

**Earthwatch Institute**

**ACN 001 967 979**

**Financial report**

**for the financial year ended 30 September 2018**

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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 2018 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 2018 financial year are:

Name	Particulars	FY2018 Board Meetings Attended
Megan Flynn (Chair) (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> <i>Appointed to Chair: 23 February 2018</i>	7/7
Charles Macek (Chair) (Non-executive)	BEcon and MAdmin (Monash University) Director, Federation Centres Chairman, Sustainable Investment Research Institute Pty Ltd Member, Investment Committee of UniSuper Ltd Senior Corporate Consultant, MMC Australia Member, Corporate Governance Committee of the AICD Member, ASIC, Director Advisory Panel FAICD, FCA, FCPA and SfFin  <i>Appointed: 1 March 2011</i> <i>Resigned: 23 February 2018</i>	4/4
Nuvan Aranwela (Non-executive)	PhD Science Monash University Former Head of Client Services, Red Planet Former Head of Innovation, Qantas Loyalty Former Chief Operating Officer (COO), Shoptize Former Chief Technology and Strategy Officer, Wishlist  <i>Appointed: 23 February 2018</i>	4/4
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>	5/7

Name	Particulars	FY2018 Board Meetings Attended
Shamal Dass (Non-executive)	GrDip Financial Planning, Superannuation, Investment Planning, Taxation Securities Institute of Australia BSc Hons Economics University of Sydney Head of Philanthropic Service & Executive Director, JBWere Director & Treasurer, Arts Health Institute  <i>Appointed: 4 June 2018</i>	2/2
Kerrie Lavey (Non-executive)	BA, Eng, Politics (Monash University) MA International Business (University of Melbourne) Company Directors Course, Australian Institute of Company Directors Advanced Management Program, Harvard Business School Advisor, Director Institute Member, IABC Corporate Affairs Advisory Board (Victoria) Board Advisory, Glomesh International Pty Ltd  <i>Appointed: 6 March 2016</i>	5/7
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>	5/7
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>	6/7
Chris Schulz (Non-executive)	BComm/LLB (University of Melbourne) Partner, Allens Linklaters  <i>Appointed: 21 January 2011</i>	6/7
Professor Ian Woodrow (Non-executive)	BSc Hons. (University of Melbourne) PhD (University of Sheffield, UK) Professor, School of Biosciences (The University of Melbourne) Member, Maud Gibson Trust Board Member, Royal Botanic Gardens, Australian Research Centre for Urban Ecology Board of Management  <i>Appointed: 12 December 2013</i>	6/7

Name	Particulars	FY2018 Board Meetings Attended
Colin David Gomm (Non-executive)	BEng Hons (Monash University), MBA (Monash) Vice President Risk & HSEC Assurance, BHP Billiton  <i>Appointed: 17 November 2008</i> <i>Retired: 23 February 2018</i>	4/4
Deborah Spring (Non-executive)	MBA Harvard Business School MSc Mech Eng Renssekaer Institute BSc Mech Eng Union College Licensed Professional Engineer Chair, Donric Group Chair, Rail Industry Safety & Standards Board Councillor, Federation University Australia Co Founder & Director, Pacific Locker Solutions  <i>Appointed: 23 February 2018</i> <i>Resigned: 5 August 2018</i>	2/3

### **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 \$280,041 (2017: \$169,810). Remuneration of Directors is included as part of Note 10 'Program 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 \$79,136 compared with a net deficit of \$296,065 in 2017.

The Board acknowledges the negative financial result this year. This is largely due to the deferment of funding for 6 months by a corporate sponsor, while related employment costs were incurred. The Board notes this funding has been secured for five years going forward, however, the deferred payment resulted in less interest earned over the financial year.

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, Earthwatch has received funding for one further project with Plastic Collective and TJX. There are two additional contracts currently under negotiation which are both highly probable and expected to be executed early in 2019. 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 multi-year partnerships have also been forged in the corporate, government and philanthropic sector that will come to realization in 2019 and beyond, making future years look positive.

Furthermore, a strategic decision to commercialize aspects of the business to increase self-generated income is still at the forefront of the organisation's business plan. The growing travel market coupled with a growing environmental awareness is an opportunity for Earthwatch to enhance public expeditions. Environmental education within schools and corporate volunteering days are both expanding markets that Earthwatch programs can fill. 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 and by Management Liability Insurance taken out by Earthwatch Institute.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

**MEGAN FLYNN**  
Chair

**CASSANDRA NICHOLS**  
Chief Executive Officer

Melbourne, Victoria

Date: 28/2/19.

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
Revenue from ordinary activities	2	2,027,228	2,412,873
Interest income		9,157	19,093
		<u>2,036,385</u>	<u>2,431,966</u>
Field research support		(399,716)	(310,664)
Program expenses	10	(1,435,310)	(2,013,720)
Fellowship and corporate engagement expenses		(5,689)	(6,919)
Executive and international coordination		(2,778)	(36,846)
Other expenses from ordinary activities		<u>(272,028)</u>	<u>(359,882)</u>
<i>Total expenses</i>		<u>(2,115,521)</u>	<u>(2,728,031)</u>
Profit/(Loss) for the year		(79,136)	(296,065)
Other comprehensive income			-
		<u>(79,136)</u>	<u>(296,065)</u>
<b>Total loss and other comprehensive income</b>		<u>(79,136)</u>	<u>(296,065)</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 10 to 19.



## Statement of Financial Position at 30 September 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
<b>Assets</b>			
Cash and Cash Equivalents	4	1,087,359	1,057,319
Investments	5	420,000	520,000
Trade Receivable	6	79,791	210,853
Other Current Asset		24,608	24,745
<b>Total current assets</b>		<u>1,611,758</u>	<u>1,812,917</u>
Plant and Equipment	7	<u>33,584</u>	<u>36,893</u>
<b>Total non-current asset</b>		<u>33,584</u>	<u>36,893</u>
<b>Total assets</b>		<u>1,645,342</u>	<u>1,849,810</u>
<b>Liabilities</b>			
Trade and Other Payables	8	274,526	745,079
Provisions	9	87,651	92,317
Deferred Income	11	<u>922,980</u>	<u>574,681</u>
<b>Total current liabilities</b>		<u>1,285,157</u>	<u>1,412,077</u>
Provision	9	<u>4,121</u>	<u>2,533</u>
<b>Total non-current liability</b>		<u>4,121</u>	<u>2,533</u>
<b>Total liabilities</b>		<u>1,289,278</u>	<u>1,414,610</u>
<b>Net assets</b>		<u>356,064</u>	<u>435,200</u>
<b>Members' funds</b>			
Reserves & Development Funds	16	<u>356,064</u>	<u>435,200</u>
<b>Total Members' funds</b>		<u>356,064</u>	<u>435,200</u>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 19.

## Statement of Changes in Equity for the year ended 30 September 2018

	<u>Note</u>	<u>Development Funds</u> \$	<u>Funds in Reserve</u> \$	<u>Total</u> \$
Balance at 30 September 2016		-	731,265	731,265
Loss for the year		-	(296,065)	(296,065)
<b>Total loss and other comprehensive income for the year</b>		-	(296,065)	(296,065)
Balance at 30 September 2017		-	435,200	435,200
Loss for the year			(79,136)	(79,136)
<b>Total loss and other comprehensive income for the year</b>			(79,136)	(79,136)
Balance at 30 September 2018	16		356,064	356,064

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 19.

## Statement of Cash Flows for the year ended 30 September 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		2,158,290	3,729,566
Cash payments in the course of operations		(2,227,968)	(3,775,920)
Interest received		9,157	19,093
		<hr/>	<hr/>
Net cash provided by/(used in) operating activities	14(b)	(60,521)	(27,261)
<b>Cash flows from investing activities</b>			
Receipts from/(Investment) in term deposits		100,000	305,918
Payments for plant & equipment		(9,439)	(23,685)
		<hr/>	<hr/>
Net cash provided by investing activities		90,561	282,233
<b>Net increase in cash held</b>		30,040	254,972
Cash at beginning of financial year		1,057,319	802,347
		<hr/>	<hr/>
<b>Cash at end of the financial year</b>	14(a)	<u>1,087,359</u>	<u>1,057,319</u>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 10 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 Charitable Fundraising ACT 1991 (NSW) and the Charitable Collection Act 1946. 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 4 February 2019.

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 Company 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 2018 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 they accrue.

***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 that 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 that 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:

	<b>Depreciation Rate</b>	<b>Depreciation Methods</b>
• 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 at which the leave is expected to be paid out at, 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 corporate 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 that 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 2018 financial year, the Earthwatch Institute has transacted with Earthwatch US, the Conservation Education and Research Trust (Earthwatch UK), and Earthwatch Institute Japan (Earthwatch Japan).

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>2018</u>	<u>2017</u>
	\$	\$
Earthwatch Japan	3,176	-
Earthwatch UK	(24,890)	6,412
Earthwatch US	(84,504)	9,635
	<u>(106,218)</u>	<u>16,047</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>2018</u>	<u>2017</u>
	\$	\$
Earthwatch Japan	8,368	2,762
Earthwatch UK	-	-
Earthwatch US	47,153	84,701
	<u>55,521</u>	<u>87,463</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>2018</u>	<u>2017</u>
	\$	\$
Earthwatch India	-	-
Earthwatch UK	-	2,400
Earthwatch US	131,657	59,491
	<u>131,657</u>	<u>61,891</u>

**2 Revenue from ordinary activities**

	<u>2018</u>	<u>2017</u>
	\$	\$
Fielded volunteer contributions	534,744	394,319
Supporter donations and subscriptions	146,721	243,721
Program support income	1,101,221	1,641,683
'In-kind' income	93,103	98,832
Government Grants	147,733	35,200
Other income	3,706	(882)
	<u>2,027,228</u>	<u>2,412,873</u>

Revenue was lower in 2018 due to 2 main factors; 1) the Earth Ball (a large fundraising event) was not held which resulted in lower donations and 2) Management successfully secured renewal of the Bush Blitz contract for a further 5 years, however the date of renewal due in October 2017 was delayed to June 2018, resulting in reduced program revenue for 2018.

**3 Auditors' remuneration**

	<u>2018</u>	<u>2017</u>
	\$	\$
Auditors of the company		
KPMG Australia		
- Audit and review of the financial report	<u>45,000</u>	<u>45,000</u>
	<u>45,000</u>	<u>45,000</u>

In 2018, KPMG offered audit services to Earthwatch as a part of their Honorary Work policy. These audit services amounting to \$45,000 (2017: \$45,000) are recognised as 'In-Kind' income.



	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
<b>4 Cash and cash equivalents</b>		
Cash at bank and on hand	1,048,139	445,154
Research Fund-Cash at Bank	8,167	581,283
Volunteers Funds in trust	31,053	30,882
	<u>1,087,359</u>	<u>1,057,319</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.

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
<b>5 Investments</b>		
Bank Term Deposits	420,000	520,000
	<u>420,000</u>	<u>520,000</u>

These are HTM investments within Australian Banks. The term deposits as at 30 September 2018 were earning interest rates of between 2.30 % and 2.61 % per annum. At 30 September 2018, the average time to maturity was 206 days. The term deposits as at 30 September 2017 were earning interest rates of between 2.35% and 2.50 % per annum. At 30 September 2017, the average time to maturity was 91 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.

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
<b>6 Trade receivable</b>		
Trade debtors	29,271	4,083
Related party receivables	50,329	206,770
Other debtors	191	-
	<u>79,791</u>	<u>210,853</u>

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
<b>7 Plant and equipment</b>		
Furniture & Equipment	95,670	95,670
Accumulated depreciation	(68,170)	(61,448)
	<u>27,500</u>	<u>34,222</u>
Computer Equipment	157,093	147,654
Accumulated depreciation	(151,009)	(144,983)
	<u>6,084</u>	<u>2,671</u>
	<u>33,584</u>	<u>36,893</u>

Carrying amount at beginning of year	36,893	23,079
Additions	9,439	23,685
Disposals	-	-
Depreciation	(12,748)	(9,871)
	<u>33,584</u>	<u>36,893</u>
<b>8 Trade and other payables</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
Trade payables	57,575	575,245
Related party payables	156,547	190,723
Other payables and accruals	60,404	(20,889)
	<u>274,526</u>	<u>745,079</u>
<b>9 Provisions</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
<i>Current</i>		
Annual leave		
Opening	58,513	34,201
Additions	49,793	65,302
Paid	(60,107)	(40,990)
Closing	<u>48,199</u>	<u>58,513</u>
Long service leave		
Opening	33,805	15,897
Additions	5,647	17,908
Paid	-	-
Closing	<u>39,452</u>	<u>33,805</u>
	<u>87,651</u>	<u>92,318</u>
<i>Non current</i>		
Long service leave		
Opening	2,533	12,300
Additions	1,588	-
Paid	-	9,767
Closing	<u>4,121</u>	<u>2,533</u>
	<u>4,121</u>	<u>2,533</u>

**10 Program expenses** 2018 2017  
\$ \$

The remuneration of employees, included in 'Program expenses' is made up of the following:

Salary (inclusive of Annual Leave & Long Service Leave)	760,349	765,731
Superannuation	69,614	69,846
	829,963	835,577
All other program expenses	605,347	1,178,143
	1,435,310	2,013,720

**11 Deferred income** 2018 2017  
\$ \$

Expedition deposits received in advance	46,354	51,906
Grants received under obligation	876,626	522,775
	922,980	574,681

**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 2018 the number of members was 63 (2017: 63).

**13 Commitments for expenditure**

Non-cancellable operating lease expense commitments not provided for in the financial statements and payable:	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Not later than one year	38,920	27,058
Later than one year but not later than five years	9,730	33,823
	48,650	60,881

Non-cancellable operating lease expense commitments relate to the rental of the business premises and the total expense for the year was \$42,776 (2017: \$48,251).

**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>2018</u> \$	<u>2017</u> \$
Cash and cash equivalents	4	<u>1,087,359</u>	<u>1,057,319</u>
<b>(b) Reconciliation of net cash provided by operating activities to operating surplus</b>			
Operating surplus/(deficit)		(79,136)	(296,065)
Add non-cash item:			
Depreciation		12,748	9,871
Changes in net assets and liabilities:			
(Increase)/ decrease in current receivables		124,906	1,316,693
(Increase)/ decrease in net other current assets		137	27,846
Increase/ (decrease) in trade and other payables		(470,554)	(115,142)
Increase/ (decrease) in deferred income		348,300	(1,002,918)
Increase/ (decrease) in provisions		<u>3,078</u>	<u>32,454</u>
Net cash provided by/ (used in) operating activities		<u>(60,521)</u>	<u>(27,261)</u>

## 15 Financial instruments

### (a) Interest Rate Risk

The following details the company's exposure to interest rate risk as at 30 September 2018:

	Note	Effective interest rate %	Fixed interest maturing in:					Non-interest bearing \$	Total \$
			Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$			
<b>2018</b>									
<b>Financial assets</b>									
Cash and cash equivalents	4	0.26%	1,082,132				5,227	1,087,359	
Investments	5	1.59%		420,000				420,000	
Trade Receivable	6						79,791	79,791	
			<u>1,082,132</u>	<u>420,000</u>			<u>85,018</u>	<u>1,587,150</u>	
<b>Financial liabilities</b>									
Trade and other Payables	8	-	-	-	-	-	274,526	274,526	
			-	-	-	-	<u>274,526</u>	<u>274,526</u>	
<b>2017</b>									
<b>Financial assets</b>									
Cash and cash equivalents		0.45%	1,052,019	-	-	-	5,300	1,057,319	
Investments		4.80%	-	520,000	-	-	-	520,000	
Trade Receivable		-	-	-	-	-	221,999	210,853	
			<u>1,052,019</u>	<u>520,000</u>	-	-	<u>227,299</u>	<u>1,799,318</u>	
<b>Financial liabilities</b>									
Trade and other Payables		-	-	-	-	-	745,079	745,079	
			-	-	-	-	<u>745,079</u>	<u>745,079</u>	

**(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>2018</u>	<u>2017</u>
	\$	\$
<b>16 Funds in reserve</b>		
Retained surplus at the beginning of the year	435,200	731,265
Allocation (to) from Development Fund Reserve	-	-
Net Surplus	<u>(79,136)</u>	<u>(296,065)</u>
Retained Surplus at the end of the year	<u>356,064</u>	<u>435,200</u>

**17 Fundraising Notes**

Fundraising appeals conducted during the financial year included mail appeals, online and email receiving of indirectly solicited donations and bequests.

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Results of fundraising appeals</b>		
Gross proceeds from fundraising appeals	146,721	243,721
Less: direct costs of fundraising appeals	(4,242)	(59,898)
Net Surplus from appeals	<u>142,479</u>	<u>183,823</u>

The fundraising appeal income is significantly lower for 2018 as the Earthwatch ball did not occur. This resulted in lower proceeds but also lower expenses for 2018.

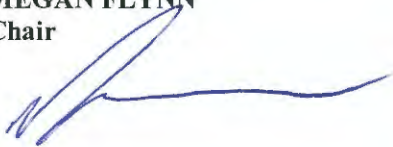
## Directors' Declaration

In the opinion of the Directors of Earthwatch Institute:

- (i) The income statement gives a true and fair view of all income and expenditure of Earthwatch Institute with respect to fundraising appeals for the year ended 30 June 2018; and
- (ii) The balance sheet gives a true and fair view of the state of affairs of Earthwatch Institute with respect to fundraising appeals; and
- (iii) The provisions of the Charitable Fundraising Act 1991, the Regulations under that Act, and the conditions attached to the authority to fundraise have been complied with; and
- (iv) The internal controls exercised by Earthwatch Institute are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

Signed in accordance with a resolution of the Directors.

**MEGAN FLYNN**  
Chair



**CASSANDRA NICHOLS**  
Chief Executive Officer



Melbourne, Victoria

Date: 28/2/19.



# 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 2018 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

Andrew Hounsell  
*Partner*

Melbourne

28 February 2019



# Independent Auditor's Report

To the Members of Earthwatch Institute

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report**, of the Earthwatch Institute (the Company).

In our opinion the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* including:

- i. giving a true and fair view of the Company's financial position as at 30 September 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 September 2018.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.
- v. Declaration by the Chief Executive Officer in respect of fundraising appeals of the Company.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



## Other information

Other Information is financial and non-financial information in Earthwatch Institute's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Director's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.
- ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations and with Section 15(1) and 15(2) of the WA Charitable Collections Act 1946 and Regulations 1947 (the Acts and Regulations).
- iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. 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.
- ii. 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 registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. 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 registered 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 registered Company to cease to continue as a going concern.
- v. 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 of the registered Company 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.

In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

## Report on Other Legal and Regulatory Requirements

### Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion,

- i. the Financial Report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 30 September 2018;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 October 2017 to 30 September 2018, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received as a result of fundraising appeal activities conducted during the period from 1 October 2017 to 30 September 2018 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- iv. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In our opinion, the Company has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 30 September 2018.



KPMG signature

KPMG



Andrew Hounsell

Partner

Melbourne

28 February 2019