting date, calculated at undiscounted amounts on remuneration wage and salary rates which are expected to be paid as at reporting date, including related on-costs, such as workers compensation insurance and superannuation. All annual leave liability is expected to be realised within the next 12 months.

Long Service Leave

The provision for long service leave represents the present value of estimated future cash outflows resulting from employees' services provided to reporting date. The provision is calculated using expected increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attached to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation

Contributions to employee superannuation funds are expensed when incurred.

(g) Receivables

Trade receivables are recorded at amounts due less any provision for doubtful debts.

(h) Payables

Trade payables and other payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash on hand, funds in trust and deposits. These deposits are short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(j) Investments

Held to maturity (HTM) investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity (other than loans and receivables). Investments are classified as HTM if Earthwatch has the intention and ability to hold them until maturity. Earthwatch currently holds term deposits which are designated into this category.

(k) Critical Accounting Estimate

Grant income is recognised initially as deferred income and is subsequently recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of relevant projects at the reporting date.

(l) Related Party Transactions

Earthwatch has charitable affiliates internationally to extend its scientific and education programs abroad. The Earthwatch Institute operates under a Trademark License Agreement with Earthwatch Institute Inc. (Earthwatch US), as from December 2002.

In the 2017 financial year, the Earthwatch Institute has transacted with Earthwatch US, the Conservation Education and Research Trust (Earthwatch UK), Earthwatch Institute Japan (Earthwatch Japan) and Earthwatch India, India Trust (Earthwatch India).

Earthwatch does not control these affiliates, and therefore their operating results are not included within these financial statements. These affiliates share contributions from volunteers and derive staff support and subsidies from Earthwatch. All outstanding balances from these related parties are priced on an arm's-length basis.

The following are amounts owed by affiliates/(payable to) affiliates as of 30 September:

	<u>2017</u>	<u>2016</u>
	\$	\$
Earthwatch Japan	-	(6,726)
Earthwatch UK	6,412	30,064
Earthwatch US	9,635	3,332
	<u>16,047</u>	<u>26,670</u>

The following revenue is derived from affiliates and is reflected as contributions from overseas volunteers in the accompanying statements of activities for the years ended 30 September:

	<u>2017</u>	<u>2016</u>
	\$	\$
Earthwatch Japan	2,762	6,726
Earthwatch UK	-	-
Earthwatch US	84,701	93,608
	<u>87,463</u>	<u>100,334</u>

The following expenses are derived from affiliates and are reflected as costs incurred from Australian volunteers fielding overseas in the accompanying statements of activities for the years ended 30 September:

	<u>2017</u> \$	<u>2016</u> \$
Earthwatch India	-	2,883
Earthwatch UK	2,400	-
Earthwatch US	59,491	83,802
	<u>61,891</u>	<u>86,685</u>

	<u>2017</u> \$	<u>2016</u> \$
2 Revenue from ordinary activities		
Fielded volunteer contributions	394,319	445,552
Supporter donations and subscriptions	243,721	132,685
Program support income	1,641,683	2,002,196
'In-kind' income	98,832	79,502
Government Grants	35,200	35,200
Other income	(882)	19,422
	<u>2,412,873</u>	<u>2,714,557</u>

In the 2017 financial year, Earthwatch derived 53% of its total revenue from a single contract with a company to deliver scientific expeditions, with the contract due to finish at the end of the 2017 financial year. Management have successfully secured renewal of the contract for a further 5 years, however the anticipated date of renewal was delayed, resulting in reduced revenue for the reported year.

	<u>2017</u> \$	<u>2016</u> \$
3 Auditors' remuneration		
Auditors of the company		
KPMG Australia		
- Audit and review of the financial report	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

In 2017, KPMG offered audit services to Earthwatch as a part of their Honorary Work policy. These audit services amounting to \$45,000 (2016: \$45,000) are recognised as 'In-Kind' income.

	<u>2017</u> \$	<u>2016</u> \$
4 Cash and cash equivalents		
Cash at bank and on hand	445,154	733,992
Research Fund-Cash at Bank	581,283	37,651
Volunteers Funds in trust	30,882	30,704
	<u>1,057,319</u>	<u>802,347</u>

All gifts of money that are made for scientific research are received into the Research bank account. Volunteer funds in trust are cash received in advance from participants of Earthwatch public programmes.

5 Investments	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Bank Term Deposits	520,000	825,918
	<u>520,000</u>	<u>825,918</u>

These are HTM investments within Australian Banks. The term deposits as at 30 September 2017 were earning interest rates of between 2.35 % and 2.5 % per annum. At 30 September 2017, the average time to maturity was 91 days. The term deposits as at 30 September 2016 were earning interest rates of between 2.45% and 3.05 % per annum. At 30 September 2016, the average time to maturity was 111 days. These term deposits are classified as investments as the deposits cannot be immediately accessed and quickly converted to cash by Earthwatch at any point without foregoing accrued interest.

6 Trade receivable	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Trade debtors	4,083	1,427,720
Related party receivables	206,770	99,826
	<u>210,853</u>	<u>1,527,546</u>

7 Plant and equipment	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Furniture & Equipment	95,670	73,338
Accumulated depreciation	(61,448)	(53,606)
	<u>34,222</u>	<u>19,732</u>
Computer Equipment	147,654	146,301
Accumulated depreciation	(144,983)	(142,954)
	<u>2,671</u>	<u>3,347</u>
	<u>36,893</u>	<u>23,079</u>
Carrying amount at beginning of year	23,079	34,584
Additions	23,685	1,125
Disposals	-	(4,615)
Depreciation	(9,871)	(8,015)
	<u>36,893</u>	<u>23,079</u>

	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
8 Trade and other payables		
Trade payables	575,245	748,055
Related party payables	190,723	-
Other payables and accruals	(20,889)	112,166
	<u>745,079</u>	<u>860,221</u>
9 Provisions		
<i>Current</i>		
Annual leave		
Opening	34,201	30,730
Additions	65,302	51,711
Paid	(40,990)	(48,240)
Closing	<u>58,513</u>	<u>34,201</u>
Long service leave		
Opening	15,897	15,876
Additions	17,908	1,404
Paid	-	(1,383)
Closing	<u>33,805</u>	<u>15,897</u>
	<u>92,318</u>	<u>50,098</u>
<i>Non current</i>		
Long service leave	<u>2,533</u>	<u>12,300</u>
10 Program expenses		
The remuneration of employees, included in 'Program expenses' is made up of the following:		
Salary (inclusive of Annual Leave & Long Service Leave)	765,731	642,528
Superannuation	<u>69,846</u>	<u>64,675</u>
	835,577	707,203
All other program expenses	1,178,143	1,317,260
	<u>2,013,720</u>	<u>2,024,463</u>
11 Deferred income		
Expedition deposits received in advance	51,906	32,367
Grants received under obligation	<u>521,775</u>	<u>1,545,233</u>
	<u>574,681</u>	<u>1,577,600</u>

12 Members guarantee

The company is limited by guarantee. If the company is wound up, the articles of association state that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the company. Each member holds one voting right. At 30 September 2017 the number of members was 63 (2016: 58).

13 Commitments for expenditure

Non-cancellable operating lease expense commitments not provided for in the financial statements and payable:	<u>2017</u> \$	<u>2016</u> \$
Not later than one year	27,058	48,457
Later than one year but not later than five years	33,823	89,390
	<u>60,881</u>	<u>137,847</u>

Non-cancellable operating lease expense commitments relate to the rental of the business premises and the total expense for the year was \$48,251 (2016: \$50,728).

14 Notes to the cash flow statement

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and short term deposits at call, net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	<u>Note</u>	<u>2017</u> \$	<u>2016</u> \$
Cash and cash equivalents	4	<u>1,057,319</u>	<u>802,347</u>

(b) Reconciliation of net cash provided by operating activities to operating surplus

Operating surplus/(deficit)	(296,065)	(137,294)
Add non-cash item:		
Depreciation	9,871	8,015
Changes in net assets and liabilities:		
(Increase)/decrease in current receivables	1,316,693	224,767
(Increase)/ decrease in net other current assets	27,846	(250,838)
Increase/ (decrease) in trade and other payables	(1,118,060)	(111,777)
Increase/ (decrease) in provisions	32,454	6,156
Net cash provided by/ (used in) operating activities	<u>(27,261)</u>	<u>(260,971)</u>

15 Financial instruments

(a) Interest Rate Risk

The following details the company's exposure to interest rate risk as at 30 September 2017:

			Fixed interest maturing in:						
	Note	Effective interest rate %	Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$	
2017									
Financial assets									
Cash and cash equivalents	4	0.45%	1,052,019	-	-	-	5,300	1,057,319	
Investments	5	4.80%	-	520,000	-	-	-	520,000	
Trade Receivable	6	-	-	-	-	-	221,999	221,999	
		-	1,052,019	520,000	-	-	227,299	1,799,318	
Financial liabilities									
Trade and other Payables	8	-	-	-	-	-	745,079	745,079	
		-	-	-	-	-	745,079	745,079	
2016									
Financial assets									
Cash and cash equivalents	4	0.97%	799,938	-	-	-	2,409	802,347	
Investments	5	4.50%	-	825,918	-	-	-	825,918	
Trade Receivable	6	-	-	-	-	-	1,527,546	1,527,546	
		-	807,538	825,918	-	-	1,529,955	3,155,811	
Financial liabilities									
Trade and other Payables	8	-	-	-	-	-	860,221	860,221	
		-	-	-	-	-	860,221	860,221	

(b) Net Fair Value

The net fair value as at the reporting date of each class of financial asset and financial liability is represented by the amounts recorded in the statement of financial position determined in accordance with the accounting policies disclosed in Note 1 of the financial statements.

(c) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The financial risk policy of the Earthwatch Institute states that investments are limited to bank deposits and board approved fund management trusts.

	<u>2017</u> \$	<u>2016</u> \$
16 Funds in reserve		
Retained surplus at the beginning of the year	731,265	808,755
Allocation (to) from Development Fund Reserve	-	59,804
Net Surplus	(296,065)	(137,294)
Retained Surplus at the end of the year	<u>435,200</u>	<u>731,265</u>

The Development Fund Reserve of \$100,000 was approved by the Earthwatch Board in September 2014 by allocating part of funds in reserve in order to directly support development activities in the 2015 and 2016 financial years. As at 30 September 2017, the balance of this reserve is \$0.

Directors' Declaration

In the opinion of the Directors of Earthwatch Institute (the Company):

- (a) the financial statements and notes that are set out on pages 5 to 19 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 September 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors draw attention to Note 1(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



CHARLES MACEK
Chair



CASSANDRA NICHOLS
Chief Executive Officer

Melbourne, Victoria

Date: 23/2/18.



Lead Auditor's Independence Declaration for the Financial Year Ended 30 September 2017

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

To: the Directors of Earthwatch Institute

I declare that, to the best of my knowledge and belief, in relation to the audit for the
financial year ended 30 September 2017 there have been:

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

KPMG

KPMG

Adrian V. King
Adrian King
Partner

Melbourne

23 February 2018



Independent auditor's report to the members of Earthwatch Institute

Report on the financial report

We have audited the accompanying financial report of Earthwatch Institute (the Entity), which comprises the statement of financial position as at 30 September 2017 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Entity.

This audit report has also been prepared for the members of the Entity pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine 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 note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards, and the ACNC, which is consistent with our understanding of the Entity's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion:

(a) The financial report of Earthwatch Institute is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- (i) giving a true and fair view of the Entity's financial position as at 30 September 2017 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013.

(b) the financial report complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

KPMG

Adrian V. King

Adrian King
Partner

Melbourne

23 February 2018

COMMITTEE MEMBERS

BOARD OF DIRECTORS



Charles Macek
Chair Appointed:
1 March 2011



Peter Cochrane
Appointment:
May 2017



Colin Gomm
Appointed:
17 November 2008



Elena O'Brien
Appointment:
November 2016



Heather Campbell
Completed Appointment:
15 December 2016



Chris Schultz
Appointed: 21
January 2011



Megan Flynn
Appointed: 13
March 2014



Prof Ian Woodrow
Appointed: 12
December 2013



Kerrie Lavey
Appointed:
6 March 2016



Aaron Organ
Appointed:
1 March 2016



Mathew Nelson
Appointed:
15 July 2016

SCIENCE ADVISORY COMMITTEE

Prof Ian Woodrow – SAC
Chair, University of Melbourne
Head, School of Ecosystem
and Forest Sciences

Prof David Booth
University of Technology,
Sydney
Program Director, School of
the Environment

Ms Diana Jones
Western Australian Museum
Executive Director,
Collections and Research

Prof Stephen Williams
James Cook University
Director, Centre for Tropical
Biodiversity and Climate
Change

Prof. Ian Lilley
University of Queensland
Aboriginal and Torres Strait
Islander Studies Unit

Dr Martine Maron
University of Queensland
Senior Lecturer in
Environmental Management

Prof Nancy Longnecker
University of Otago, Dunedin,
NZ
Professor, Science
Communication

Ex-officio:

Cassandra Nichols
Earthwatch Institute
[Australia]
Chief Executive Officer

Justin Foster
Earthwatch Institute
[Australia]
Director, Research Programs

Chew Yue Chin
Earthwatch Institute
[Australia]
Research and Programs
Officer

FINANCE AND RISK COMMITTEE

Colin Gomm – Chair

Megan Flynn

Rod Jackson

Charles Macek

Peter Cochrane

Ex-officio:

Cassandra Nichols

Bonnie Lessels

Eshan Sandanayake

MARKETING ADVISORY COMMITTEE

Kerrie Lavey
Strategicink Pty Ltd

David Henderson
Corporate Strategy Expert

Elena O'Brien
Rockwell Management

Ex-officio:

Ari Panagiotou

Erin Leigh

EARTHWATCH STAFF

Cassandra Nichols
Chief Executive Officer

Ari Panagiotou
Director – Development and
Innovation

Justin Foster
Director – Research and
Programs

Chew Yue Chin
Research and Programs
Officer

Julie Schilin
Administration Officer

Andrea Haas
Field Operations Manager

Erin Leigh
Marketing and
Communications Manager

Bonnie Lessels
Business Operations Manager
(maternity leave March 2016)

Eshan Sandanayake
Business Operations Manager

Viki Nathan
Learning and Volunteer
Engagement Manager

Bruce Paton
Program Manager, Bush Blitz
and TeachLive

Nadiah Roslan
ClimateWatch Manager

Eleni Rigas
Marketing and
Communication Intern

Dominique Dybala
TeachLive Assistant



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Report Review: Cassandra Nichols (CEO)

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