# Property Industry Foundation

# Annual Report - 31 October 2019

## Contents



The financial statements of the Property Industry Foundation ("Foundation") have been prepared by the Directors of the Property Industry Foundation Pty Ltd as Trustee of the Foundation ("Trustee").

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The Foundation is domiciled in Australia. Its registered office and principal place of business is:

Suite 5 Level 2 Grafton Bond Building
201 Kent Street Sydney NSW 2000

A description of the Foundation's operations and its principal activities is included in the Directors' Report on page 3, which is not part of this financial report.

The financial report is presented in Australian currency and was authorised for issue by the directors on 20 March 2020.

The directors of Property Industry Foundation Pty Limited as trustee for the Property Industry Foundation ("the Foundation") present their report for the year ended 31 October 2019.

### Directors of the Trustee

The following persons were directors of the trustee of the Foundation during the whole of the year and up to the date of this report, unless noted otherwise:

B Brakey (resigned 29 February 2020)
D Browning
G Clarke (appointed 4 February 2019)
M Coleman
S Gatt
P Inge
C Kirk-Lennox
R Johnston (Chairman)
J W Kenny
K Mac Dermott (appointed 2 September 2019)
B McGuckin (resigned 4 February 2019)
P Ransom (appointed 18 November 2019)

### Company Secretary

T D Petry

### Principal activities

The Foundation is a registered Foundation providing funding and support to organisations providing services to youth at risk.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Foundation during the year.

### Review of operations

The Foundation's surplus for the year ended 31 October 2019 was $673,358 (2018: deficit of $769,642)

### Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 31 October 2019 that have significantly affected, or may significantly affect the Foundation's operation or state of affairs except for that noted below:

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. This pandemic has caused significant volatility and uncertainty in global and domestic equity markets. Management and the Trustee Board are monitoring the situation on a regular basis. At 31 October 2019, the Foundation had financial assets carried at fair value through profit amounting to $2,810,157. These fair values did not factor in the effect of COVID-19.

As at the date of this report, the fair value of the Foundation's financial assets has decreased in value by $219,591. It is not possible to reliably estimate the financial effect (if any) of the pandemic on the Foundation's operations or future fair values of financial assets.

### Likely developments and expected results of operations

The Foundation will continue to pursue its objective of building houses for homeless youth.

### Environmental regulation

The Foundation is not subject to any significant environmental regulation.

### Auditor's Independence Declaration

The auditor's independence declaration as required under section 60-40 of the Australian Charities and Not-for-Profit Commission (ACNC) Act 2012 is set out on page 4 and forms part of the Directors' Report.

### Insurance of officers

During the financial year, the Property Industry Foundation paid a premium of $3,119 to insure the directors and secretary of the Foundation.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Foundation. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

Bob Johnston
Chairman, Sydney, 20 March 2020

# *Auditor's Independence Declaration*

As lead auditor for the audit of Property Industry Foundation for the year ended 31 October 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Josephine Hellstern
Partner
PricewaterhouseCoopers

Sydney
20 March 2020

**Property Industry Foundation**
**Statement of Comprehensive Income**
**For the financial year ended 31 October 2019**

| | Notes | 2019[1] $ | 2018 $ |
|---|---|---|---|
| **Revenue** | | | |
| **Donation & Fundraising Income** | | | |
| Donations | 3 | **2,805,035** | **2,469,286** |
| Fundraising Income | 3 | **3,335,984** | **2,702,571** |
| | | **6,141,019** | **5,171,857** |
| **Investment Income** | | | |
| Distributions & Dividends | | **69,796** | **134,166** |
| Realised gains/losses | | **31,012** | **74,497** |
| Unrealised gains/losses | | **121,015** | **-** |
| Interest Income | | **1,635** | **3,233** |
| | | **223,458** | **211,896** |
| **Total Revenue and Investment & Other income** | | **6,364,476** | **5,383,753** |
| **Less Expenses:** | | | |
| Yachting regattas | | **(238,838)** | **(244,199)** |
| Annual balls | | **(288,578)** | **(291,400)** |
| Networking and other events | | **(52,848)** | **(40,830)** |
| PA exclusive campaign | | **(5,326)** | **(11,634)** |
| National Hard Hat Day | | **(7,799)** | **(2,539)** |
| Cycling Rallies | | **(347,606)** | **(321,902)** |
| Property Blitz | | **(33,120)** | **(24,435)** |
| Employee benefits expense | 4 | **(1,593,465)** | **(1,388,050)** |
| Depreciation | 4 | **(47,821)** | **(37,656)** |
| IT related services and charges | | **(49,321)** | **(62,813)** |
| Rental Expense | 4 | **(86,062)** | **(69,772)** |
| Office supplies expense | | **(11,221)** | **(8,242)** |
| Marketing and travel expenses | | **(111,326)** | **(73,794)** |
| Utilities expense | | **(19,524)** | **(26,988)** |
| Insurance expense | | **(14,328)** | **(20,073)** |
| Other expenses | | **(161,444)** | **(188,322)** |
| **Total Expenses** | | **(3,068,627)** | **(2,812,648)** |
| **Surplus before income tax expense** | | **3,295,849** | **2,571,105** |
| Income tax expense | 1(b) | **-** | |
| **Surplus after income tax expense** | | **3,295,849** | **2,571,105** |
| Distributions to eligible charities | | **(2,622,491)** | **(3,340,747)** |
| **Net surplus/(deficit)** | | **673,358** | **(769,642)** |
| **Other Comprehensive (loss)** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| Changes in the fair value of available-for-sale financial assets | | **-** | **(79,716)** |
| Gain on disposal of available-for-sale assets reclassified to profit and loss | | **-** | **(74,497)** |
| **Total Comprehensive loss for the year** | | **673,358** | **(923,855)** |

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*
*1 The statement of comprehensive income for 31 October 2019 reflects the adoption of AASB 9. Comparatives have not been restated. Refer to Note 1(f) for further information.*

| | Notes | 2019[1] $ | 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash assets | 5 | **1,106,961** | **666,441** |
| Receivables | 6 | **267,487** | **188,903** |
| Other | 7 | **129,232** | **83,034** |
| Total current assets | | **1,503,680** | **938,378** |
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | 8 | **2,810,157** | **-** |
| Other financial assets | 8 | **-** | **2,612,334** |
| Property, plant and equipment | 9 | **84,943** | **128,657** |
| Total non-current assets | | **2,895,100** | **2,740,991** |
| **Total assets** | | **4,398,780** | **3,679,369** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | | **40,174** | **41,044** |
| Accruals | | **17,455** | **14,587** |
| Employee benefit obligations | | **69,638** | **44,140** |
| Deferred Income | | **191,108** | **172,551** |
| Total current liabilities | | **318,375** | **272,322** |
| **Non-current liabilities** | | | |
| Provisions | 10 | **20,000** | **20,000** |
| **Total liabilities** | | **338,375** | **292,322** |
| **Net assets** | | **4,060,405** | **3,387,047** |
| **EQUITY** | | | |
| Units issued | 11 | **100** | **100** |
| Reserves | 12 | **-** | **(17,878)** |
| Retained surpluses | 13 | **4,060,305** | **3,404,825** |
| **Total equity** | | **4,060,405** | **3,387,047** |

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

[1] *The statement of financial position at 31 October 2019 reflects the adoption of AASB 9. Comparatives have not been restated. Refer to Note 1(f) for further information.*

| | Contributed Equity $ | Reserves $ | Accumulated Surplus $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 November 2017** | 100 | 136,336 | 4,174,467 | 4,310,903 |
| Net deficit for the year | - | - | (769,642) | (769,642) |
| Other comprehensive income for the year: | | | | |
| Changes in the fair value of available-for-sale financial assets | - | (154,214) | - | (154,214) |
| Total comprehensive loss for the year | - | (154,214) | (769,642) | (923,856) |
| **Balance at 31 October 2018** | 100 | (17,878) | 3,404,825 | 3,387,047 |
| **Change in accounting policy**[1] | | 17,878 | (17,878) | |
| **Restated balance at 1 November 2018** | | - | 3,386,947 | |
| **Balance at 1 November 2018** | 100 | - | 3,386,947 | 3,387,047 |
| Net deficit for the year | - | - | 673,358 | 673,358 |
| Other comprehensive income for the year: | - | - | - | - |
| Total comprehensive surplus for the year | - | - | 673,358 | 673,358 |
| **Balance at 31 October 2019** | 100 | - | 4,060,305 | 4,060,405 |

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

[1] *The statement of changes in equity for 31 October 2019 reflects the adoption of AASB 9. Comparatives have not been restated. Refer to Note 1(f) for further information.*

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from donations and fundraising activities | | **5,324,163** | **4,440,390** |
| Payments for fundraising activities | | **(1,324,352)** | **(1,213,280)** |
| | | **3,999,811** | **3,227,110** |
| Interest received | | **1,635** | **3,233** |
| Payments to other suppliers and employees | | **(2,065,394)** | **(2,009,949)** |
| Distributions to eligible charities | | **(1,515,425)** | **(2,286,961)** |
| **Net cash (outflow) from operating activities** | 21 | **420,627** | **(1,066,566)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(4,107)** | **(102,163)** |
| Receipts/(Payments) for fair value through profit and loss assets (2018: available-for-sale financial assets) | | **(45,796)** | **689,834** |
| Distributions received from fair value through profit and loss assets (2018: available-for-sale financial assets) | | **69,796** | **134,166** |
| **Net cash inflow from investing activities** | | **19,893** | **721,837** |
| **Cash flows from financing activities** | | | |
| **Net cash inflow from financing activities** | | **-** | **-** |
| **Net increase/decrease in cash held** | | **440,520** | **(344,729)** |
| Cash at the beginning of the financial year | | **666,441** | **1,011,170** |
| **Cash at the end of the financial year** | 5 | **1,106,961** | **666,441** |

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

## Content of the notes to the financial statements — Page

## Note 1. Summary of significant accounting policies

These financial statements have been prepared by the directors of Property Industry Foundation Pty Ltd ("Trustee") as trustee of the Property Industry Foundation ("Foundation"). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (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. The 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 Foundation comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

*(ii) New and amended standards adopted by The Foundation*
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 November 2018 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods, other than as a reclassification of the balance of reserves to opening retained surplus. Refer to note 24 for further information.

*(iii) Early adoption of standards*
The Foundation has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 November 2018.

*Historical cost convention*
These financial statements have been prepared under the historical cost convention other than Investments in Managed Funds which are carried at fair value. Refer to note 1(f) for further information.

*Critical accounting estimates*
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. These include estimates of the fair value of financial assets held at fair value through Profit or Loss (2018: Available for sale financial assets).

*Going concern*
These financial statements have been prepared on a going concern basis. The Foundation is dependent on the continued support of its donors and sponsors by way of donations to carrying out its activities.

### (b) Income tax

The Foundation is exempt from the payment of income tax under section 50-5 of the *Income Tax Assessment Act 1997*.

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Foundation records revenue when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the entity and specific criteria have been met for each of the Foundation's activities as detailed below.

Revenue is recognised for the major business activities as follows:

*(i) Functions*
Revenue from fundraising functions is recognised at the time of the event.

*(ii) Donations*
Amounts disclosed as donation revenues are recognised on a cash received basis except when there are specific obligations attached to the donation, in which case the donation is recognised as deferred income until those obligations are satisfied.

*(iii) Interest income*
Interest income is recognised using the effective interest rate method.

*(iv) Investment income*
Distributions are recognised as revenue when the right to receive payment is established.

*(v) Building services contributions*
The Foundation receives pro bono services or in-kind donations from a range of providers involved in the property industry. To the extent that such in-kind donations relate to building or refurbishing works, the fair value of these goods or services, as determined by the Foundation, are recognised as revenue with an equivalent expense. The amount of revenue recognised during the financial year was $1,107,066 (2018 $1,053,786).

**(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. Payments made under operating leases (net of any incentive received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**(e) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Receivables are non-interest bearing. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. The Foundation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is used when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the statement of comprehensive income within other expense. When receivables for which a provision allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

**(f) Investments and other financial assets**

*(i) Classification*
From 1 November 2018, the Foundation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Based on the Foundation's business model, investments in managed funds are classified as fair value through profit or loss resulting in both realised and unrealised gains/(losses) being recognised in profit or loss.

*(ii) Recognition and de-recognition*
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Foundation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

*(iii)Subsequent measurement*
The Foundation subsequently measures all managed investment funds at fair value. Distributions from such investments continue to be recognised in profit or loss as other income when the Foundation's right to receive payments is established.

*(iv) Impact on financial statement of adoption of AASB 9*
See note 24 for the impact of the change in accounting policy following the adoption on AASB 9 on the classification of financial assets.

*(v) Previous accounting policy applied until 31 October 2018*

*Classification*
The Foundation classified its investment portfolio as available-for-sale financial assets with changes in fair value recorded in reserves.

*Recognition and de-recognition*
When securities classified as available-for-sale were sold, the accumulated fair value adjustments recorded in reserves were reclassified to the statement of comprehensive income as gains and losses from investment securities.

*Impairment*
The Foundation assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale were not reversed through the statement of comprehensive income.

**(g) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their costs, over their estimated useful lives, as follows:

| | |
|---|---|
| Office equipment | 3 years |
| Furniture and fittings | 5 years |

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

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.

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

**(h) Payables**

These amounts represent liabilities for goods and services provided to The Foundation prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

**(i) Provisions**

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been readily estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 date. The increase in the provision due to the passage of time is recognised as interest expense.

**(j) Employee benefits**

*(i) Wages, salaries and annual leave*
Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long service leave*
The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(*iii) Retirement Benefit Obligations*
All employees of the company are entitled to benefits from superannuation on retirement, death or disability. The company contributes to defined contribution superannuation funds as nominated by the individual employees and these contributions are recognised as an expense as they become payable.

**(k) Cash and cash equivalents**

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits at call with financial institutions, 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.

**(l) Goods and services tax (GST)**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (m) New accounting standards and interpretations

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Foundation. The Foundation has decided not to early adopt any of these new and amended pronouncements. The Foundation's assessment of the new and amended pronouncements that are relevant to the Foundation but applicable in future reporting periods is set out below.

**AASB 16: Leases (applicable to the Foundation for annual reporting periods commencing on or after 1 November 2019).**

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

The standard will affect primarily the accounting for the Foundation's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $73,045 relating to the Foundation's office leases in Sydney and Melbourne, see note 19.

However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options.

**AASB 15 Revenue from contracts with customers (applicable to the Foundation for annual reporting periods commencing on or after 1 November 2019)**

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is current assessing the impact of this new accounting standard, particularly the impact on the timing of revenue received through building service contributions.

## Note 2. Financial risk management

The Foundation's activities expose it to a variety of financial risks including credit risk and liquidity risk. The Foundation's overall risk management program focuses on the credit and liquidity markets and seeks to minimise potential adverse effects on the financial operations of the Foundation. The Foundation uses an approved budget of expenditure to monitor the different types of risk to which it is exposed. The method used is a cash flow forecast.

The Foundation manages its capital by budgeting its operations in line with the existing fundraising activities, donations and contributions from the public and the timing nature and quantum of distributions to eligible charities.

Risk management is carried out by the finance department under review and approval by the Risk Management Committee, a subcommittee of the Board. The Board identifies and evaluates the financial risks in close co-operation with the finance team. The Board provides approval for overall risk management covering specific areas such as credit risk and market risk.

## Note 3. Revenue – Donations and fundraising income

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Revenue** | | |
| Donations | | |
| National donations | **615,500** | **548,500** |
| Platinum donations | **270,000** | **287,500** |
| Gold donations | **160,794** | **163,500** |
| Silver donations | **100,375** | **120,000** |
| General corporate donations | **164,605** | **139,067** |
| Regular Giving donations | **22,945** | **17,183** |
| Building Fund donations | **363,750** | **139,750** |
| Building services contributions | **1,107,066** | **1,053,786** |
| | **2,805,035** | **2,469,286** |
| Fundraising revenue | | |
| National Hard Hat Day | **220,303** | **96,095** |
| Annual Balls | **623,425** | **667,192** |
| Yachting regattas | **893,263** | **832,798** |
| PA exclusive campaign | **7,148** | **11,952** |
| Cycling rallies | **824,831** | **753,788** |
| Property Blitz | **416,901** | **121,532** |
| Networking and other events | **350,113** | **219,213** |
| | **3,335,984** | **2,702,571** |
| | **6,141,019** | **5,171,857** |

## Note 4. (Deficit)/Surplus

Surplus before income tax includes the following expenses:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Depreciation of non-current assets | **47,821** | **37,656** |
| Employee benefits expense | **1,593,465** | **1,388,050** |
| Rental lease expense relating to operating leases | **86,062** | **69,772** |

## Note 5. Current assets - Cash and cash equivalents

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Cash at bank and on hand | **1,106,961** | **666,441** |

## Note 6. Current assets - Receivables

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Receivables | **267,487** | **188,903** |

These amounts generally arise from fundraising events.

## Note 7. Current assets - Other

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Prepayments | **108,117** | **82,508** |
| Other | **21,115** | **526** |
| Current assets - other | **129,232** | **83,034** |

## Note 8. Non-current assets - Financial assets at fair value through profit or loss

Fair value through profit and loss financial assets include the following classes of financial assets:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Available-for-sale financial assets – AASB 139** | | |
| Investments - Managed funds | **-** | **2,612,334** |
| **Financial assets at fair value through profit or loss – AASB 9** | | |
| Investments – Managed funds | **2,810,157** | **-** |
| | **2,810,157** | **2,612,334** |

Investments – managed funds comprised of listed securities and unlisted managed funds. The fair value of listed securities and listed trusts is determined by the market price available in relation to the investment as of 31 October 2019. The fair value of unlisted managed funds is determined using market data and rely as little as possible on specific estimates and is provided by the fund manager. On 1 November 2018 these were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss due to the impact of AASB 9.

## Note 9. Non-current assets - Property, plant & equipment

| | Furniture Fittings | Office Equipment | Total |
|---|---|---|---|
| **At 31 October 2018** | | | |
| Cost | 163,533 | 213,612 | 377,145 |
| Accumulated depreciation | (143,615) | (104,873) | (248,488) |
| Net book amount | **19,918** | **108,739** | **128,657** |
| **Year ended 31 October 2019** | | | |
| Opening net book amount | 19,918 | 108,739 | 128,657 |
| Additions | - | 4,107 | 4,107 |
| Depreciation charge | (6,615) | (41,206) | (47,821) |
| Closing net book amount | **13,303** | **71,640** | **84,943** |
| **At 31 October 2019** | | | |
| Cost | 163,533 | 217,719 | 381,252 |
| Accumulated depreciation | (150,230) | (146,079) | (296,309) |
| Net book amount | **13,303** | **71,640** | **84,943** |

## Note 10. Non current liabilities - Provisions

| | 2019 $ | 2018 $ |
|---|---|---|
| Make good provision | **20,000** | **20,000** |
| | **20,000** | **20,000** |

### (a) Make good provision

The Foundation is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised and are amortised over the shorter of the term of the lease or the useful life of the assets.

## Note 11. Units issued

| | 2019 Units | 2018 Units | 2019 $ | 2018 $ |
|---|---|---|---|---|
| Units issued | **100** | 100 | **100** | 100 |

## Note 12. Reserves

| | 2019 $ | 2018 $ |
|---|---|---|
| Available-for-sale investments revaluation reserve | - | (17,878) |

Movements in the available-for-sale investments revaluation reserve are set out below:

| | 2019 $ | 2018 $ |
|---|---|---|
| Balance at the beginning of the financial year | (17,878) | 136,336 |
| Accounting policy change – AASB 9 as at 1 November | 17,878 | - |
| Restated opening reserves balance | - | - |
| Movement in fair value of investments | - | (79,717) |
| Amounts reclassified to profit and loss | - | (74,497) |
| Balance at the end of the financial year | - | (17,878) |

**Nature and purpose of other reserves**
In previous years changes in the fair value of managed fund investments classified as available-for-sale financial assets were recognised in this reserve. Following the adoption of AASB 9 on 1 November 2018, the fair value of these Investments were recognised through profit or loss. As a result, the balance of the reserve was reclassified to opening retained surplus. Refer to Note 24.

## Note 13. Retained surpluses

| | 2019 $ | 2018 $ |
|---|---|---|
| Retained surplus at the beginning of the financial year | 3,404,825 | 4,174,467 |
| Accounting policy change – AASB 9 | (17,878) | - |
| Restated opening retained surplus balance | 3,386,947 | - |
| Net surplus/(deficit) for the financial year | 673,358 | (769,642) |
| Retained surplus at the end of the financial year | 4,060,305 | 3,404,825 |

## Note 14. Remuneration of auditors

The audit of the Foundation for the year ended 31 October 2019 was carried out by PricewaterhouseCoopers. The audit is done on an honorary basis and therefore no expense was incurred by the Foundation.

## Note 15. Related parties

**Directors of the trustee**
The following persons were directors of the trustee of the Foundation during the whole of the year and up to the date of this report, unless noted otherwise:

B Brakey (resigned 29 February 2020)
D Browning
G Clarke (appointed 4 February 2019)
M Coleman
S Gatt
P Inge
C Kirk-Lennox
R Johnston (Chairman)
J W Kenny
K Mac Dermott (appointed 2 September 2019)
B McGuckin (resigned 4 February 2019)
P Ransom (appointed 18 November 2019)

**Transactions with trustee directors and director-related entities**
Several of the directors of the trustee are employees or directors of donor companies who have paid donations in the year to become members of the Foundation and who provide in kind donations in the ordinary course of business. This also includes supporting our fundraising events.

**Remuneration of trustee directors**
Trustee directors are not remunerated in connection with the management of the affairs of the Foundation.

## Note 16. Commitments & Contingencies

**Lease commitments:**

*(i) Non-cancellable operating leases*
The Foundation leases two offices (Sydney & Melbourne) under non-cancellable operating leases expiring within 5 years. The leases have varying terms, escalation clauses and renewal rights.

| | 2019 $ | 2018 $ |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **47,849** | **56,322** |
| Later than one year but not later than five years | **-** | **16,723** |
| | **47,849** | **73,045** |

**Charitable commitments:**

The Foundation refurbished a facility owned by Wesley Mission and subsequently agreed to fund counsellors/youth workers for this facility (PIF House Dundas) for 5 years at $300,000 per year (paid quarterly) commencing 1 July 2019.

| | 2019 $ | 2018 $ |
|---|---|---|
| Commitment to fund counsellors/youth workers: | | |
| Within one year | **300,000** | **-** |
| Later than one year but not later than five years | **1,125,000** | **-** |
| | **1,425,000** | **-** |

**Contingencies:**

It is the Directors' view that there are no contingent liabilities.

## Note 17. Charitable Disbursements

During the year the Foundation made distributions to charities totalling $2,622,491 (2018: $3,340,747). In addition, the Foundation has approved in the current and prior years a number of projects which are expected to proceed in the 2020 year.

## Note 18. Cash flow information

Reconciliation of operating surplus to net cash flows from operating activities.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Surplus/(Deficit) after income tax | **673,358** | **(769,642)** |
| Depreciation | **47,821** | **37,656** |
| Gain on disposal of investment funds | **(31,012)** | **(74,497)** |
| Unrealised gain on investment funds | **(121,015)** | **-** |
| Dividends reinvested in investment funds | **(69,796)** | **(134,166))** |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in receivables | **(78,584)** | **(33,996)** |
| (Increase)/decrease in other assets | **(46,198)** | **(39,767)** |
| Increase/(decrease) in deferred income | **18,557** | **79,974** |
| Increase/(decrease) in payables | **10,513** | **(3,284)** |
| Increase in provisions | **16,983** | **(128,844)** |
| **Net cash (outflow)/inflow from operating activities** | **420,627** | **(1,066,566)** |

## Note 19. Events occurring after the balance sheet date

No matter or circumstances has arisen since 31 October 2019 that has significantly affected, or may significantly affect the Foundation's operation or state of affairs except for that noted below:

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. This pandemic has caused significant volatility and uncertainty in global and domestic equity markets. Management and the Trustee Board are monitoring the situation on a regular basis. At 31 October 2019, the Foundation had financial assets carried at fair value through profit amounting to $2,810,157. These fair values did not factor in the effect of COVID-19.

As at the date of this report, the fair value of the Foundation's financial assets has decreased in value by $219,591. It is not possible to reliably estimate the financial effect (if any) of the pandemic on the Foundation's operations or future fair values of financial assets.

## Note 20. Additional information furnished under the *Charitable Fundraising Act 1991* and the Regulations

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **a) Details of aggregate gross income and expenditure of fundraising appeals** | | |
| Gross proceeds from fundraising appeals (i) | **3,335,984** | **2,702,571** |
| Total costs of fundraising appeals | **(974,115)** | **(936,939)** |
| Net surplus from fundraising | **2,361,869** | **1,765,633** |

(i) Gross proceeds from fundraising exclude donations

| | 2019 $ | 2018 $ |
|---|---|---|
| **b) Statement showing how funds received were applied to charitable purposes** | | |
| Net surplus from fundraising | **2,361,869** | **1,765,633** |
| This was applied to charitable purposes in the following manner: | | |
| Distributions to eligible charities | **(2,622,178)** | **(2,286,961)** |
| Deficit in funds available from fundraising | **(260,309)** | **(521,329)** |

**c) Fundraising appeals conducted during the year**

Special events held during the year included National Hard Hat Day, Networking Forums, Annual Foundation Balls, Yachting Regattas, charity sleepouts, PA Exclusive Campaigns and Cycling Rallies.

**d) Comparison of monetary figures and percentages**

| | 2019 $ | 2018 $ |
|---|---|---|
| Total cost of fundraising | **974,115** | **936,939** |
| Gross income from fundraising | **3,335,984** | **2,702,571** |
| % of fundraising cost over income | **29%** | **35%** |
| Net surplus from fundraising | **2,361,869** | **1,765,633** |
| Revenue | **3,335,984** | **2,702,571** |
| % of surplus over revenue | **71%** | **65%** |
| Total distributions to eligible charities | **2,622,178** | **2,286,566** |
| Net surplus from fundraising | **2,361,869** | **1,765,633** |
| % of total distributions to eligible charities over surplus | **111%** | **130%** |

## Note 21. Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the group's Financial Statements.

**(a) Impact on the Financial Statements**

As a result of the changes in the entity's accounting policies, prior year Financial Statements were not restated. As explained in note (b) below, AASB 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening consolidated Balance Sheet on 1 July 2018.

**(b) AASB 9 Financial Instruments**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 November 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated Financial Statements. The new accounting policies are set out in Note 1(f). In accordance with the transitional provisions in AASB 9 comparative figures have not been restated.

The total impact on the group's retained surplus as at 1 November 2018 is as follows:

| | Notes | 2018<br>$ |
|---|---|---|
| **Closing retained surplus 31 October – AASB 139** | | **3,404,825** |
| Reclassify investments from available-for-sale to FVPL | **(i)** | **(17,878)** |
| Adjustment to retained surplus from adoption of AASB 9 on 1 November | | **(17,878)** |
| **Opening retained surplus 1 November – AASB 9** | | **3,386,947** |

**(i) Classification and measurement**

On 1 November 2018 (the date of initial application of AASB 9), management assessed which business models apply to the financial assets held by the Foundation and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

| **Financial assets – 1 November 2018** | FVPL<br>$ | Available for Sale<br>$ |
|---|---|---|
| **Closing balance 31 October 2018 – AASB 139** | | **2,612,334** |
| Reclassify investments from available-for-sale to FVPL | **2,612,334** | **(2,612,334)** |
| **Opening balance 1 November 2018 – AASB 9** | **2,612,334** | **-** |

The impact of these changes on the Foundation's reserves is as follows:

| | Available-for-sale reserves<br>$ | Retained surplus<br>$ |
|---|---|---|
| **Closing balance 31 October 2018 – AASB 139** | **(17,878)** | **3,404,825** |
| Reclassify investments from available-for-sale to FVPL | **17,878** | **(17,878)** |
| **Opening balance 1 November 2018 – AASB 9** | **-** | **3,386,947** |

I, Bob Johnston, Chairman of the Property Industry Foundation Pty Ltd as trustee for the Property Industry Foundation declare that in my opinion:

(a) the financial statements and notes set out on pages 5 to 23 are in accordance with the Australian Charities and Not-for-Profit Commission (ACNC) Act 2012 and the Trust Deed, including:
- (i) complying with Accounting Standards, and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the entity's financial position as at 31 October 2019 and of its performance 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.

(c) the accounts give a true and fair view of all income and expenditure with respect to fundraising appeals;

(d) the provisions and regulations of the *Charitable Fundraising Act 1991 (NSW)* and the conditions attached to the fundraising authority have been complied with by the Foundation.

(e) the internal controls exercised by the company are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

This declaration is made in accordance with a resolution of the Directors.

Bob Johnston
Chairman
Sydney, 20 March 2020

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# *Independent auditor's report*

To the unitholders of Property Industry Foundation

## *Report on the audit of the financial report*

### *Our qualified opinion*

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of Property Industry Foundation (the Foundation) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

(a) giving a true and fair view of the Foundation's financial position as at 31 October 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

***What we have audited***

The financial report comprises:

- the statement of financial position as at 31 October 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

### *Basis for qualified opinion*

Cash from donations and other fundraising activities are a significant source of revenue for the Foundation. The directors of Property Industry Foundation Pty Ltd as trustee of the Foundation (the directors) have determined that it is impracticable to establish control over the collection of revenue from these sources prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from cash donations and other fundraising activities was limited, our audit procedures with respect to revenue from these sources had to be restricted to the amounts recorded in the Foundation's financial records. As a result, we are unable to express an opinion as to whether revenue from cash donations and other fundraising activities is complete.

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

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***Independence***

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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 October 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 on the other information that we obtained prior to the date of this auditor's report, 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 (ACNC) 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 ability of the Foundation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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*Report on the requirements of the Charitable Fundraising Act 1991 (NSW) and Charitable Fundraising Regulations 2015 (NSW)*

## *Our qualified opinion*

We have audited the financial report of the Property Industry Foundation as required by Section 24(2) of the *Charitable Fundraising Act 1991* (NSW). The directors of the trustee of the Foundation are responsible for the preparation and presentation of the financial report in accordance with the Act and the *Charitable Fundraising Regulations 2015* (NSW Act and Regulations). Our responsibility is to express an opinion on the financial report based on our audit.

In our opinion, in all material respects except for the possible effects of the matter described in the Basis for qualified opinion paragraph above:

a) the Foundation's financial report represents a true and fair view as required by the section 24(2)(a) of the *Charitable Fundraising Act 1991* (NSW) of the financial result of the fundraising appeals for the financial year ended 31 October 2019;

b) the accounts and associated financial records have been properly kept in accordance to section 20(1), 22(1-2) and 24(1-3) of the *Charitable Fundraising Act 1991* (NSW) and section 11 of the *Charitable Fundraising Regulation 2015* (NSW) during the financial year ended 31 October 2019;

c) money received as a result of fundraising appeals conducted by the Foundation during the financial year ended 31 October 2019 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991* (NSW) and the *Charitable Fundraising Regulation 2015* (NSW).

PricewaterhouseCoopers

PricewaterhouseCoopers

Josephine Hellstern
Partner

Sydney
20 March 2020