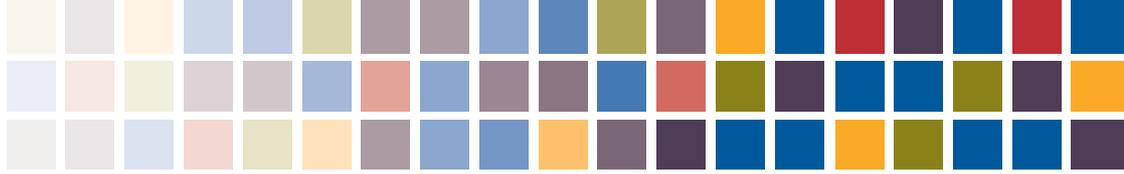
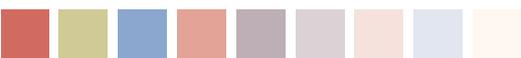
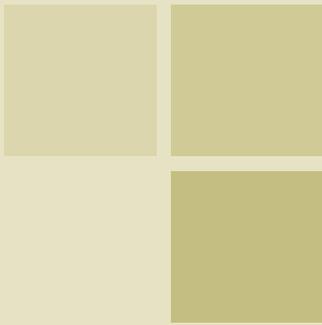




PHILANTHROPY
Australia



Annual Report 2006



Promoting Giving



Corporate Information

Patron

Sir Gus Nossal AC CBE
Lady Southey AC

Council

President:	Mr Bruce Bonyhady
Vice Presidents:	Ms Dur-e Dara, OAM Ms Samantha Meers
Treasurer:	Mr David Ward
Chief Executive Officer:	Ms Gina Anderson
Council Members:	Mr Chris Arnold Ms Jan Cochrane-Harry Mr Terry Macdonald Dr Noel Purcell Mr Christopher Thorn

Auditors

Bentleys MRI (formerly McInnes, Graham & Gibbs)
Level 33, 360 Collins Street
Melbourne VIC 3000

Solicitors

Freehills
Level 47, 101 Collins Street
Melbourne VIC 3000

Head Office

Level 10, 530 Collins Street
Melbourne VIC 3000

Telephone: (61 3) 9620 0200
Facsimile: (61 3) 9620 0199
Email: info@philanthropy.org.au
Website: www.philanthropy.org.au

ABN

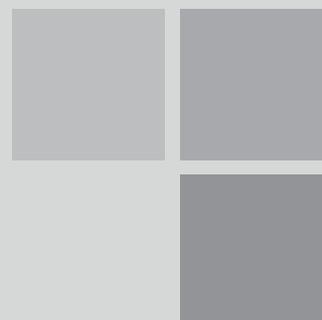
79 578 875 531

Incorporated Association No.

A0014980T

Contents

Statement of Purpose	2
Highlights 2006	3
President's Report	6
Incoming President's Report	8
Chief Executive Officer's Report	9
Council Members	11
Council Report	13
Financial Statements	15
Income Statement	16
Balance Sheet	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes to the Financial Statements	20
Statement by Members of the Council	27
Independent Audit Report	28
Members of Philanthropy Australia	30



Statement of Purpose

Philanthropy Australia is the national peak body for philanthropy and is a nonprofit membership organisation. Our Members are trusts and foundations, corporate foundations, families and individuals who want to make a difference through their own philanthropic giving and to encourage others to become philanthropists.

Philanthropy Australia offers representation, networking, services and information to our Members and the general community, carrying out our mission to represent, grow and inspire an effective and robust philanthropic sector for the community.

We work to improve public understanding and recognition of the relationship between philanthropy and the wellbeing of the community.

We seek to support the philanthropic sector and to influence and engage in public policy, with tangible benefits to our Members and to society at large. We work to improve public understanding and recognition of the relationship between philanthropy and the wellbeing of the community, through the pursuit of goals including servicing and educating Members and the broader philanthropic sector and raising the profile of philanthropy through advocacy and public policy debate.

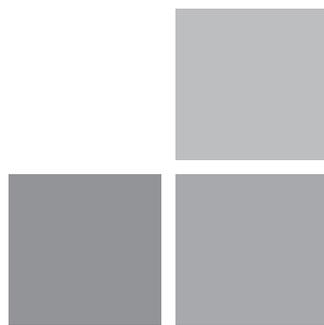
The organisation works Australia-wide, is headquartered in Melbourne and has an office in Sydney.

Membership fees, publication sales, training workshop fees, fee-for-service research services and consultancies all contribute to funding Philanthropy Australia. We also receive funding from a number of leading trusts and foundations to support our work of promoting Australian philanthropy.

Services include:

- An annual calendar of Members' seminars, presenting national and international speakers on key areas of interest

- *Pressing Matters* in philanthropy, a weekly media monitoring service
- *Philanthropy Review*, a monthly newsletter highlighting key news items and programs on the philanthropic agenda, recent reports and articles, and a list of events
- *Australian Philanthropy*, a quarterly journal which documents and analyses developments in domestic philanthropy
- Publication of *The Australian Directory of Philanthropy*
- Australia's only dedicated Library and Resource Centre focusing on philanthropy
- Publication of texts designed to meet the information and management needs of the Australian philanthropic and charity sectors
- Original research on Australian philanthropy and its environment
- Advocacy – particularly tax advocacy – on behalf of the sector to Federal and State Governments and other major public and private institutions
- Special interest affinity groups, in key grant making areas



Highlights 2006

Membership growth

In 2006, Philanthropy Australia membership grew by 10 per cent from 285 to 312, the majority of new Members being large trusts and foundations. In addition, we were delighted to welcome Goldman Sachs JBWere Foundation as a new Leading Member.

Members events

During 2006 we were fortunate to host a number of high quality international visitors, including:

- Prof. Helmut Anheier and Dr Diana Leat (co-authors of the books, *From Charity to Creativity and Creative Philanthropy*)
- Linetta Gilbert, Senior Program Officer at the Ford Foundation and Dr Iyve L. Allen, President of the Foundation for the Mid South
- Andrew Muirhead, CEO of the Lloyds TSB Foundation for Scotland
- Bill Reese, President and CEO of the International Youth Foundation
- Dr Kenneth Wilson, Director of The Christensen Fund
- Margareta Wahlstrom, Assistant Secretary-General for Humanitarian Affairs and Deputy Emergency Relief Coordinator, United Nations

Sylvia Geddes, Executive Officer of The R E Ross Trust, Christine Edwards, CEO of The Myer Foundation and Sidney Myer Fund and Prof. Kathy Laster, Executive Director, Victoria Law Foundation, shared insights about their foundations with other members.

Prof. Ian Lowe AO, President of the Australian Conservation Foundation, addressed 'the social impacts of climate change' during his keynote speech following our AGM in April. Later in the year, Professor Lowe, along with representatives from the Poola Foundation, provided an Australian perspective on climate change and energy issues.

Philanthropy Australia established a climate change page on our website.

A number of events were held in Brisbane for Members and guests. A panel session looked at measurement and evaluation from three different angles. Professor Myles McGregor-Lowndes, from the Centre of Philanthropy and Nonprofit Studies at the Queensland University of Technology, Sara Parrot, National Manager of the Ernst and Young Foundation, and Andrew Thomas, General Manager of the Surf Life Saving Foundation, were speakers.

In Perth, Gina Anderson spoke at Lotterywest and HBOS Australia events. She was also a panel member at an event held by the WA Community Foundation for nonprofits on interacting with trusts and foundations.

Briefings were held in Sydney, Melbourne and Brisbane, on the Philanthropy Australia-commissioned report on corporate employee volunteering (see Highlights 2006: Research).

The developing relationship between Philanthropy Australia and the Sydney Writers' Festival led to a fun night out at the Festival in May. Members and their partners were invited to drinks in the Green Room of the Sydney Theatre Company, before heading into the theatre to witness a conversation between former Premier of New South Wales, Bob Carr, and Hendrik Hertberg, the Senior Editor of The New Yorker.

Affinity Groups

Highlights of Affinity Group meetings held in Sydney and Melbourne were:

Disability Affinity Group – discussion with Maryanne Diamond, CEO of the Australian Federation of Disability Organisations, on the topic 'Is philanthropic funding for disability hitting the mark?'

In 2006, Philanthropy Australia membership grew by 10 per cent from 285 to 312, the majority of new Members being large trusts and foundations.

Ageing Futures Affinity Group – Liz Gillies, Grants Executive at the Helen Macpherson Smith Trust provided a most insightful briefing on the Trust's involvement in the process of developing the report *Moving to Centre Stage: Community Care for the Aged over the Next Ten Years*.

Arts Affinity Group – continued to alternate meetings between Sydney and Melbourne. A well-attended meeting in Melbourne featured a lively discussion with the then Commonwealth Minister for Arts, Senator Rod Kemp.

Early Intervention Affinity Group – Bill Reese addressed a gathering of the Sydney chapter on successful programs being implemented around the world that are engaging young people. Thanks to The Foundation for Young Australians for enabling this interaction.

In 2006 we also held a successful trial of a joint meeting of the Sydney and Melbourne groups, thanks to video technology provided by Telstra. Holding a joint meeting allowed members from both cities to talk to each other and both hear from one speaker. It is anticipated that at least one meeting of the EIAG per year will take place in this format.

Highlights 2006 continued

Indigenous Affinity Group –

The group in Sydney continued to grow and enjoyed several interesting speakers. It held its annual seminar-style meeting, which this year focused on Indigenous culture. The highlight of the session was a preview screening of the hit film *Kanyini*, which examines the impact of dispossession and the experiences of the members of the Stolen Generation on Indigenous people today.

Networks

The Evaluation Network met twice in Sydney. The first meeting examined the implications for evaluation and our work, led by Prof. Kathy Laster of the Victoria Law Foundation, and Duncan Rintoul from Urbis Keys Young. At the second meeting, case studies on internal evaluations were presented by Fiona Higgins from the Vincent Fairfax Family Foundation, and John Dacey from the Mercy Foundation.

The PPF (Prescribed Private Funds) Network met with Linetta Gilbert from The Ford Foundation. They were particularly interested in her experiences with responding to the aftermath of Hurricane Katrina.

The Corporate Network was revamped in 2006 and now has chapters in both Sydney and Melbourne. Its membership includes staff managing any kind of community partnerships/community involvement program for a business or corporation. The last session of the year looked at a case study, presented by Jenny Odgers from Shell, on successfully exiting a partnership.

Community Foundations

In partnership with FRRR, Philanthropy Australia organised a successful National Community Foundation Forum in Queensland, hosted by the Buderim Community Foundation.

There were 50 attendees from 23 community foundations across Australia. The theme was 'Finding a Unique Value Adding Role Within Your Community'.

The Sidney Myer Fund has made a grant to Philanthropy Australia to begin the process of expanding the use of DIGITS software in community foundations. During 2006, the software was installed at five community foundations.

The Great South Coast Community Foundation based in Warrnambool was formed in 2006, with a launch planned for mid 2007. The Foundation proposes to encompass the local government areas of Warrnambool, Moyne, Glenelg, Southern Grampians, Corangamite and Colac Otway.

A WINGS Forum (Worldwide Initiative For Grantmaker Support) was held in Bangkok on 15-17 November 2006. Representatives from Philanthropy Australia and FRRR (Foundation for Rural and Regional Renewal) attended this forum and issues relating to the needs of developing community foundations around the world were reviewed, with the aim of developing plans to support members in the various countries.

Research

In 2006 Philanthropy Australia commissioned a report into the experience of corporate employee volunteering. The report, *'Improving Employee Volunteer Programs: A View from Both Sides'* was written by Hayley Hext, a Masters of Community Management student at UTS, and is available for download from Philanthropy Australia's website www.philanthropy.org.au/

The report received media and internet coverage both in Australia and internationally.

Information and Communication Technology

In 2006 much work was undertaken towards creating an extensive and user-friendly information service on philanthropy and the nonprofit sector.

To be undertaken in four stages over three years, the project includes a major upgrade of our IT infrastructure, redesigning the website (see below), developing a 'PhilanthropyWiki', (a digital encyclopedia and archive of knowledge on philanthropy in Australia that will be integrated with our website and will allow Members to contribute their knowledge and experience via this interactive format), building of a 'Whole Site Search' across all our information applications, and creating a 'Grants and Projects Database'.

Website Development

In April 2006 we made live our new website. The new site's clean and colourful design went on to form the basis for our new 'Style Guide', and the greatly improved navigation which better organised the information to make it more accessible to visitors.

We also opened up the website for general community use, locking only individual sensitive pages and documents.

The new site allows a more extensive archiving of information, as well as freshness of content, with specialised pages being more frequently updated.

Our website visitor statistics show that a great deal of traffic is from those visitors seeking funding; in response we created information pages which allow grantseekers to research independently (without needing to make an enquiry to us) and gain the learning required to efficiently interact with grantmakers.

The number of hits on our site has shown an upward trend since the launch of the new website, rising from 357,356 in April 2006 to 580,763 in January 2007, with visitors staying longer and bookmarking us for return visits.

Publications

Philanthropy Australia's 'Style Guide' was revised and refreshed by MDM Design, resulting in a new colourful and dynamic 'look and feel' for all our publications, both print and online.

2006 saw an increase from three to four issues per annum of *Australian Philanthropy*, which took the journal to a new level in terms of presentation and quality content. Sponsorship was secured for issue 61, and we granted several requests for permission to reprint extracts and articles in other publications.

- Issue 60: 'Globalising Philanthropy: Australians Giving Overseas'
- Issue 61: 'Philanthropy Management: the Nuts and Bolts of How to Give'
- Issue 62: 'Regional and Rural Philanthropy'
- Issue 63: 'Collaborative Philanthropy'

As a result of the increased interest in the journal by Trustees, in 2007 we will be distributing a copy to each individual trustee of our Member organisations.

In May we published *A Guide to Giving for Australians*, written by Vanessa Meachen, and supported by The Myer Foundation. A practical workbook for those thinking about giving, or formalising their giving, the *Guide to Giving* is an easy to read overview of philanthropy for

donors. 800 copies were printed for distribution, and the PDF version was downloaded 1,615 times in the first eight months!

Workshops

We conducted two successful Grantmaking Essentials workshops in Sydney and Melbourne.

In addition, Philanthropy Australia was contracted by the Federal Government's Office for Women to conduct a series of eight grantseeker workshops throughout regional Australia; demand in one centre (Alice Springs) was so great that two workshops were delivered there. In all 191 people attended, most of whom had never applied to a philanthropic foundation before. As a part of the contact we created an on-going quarterly email to those who undertake our workshops, to keep them informed of funding opportunities and abreast of changes in the philanthropic sector.

We also conducted four grantseeker workshops for the Department of Community Services, New South Wales. Eight regular grantseeker workshops were held in Melbourne and two in Sydney.

Environmental Sustainability

In 2006 as an organisation we reflected on our use of resources in the office. As a result we have introduced measures to ensure an efficient use of resources both in the office and in our communications, including:

Paper Conservation

- Provide digital copies of documents, publications and other communications where possible

In 2006 much work was undertaken towards creating an extensive and user-friendly information service on philanthropy and the nonprofit sector.

- Print and copy multiple pages per sheet
- Use recycled paper
- Recycle all paper disposed of in the office
- Print *Australian Philanthropy* and other large-scale print runs (such as the Annual Report) on environmentally friendly paper

Energy Conservation

- Turn off computers and other machinery when not in use
- Use low energy equipment
- Turn off lights when not in use

As part of our planned IT upgrade, we have also been investigating more energy-efficient options for our new hardware, as well as seeking environmentally friendly recycling options for our old hardware.

President's Report



As an organisation, we have demonstrated our ability to thrive on change, and to maintain smooth transitions through changes in personnel.

It gives me great pleasure, and a little sadness, to present my final report as President of Philanthropy Australia.

The pleasure comes from looking back over the past 12 months, and indeed the past six years, and noting the achievements of the organisation – the growth in membership, in professionalism, in ability to service Members and to encourage a greater public awareness of philanthropy.

The efforts of Philanthropy Australia have in no small part contributed to significant legislative

and regulatory changes that have removed disincentives to giving; to the flourishing of Prescribed Private Funds; to the growth of dynamic partnerships between for-profit and not-for-profit organisations; to the expanding community foundation movement in Australia; and to a greater appreciation and practice of accountability and reporting in philanthropy.

The sadness, of course, comes with leaving behind a role I have greatly enjoyed. I have cherished the opportunities to work with so many talented, energetic, and passionate people and organisations, and to witness the enormous difference that thoughtful giving can make. I am pleased to hand over the leadership of Philanthropy Australia to a worthy successor in Mr Bruce Bonyhady. I wish Bruce the very best for his term of office. I am confident he will contribute his own unique experiences and skills for the benefit of the organisation and the sector. He has a wonderful team working with him on the Council, and in the Secretariat. As an organisation, we have demonstrated our ability to thrive on change, and to maintain smooth transitions through changes in personnel.

I have greatly valued my working relationships with both Elizabeth Cham, former National Director, and Gina Anderson, current Chief Executive Officer. Both have contributed an enormous amount to the organisation, and brought very different skills and backgrounds.

As to the year just past, 2006 was one of continued growth in Philanthropy Australia's now substantial membership. The variety in style, objectives and methods within our membership is a great strength, and

will help to ensure a vibrant future for the organisation itself, as well as for the further development of philanthropy in Australia.

We continue to try to meet the needs of this wide range of Members. The Community Foundation Forum in Queensland, the research on corporate volunteering, and the workshops for grantseekers and grantmakers, are examples of activities through the year with a range of different target audiences.

The role of Member-directed and Member-led groups, including the Affinity Groups and networks, are helping to strengthen the responsiveness of the organisation, and help Members develop valuable networks and information about target areas for giving.

The Secretariat has continued to professionalise its services, with an increased emphasis on better communications and access to knowledge. A wide ranging program of guest speakers offers something of value and interest to most Members, while the new website, redesigned publications, and the development of new online services benefits all Members and the wider community.

On behalf of Philanthropy Australia, I wish to warmly thank the many people and organisations who have been so generous in their support throughout the year.

I would like to offer my personal thanks to Gina Anderson, who in her first year with Philanthropy Australia has been highly accessible to Members, eager to listen and learn, and committed to improving the range and quality of Member services. I would like to thank all the staff of the Secretariat for their support,

specialised skills and knowledge. They have always been on hand to provide valuable assistance and advice whenever required.

I wish to thank all my fellow Council members over the period of my Presidency, all of whom have contributed a wealth of experience, expertise, and terrific support.

Finally I wish to thank the Members of Philanthropy Australia, ranging from the pioneers of the organisation to the most recent to join our ranks. To say that a membership organisation is only as good as its members, is perhaps stating the starkly obvious, but it is worth remembering nonetheless. The active participation, feedback, and support given by so many Members is what keeps Philanthropy Australia relevant and growing.

In terms of my own personal involvement, I am delighted to be able to continue my association as a Patron of Philanthropy Australia, alongside Sir Gustav Nossal.

As we leave 2006 behind, we move towards the 30th anniversary of Philanthropy Australia, and many more opportunities to reflect on our brief but rich history. I look forward to participating in this process. Celebrating our journey thus far is important for its own sake, but looking back at where we've been is always helpful in choosing the best path forward.



Lady Southey AC
President

Philanthropy Australia warmly thanks the following people and organisations for their support in 2006:

- Brian Sherman AM for hosting the Sydney office of Philanthropy Australia for more than four years.
- ANZ for providing office space for Philanthropy Australia's Melbourne headquarters, for more than six years.

Freehills for pro bono legal advice.

The following organisations kindly hosted our various meetings and forums:

AMP Foundation
ANZ Trustees
AXA Australia
Arnold Bloch Leibler
Australia Business Arts Foundation
The Caledonia Foundation
Clayton Utz
Commonwealth Bank Foundation
Cranlana
Deloitte Foundation
Freehills
Goldman Sachs JBWere
HBOS Australia
Helen Macpherson Smith Trust
IOOF Foundation
Investec Bank (Australia)
Macquarie Bank
Mallesons Stephen Jaques
Melbourne Business School
Merrill Lynch
The Myer Foundation
National Australia Bank

The Nelson Meers Foundation
Poola Foundation – 60L Green Building
PricewaterhouseCoopers Foundation
RACV Club
Telstra Foundation
Victoria Law Foundation
Westpac

Thanks also to:

- Sandra Whitty (The William Buckland Foundation) for Chairing the Ageing Futures Affinity Group
- Sam Meers (Nelson Meers Foundation) for continuing to Chair the Arts Affinity Group
- Laurence Joseph (Gandel Charitable Trust) for Chairing the Disability Affinity Group
- Georgia Symmons (Telstra Foundation) for Chairing the Early Intervention Affinity Group's Melbourne Chapter
- Gabrielle Vuletic for continuing to Chair the Early Intervention Affinity Group's Sydney Chapter
- Henrietta Marrie (The Christensen Fund) and Sandy Shaw (The Myer Foundation) for Co-Chairing the Indigenous Affinity Group's Melbourne Chapter

Incoming President's Report



Philanthropy Australia is now a truly national body, representing organised giving in its many forms.

It is a privilege and an honour to serve as the incoming President of Philanthropy Australia.

It was only 30 years ago that this organisation was born, as a small group called the Australian Association of Philanthropy. The Myer Foundation was a founding Member of this group, and went on to become a Leading Member of the later renamed Philanthropy Australia. Lady Southey, representing The Myer Foundation, served as a member of the Council for many years, and then as its President from 2000 to 2006.

On behalf of the Council and Members, I would like to pay tribute to Lady Southey for her outstanding leadership over this period.

Philanthropy Australia is now a truly national body, representing organised giving in its many forms. It has developed specialist knowledge and sought-after expertise. It has a reputation with media, government and the private sector for being able to speak with authority on behalf of the philanthropic sector. It has successfully campaigned for legislative changes to support giving and philanthropy through more efficient structures. It has provided an

increasingly sophisticated range of services to Members, and established infrastructure for useful networking and information sharing.

The increased awareness, appreciation, and practice of philanthropy throughout the Australian community is in no small part due to the representation, liaison and information dissemination undertaken by Philanthropy Australia.

Lady Southey has steered an increasingly diverse organisation with great wisdom, compassion and understanding of philanthropy. I would like to thank her for her outstanding contribution, and look forward to her continuing advice in her new role as one of our Patrons, as I seek to continue her good work.

I look forward to working with the Council, the Secretariat and the Members throughout the coming year.

A handwritten signature in black ink, appearing to read 'Bruce Bonyhady'.

Bruce Bonyhady
Incoming President



Chief Executive Officer's Report

My first year at Philanthropy Australia has been a year of learning – about philanthropy, about the nonprofit sector and about our Members. As more than one person so aptly advised me, 'when you've met one foundation, you've met one foundation'!

Perhaps the single most important thing to happen in philanthropy globally this past year was the announcement by Warren Buffet of his extraordinary philanthropic gift to the Bill and Melinda Gates Foundation. The effect this donation has had on media interest and reporting of philanthropy, both in Australia and globally, has been marked, with philanthropy seemingly re-instated in the vocabulary of the general public. In acts of great philanthropic leadership, we are also starting to see a number of Australians prepared to publicly announce their philanthropic gifts to encourage others. Greg Poche and David Thomas are just two who immediately come to mind – as does Rupert Myer for his thoughtful contributions in the public arena.

All this publicity is helping our membership to continue to grow and increase the interest in philanthropy and Philanthropy Australia. This year we were delighted to welcome Goldman Sachs JBWere Foundation as a new Leading Member of Philanthropy Australia.

We are also seeing leadership from within our membership. In particular, our Members have enhanced our Affinity Groups and Networks by sharing of their learnings. I would like to thank: Ms Liz Gilles, Helen McPherson Smith Trust, who led an honest and open discussion on the difficulties she has encountered in some partnerships; Ms Sylvia Geddes, The R.E. Ross Trust, who gave outstanding presentations on

the learnings she gained travelling in the United Kingdom and Europe, with both Philanthropy New Zealand and Philanthropic Foundations of Canada reproducing her presentations for their members; Ms Christine Edwards, The Myer Foundation, who gave a wonderful speech to the Community Foundations Forum on 'Responsible Philanthropy'; Ms Jenny Odgers, Shell, who gave great presentations in Sydney and Melbourne to Corporate Foundation Members on exiting partnerships; and Prof. Kathy Lester, Victoria Law Foundation, who provided the Evaluation Network in Sydney and Melbourne with an excellent overview of evaluation methodology.

Without doubt the biggest project we have embarked on this past year has been the implementation of the first stage of our project to create an extensive and user-friendly information service on philanthropy and the nonprofit sector. It will be an online information service designed to build the capacity of Philanthropy Australia and its Members, and the wider nonprofit sector which philanthropic organisations exist to support. In building the infrastructure to underpin the creation, publication and sharing of knowledge on philanthropy, we will be creating the foundations for the future growth of philanthropy and the consequent support for charities and community groups.

Unlike our peer organisations around the world, Philanthropy Australia has chosen to open up the majority of our information to the wider community. This decision was based on feedback from Member forums conducted in December 2005. In our preliminary work to develop a strong information base we have seen that our Members, and colleagues Australia-wide and around the world, seek out our information resources, our publications



Unlike our peer organisations around the world, Philanthropy Australia has chosen to open up the majority of our information to the wider community.

and our expertise on philanthropy-related matters. Where we have led with our website and publications, the take-up and referral has been extremely gratifying, confirming that we are addressing the needs of our Members, and others in the nonprofit sector are watching and following.

The first step has been the redesign of the Philanthropy Australia website with a fresh new look. Designed to be open and accessible, with an intuitive navigation and a wealth of information resources, it has made access to our information much easier for our Members and the wider community. In 2007, we will move to stage two, with the upgrade of our IT systems and the creation of

Chief Executive Officer's Report continued

Alongside the development of our website, has been the improved quality, look and feel of our journal, *Australian Philanthropy*.

the PhilanthropyWiki, a web-based portal, based on wiki technology (the best known example of which is Wikipedia), housing information and electronic resources on philanthropy which can be searched or browsed.

Alongside the development of our website has been the improved quality, look and feel of our journal, *Australian Philanthropy*. We now produce the journal quarterly and have repeatedly received requests for additional copies for our Members' trustees. As a result we will increase the print run of the journal to over 2000 copies in 2007 to allow us to send a copy to every individual trustee of Member organisations.

Finally, I would very much like to thank Lady Southey for her personal support, assistance and guidance in helping me through my first year as CEO of Philanthropy Australia. Lady Southey has been a most committed and passionate President of Philanthropy Australia and I would like to thank her for her thoughtful and wise leadership over the past six years. Philanthropy Australia has grown from a small fledgling organisation into a professional membership services organisation, with over 300 Members and a trusted and respected brand. Her personal contribution

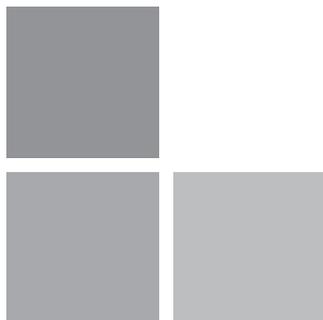
to philanthropy in Australia has been immense. As such, the Council of Philanthropy Australia and I are delighted that Lady Southey has agreed to be a co-Patron of Philanthropy Australia with Sir Gus Nossal. I am also delighted that Mr Bruce Bonyhady has succeeded Lady Southey as President of the Council which, in line with Philanthropy Australia's calendar year reporting cycle, took effect in early January 2007.

I would also like to take this opportunity to thank the Philanthropy Australia team for their tremendous support throughout the year: Grant Hooper, Jane Kenny, Louise Arkles, Vanessa Meachen, Emily Turner, Cheryl O'Kelly, Andrew Lawson and Jane Ashton. There is no doubt that without their ideas, passion, hard work and dedication, nothing could have been achieved this year.

And to you, all the Members of Philanthropy Australia, thank you for welcoming me and giving your support to us all. I look forward to an exciting year ahead.



Gina Anderson
Chief Executive Officer



Council Members

President

Mr Bruce Bonyhady

Bruce Bonyhady is Chairman of ANZ Executors & Trustee Company Limited and serves as a Trustee of The William Buckland Foundation and the Sylvia and Charles Viertel Charitable Foundation and as a Member of the Felton Bequests' Committee.

Bruce is also Chairman of Acadian Asset Management Australia Limited and a Director of DB RREEF Wholesale Property Limited.

Community positions held by Bruce are: Chairman of Yooralla, Director of the Disability Housing Trust and Chairman of the Advisory Panel of the Centre for Developmental Disability Research at the Royal Children's Hospital.

Positions previously held by Bruce include: Managing Director of ANZ Investments; Executive Vice President of BT Funds Management; and, Managing Director of National Mutual Funds Management Europe.

Vice President

Ms Dur-e Dara OAM

Dur-e Dara is a Melbourne restaurateur, businesswoman and musician. For some 20 years she was well known as Manager and co-owner of the award-winning Stephanie's Restaurant. She is the founding partner in The Nudel Bar and the proprietor of EQ Cafebar at the Victorian Arts Centre. Dur-e Dara is currently President of the Restaurant and Catering Association of Victoria and Convenor of the Victorian Women's Trust. In 1997, she was awarded the Medal of the Order of Australia for services to the community and promotional fundraising activities for women's groups.

Vice President

Ms Samantha Meers

Samantha is the Executive Director of the Nelson Meers Foundation, a philanthropic foundation dedicated to the arts. The Nelson Meers Foundation was the first Prescribed Private Fund to be established in Australia. The Foundation's key objective is to foster innovative cultural expression by supporting projects that advance the visual, literary and performing arts, or that seek to utilise the arts to create positive social change. In 2005, the Nelson Meers Foundation was the winner of the AbaF/Goldman Sachs JBWere *Philanthropy Leadership Award*.

Prior to establishing the Nelson Meers Foundation in 2001, Samantha practiced as a specialist media lawyer, initially with two of Sydney's leading law firms, and then as in-house counsel with Grundy Television. She was subsequently appointed as a Director with SHOWTIME (a joint venture between Liberty Media and four Hollywood Studios), during which time she was a founding board member and deputy Chair of the Australian Subscription Television and Radio Association.

Samantha is a board member of Company B (the Belvoir St Theatre), a judge of the National Biography Award and a judge of the Australia Business Arts Foundation Awards. She holds degrees in Arts and Law, a Master of Letters, and is currently completing a doctorate in literature.

Treasurer

Mr David Ward

David is a Director of ANZ Trustees and ShareGift Australia and is Trustee Representative on several charitable trusts including the Hugh DT Williamson Foundation, the Alexander Miller Estate and the Alexander Wright Wales Trust.

David had 19 years' service with ANZ, including positions of Chief Economist (NZ); General Manager Investor Relations; General Manager Office of the Chief Executive; and four years as General Manager then Managing Director of ANZ Trustees. Previously he had seven years' service as a diplomat with the New Zealand Ministry of Foreign Affairs, dealing with Economic, Trade, Defence and Aid issues and serving in Wellington, Canberra and Fiji.

Chief Executive Officer

Ms Gina Anderson

Gina Anderson joined Philanthropy Australia in November 2005. She has diverse experience in large and small, public and private organisations, having held general management, human resources, corporate community and communications roles. Prior to joining Philanthropy Australia Gina was General Manager Human Resources for St Hilliers, an integrated property development and construction company. She had seven years at Westpac Banking Corporation in a variety of management roles including Head of Community Involvement.

From 1992 to 1995 Gina lived and worked in Jordan, a moderate Islamic, developing country as the personal assistant to HRH Prince El Hassan Bin Talal. Gina is a Director of Father Chris Riley's Youth Off The Streets Ltd.

Mr Christopher Arnold

Chris Arnold (B.Com. MBA) is currently the Chief Executive of WHK Armitage Downie, a total financial services company.

Since 2002, Chris has been a board member and Chair of the Audit and Risk Management Committee of Melbourne Community Foundation, and a previous Council Member and Chair of the Alumni of Leadership Victoria. He also chairs an international

Council Members continued

fundraising committee for the Florey Institute's (Genomic Disorders Research Centre) Human Variome Database Project.

Chris has a background in finance, management consulting and executive management in government, not-for-profit and corporate sectors. Prior to joining WHK Group, he was Chief Executive and Deputy National Chairman of Dibbs Abbott Stillman Lawyers. He has a strong interest in corporate governance in all sectors and is joint author of an effectiveness guide to corporate governance, published in Victoria, and adapted with local laws in Hong Kong. Chris also chairs RMIT University's MBA program Community of Practice on Governance and Social Responsibility.

Ms Jan Cochrane-Harry

Jan Cochrane-Harry (MBA, Melb) is Director of Strategic Marketing & Partnerships at Melbourne Business School and was previously Head of Philanthropic Foundations at Perpetual Trustees Australia Ltd for five years. She is a trustee of the Margaret Lawrence Foundation, and a member of the Transurban Corporate Social Responsibility Committee. She has extensive experience in management in the community, public and private sectors over a 30 year period. As well, Jan has held numerous honorary positions with community based groups.

Mr Terry Macdonald

Terry Macdonald (FIEAust., CPEng.) is the Principal of Macdonald Technical Services, consulting in Engineering and Business Management.

His initiation to the community sector was as a Councillor in the City of Nunawading. He was President of Reach Out for Kids Foundation 1996-2003 and currently holds office in several community organisations in the Eastern suburbs of Melbourne. He joined the Board of the Lord Mayor's Charitable Fund in 1999 and became Chairman of the Grants Committee and a member of the Executive Committee of the Fund in 2003. He was elected to the Board of United Way Australia in 2005 and was a member of the Hosting Committee of UWA preparing for the United Way World Congress in Melbourne in 2006.

Terry's career as a senior Engineering and Management executive was in the Federal Departments of Civil Aviation, Transport and Defence as well as at three of Melbourne's universities. He is Immediate Past President of a Defence/Industry Association, a Member of the Victorian Chapter Committee of the Australian Society of Defence Engineering and a member of the Alumni of the Australian Graduate School of Management and the Swinburne Philanthropic Alumni.

Dr Noel Purcell

Noel Purcell has served as a senior executive of Westpac since February 1986 in a variety of roles. He is currently the Group General Manager, Stakeholder Communications, with responsibility for all media, government, investor and community relations, as well as the Westpac Group corporate sustainability and internal communication. Prior to joining Westpac, Noel served at senior executive level within the Federal Public Service including:

Assistant Secretary, Fiscal Policy Branch, Department of Prime Minister and Cabinet, 1984 to 1985; Senior Economic Analyst of the Office of National Assessments, 1983 to 1984; and Director, Statistical Services Branch and other senior positions at the Australian Bureau of Statistics, 1972 to 1983. Noel recently joined the Global Governing Board of the CAUX Round Table.

Mr Christopher Thorn

Christopher Thorn (B.Comm, MSDIA, ASIA) is a Principal of Goldman Sachs JBWere. He is currently the Manager of the firm's Philanthropic Services group, where his primary responsibilities include raising awareness of philanthropic issues; providing advice on investment and capital management to individuals and organisations wishing to implement a philanthropic strategy; and fostering relationships between interested parties in order to facilitate the giving process.

He joined JBWere in 1984 and worked in Melbourne as a Retail and Institutional Adviser. In 1993 Christopher moved to New York as Vice President Institutional Sales. Upon returning to Australia in 1996 he was appointed Manager of Goldman Sachs JBWere Queensland business, until returning to Melbourne in 2001. Christopher has held a variety of senior management roles within the Retail business, including business integration and strategy. In 2002, Christopher established the Goldman Sachs JBWere Philanthropic Services division.

Christopher is also Chairman of StreetSmart Australia, a campaign established to provide financial support to the homeless in Victoria.

Council Report

Financial Plan and Operating Results

The surplus of \$52,491 is a pleasing result in light of the \$39,157 deficit in 2005. This has been a great team effort and reflects improved outcomes right across the board.

Direct comparisons with 2005 need to be undertaken with care due to the impact of the Philanthropy Australia Conference 'A Wealth of Experience'.

Income

Income for the year was \$978,666 down from \$1,737,636 in 2005, because of the sponsorship and attendance fees for the Philanthropy Australia Conference 'A Wealth of Experience'.

Importantly Leading Memberships increased by \$25,000 up from \$100,00 to \$125,000 with the welcome addition of Goldman Sachs JBWere Foundation as a new Leading Member. Also Members' fees increased by 14 per cent, up from \$412,792 to \$470,971, as a result of a 10 per cent increase in membership numbers from 285 to 312. The majority of new Members were large trusts and foundations.

In addition we were able to secure a contract with the Federal Government's Office for Women to conduct a series of eight grantseeker workshops throughout regional Australia. The contract value was \$75,000. The demand for the workshops was so great that in one centre (Alice Springs) two workshops were delivered.

A decrease in publication sales from \$108,458 in 2005 to \$99,247 results primarily from changes in the level of sales of *The Australian Directory of Philanthropy 2006 (13th Edition)*. Sales of the hard-copy version of the Directory reduced from \$53,341 to \$36,820 while the copies of the online version of the Directory increased from \$39,400 to \$48,124.

In 2005 Philanthropy Australia secured significant grants to support the Philanthropy Australia Conference 'A Wealth of Experience'. In 2006 total grant income of \$16,000 was received including: \$5,000 from Tattersalls for the Community Foundation Forum held in Buderim QLD; \$4,000 from Lotterywest for the 2004 Western Australian issue of *'Australian Philanthropy'*; \$2,000 from the Department of Family and Community Services and Indigenous Affairs for the Community Foundation Forum held in Buderim QLD; and \$5,000 from the New South Wales Department of Community Services for completed workshops.

Expenses

Total expenses for the year were \$926,174 down from \$1,776,793 in 2005.

In 2005 major costs were incurred as a result of hosting the Philanthropy Australia Conference 'A Wealth of Experience'. As a result in 2006 there are significant differences in costs incurred particularly in consultant costs down from \$194,275 to \$31,025; promotion costs down from \$455,546 to \$4,977; and travel down from \$164,088 to \$58,413.

In 2006, there has been a general reduction in expenses across the organisation with tighter management controls.

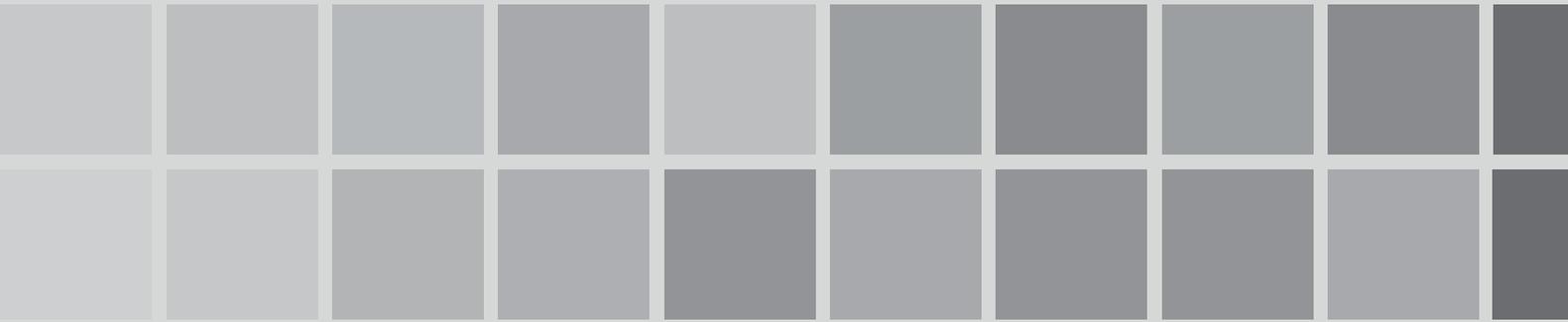
Small reductions in costs in almost all areas have added up to significant savings, particularly in regard to the use of consultants and travel expenses.

At the same time we have been able to increase our productivity. For example we have produced an additional edition of our journal, *Australian Philanthropy*, (publishing four editions instead of three) of higher quality for an additional cost of only \$5,000.

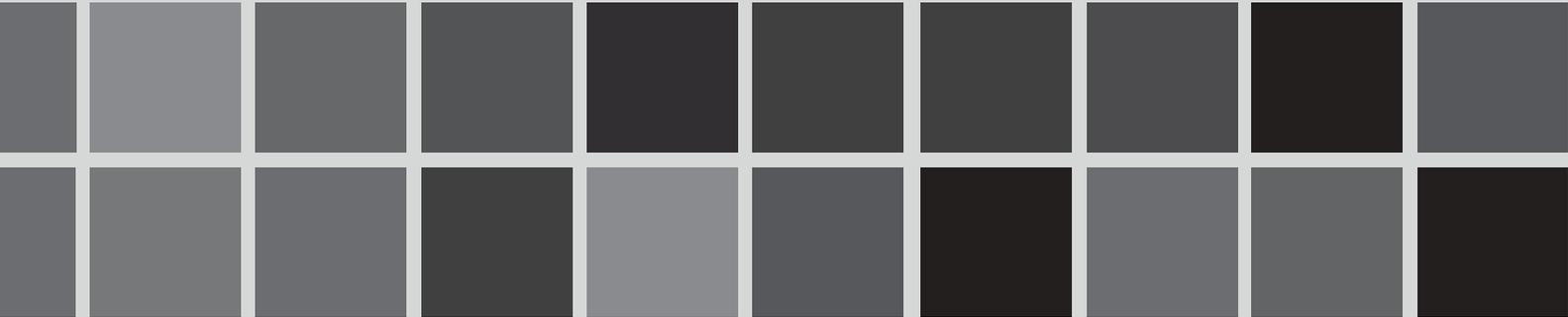
The change in the value of the inventory of publications held for resale, from \$54,354 to \$16,029, relates primarily to the sales of *The Australian Directory of Philanthropy 2006 (13th Edition)*. The 14th Edition of the Directory will be produced at the end of 2007.

Financial Position and Liquidity

The General Fund Account representing accumulated Members' funds increased from \$142,401 in 2005 to \$194,893 in 2006 at year-end due to the surplus achieved of \$52,492.



Financial Statements



Income Statement

For the year ended 31 December 2006

	Note	2006	2005
		\$	\$
Revenue from ordinary activities	2	978,666	1,737,636
Changes in inventories of publications held for resale		(11,275)	(54,354)
Distribution costs		(5,623)	(6,666)
Employee and salary costs		(646,567)	(647,281)
Depreciation and amortisation expense		(4,587)	(5,378)
Consultants costs		(31,025)	(194,275)
Membership services		(46,155)	(44,648)
Promotion		(4,977)	(455,546)
Travel		(58,413)	(164,088)
Doubtful debts expense		(9)	-
Premise expenses		(10,377)	(9,954)
Other expenses from ordinary activities		(107,166)	(194,603)
		(926,174)	(1,776,793)
Surplus/(deficit) from ordinary activities before income tax expense		52,492	(39,157)
Income tax expense relating to ordinary activities	1(b)	-	-
Surplus for the period attributable to the Association		52,492	(39,157)

The accompanying notes form part of these financial statements.

Balance Sheet

As at 31 December 2006

	Note	2006	2005
		\$	\$
Current Assets			
Cash and cash equivalent	3	405,067	492,053
Trade and trade receivables	4	83,054	121,799
Inventory		11,232	22,507
Other current assets		5,797	2,776
		505,150	639,135
Non-Current Assets			
Plant and equipment	5	5,767	10,354
Total Non-Current Assets		5,767	10,354
Total Assets		510,917	649,489
Current Liabilities			
Trade and other payables	6	69,287	177,552
Subscriptions received in advance Members		157,927	129,123
Grants and other income received in advance		30,300	153,260
Short term provisions	7	58,510	47,153
Total Liabilities		316,024	507,088
Net Assets		194,893	142,401
Equity			
Retained earnings		194,893	142,401
Total Equity		194,893	142,401

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2006

	Retained Surplus	Total
	\$	\$
Balance at 1 January 2005	181,558	181,558
Surplus/(deficit) attributable to the Association	(39,157)	(39,157)
Balance at 31 December 2005	142,401	142,401
Surplus attributable to the Association	52,492	52,492
Balance at 31 December 2006	194,893	194,893

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2006

	Note	2006	2005
		\$	\$
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities:			
Cash Receipts from members		641,150	507,234
Receipt from sales of publications		154,160	815,723
Grants received		115,600	385,285
Interest received		23,620	27,548
Cash paid to suppliers and employees		(1,021,516)	(1,633,283)
Net cash provided by/(used in) operating activities	12b	(86,986)	102,507
Cash flows from investing activities:			
Purchase of office equipment		-	(9,938)
Net cash used in financing activities		-	(9,938)
Net increase/(decrease) in cash and cash equivalents		(86,986)	92,569
Cash and cash equivalents at the beginning of the year		492,053	399,484
Cash and cash equivalents at the end of the year	12a	405,067	492,053

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of Australian Accounting Standards Board and the requirements of the Associations Incorporations Act 1981 (Victoria).

The financial report covers Philanthropy Australia Inc as an individual entity. Philanthropy Australia Inc is an association incorporated in Victoria under the Associations Incorporations Act 1981.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report of Philanthropy Australia Inc complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report:

(a) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from Full, Associate and Resource Centre Members is recognised when invoiced. When the payment is received, the portion paid in advance is accounted for as unearned income and amortised over the remainder of the subscription year.

Revenue from Leading Members fees are treated as grants received and brought to account as income when invoiced.

(b) Income tax

The Association is an income tax exempt charitable entity under subsection 50B of the ITAA 1997.

(c) Inventories

Inventories consist of finished goods being publications and are measured at the lower of cost and net realisable value. Costs are assigned on a specific identification basis and include direct costs and appropriate overheads, if any.

(d) Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

The carrying amount of plant and equipment is reviewed annually by Councillors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal where the Association is dependant on the asset to generate cash flows. If this is not the case, the recoverable amount is assessed based on the cost of replacing the asset. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciation rates amount of all plant and equipment is depreciated on a straight line basis over useful lives of the assets to the Association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

	<i>Depreciation rate</i>
Plant and equipment	30 per cent

The carrying amount of furniture and equipment is reviewed annually by Councillors to ensure it is not in excess of the recoverable amount of those assets.

(e) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Employee benefits

Provision is made for the Association's liability for the employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee entitlements payable later than one year have been measured at the present value of estimated future cash outflows to be made for those entitlements.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

(i) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount of is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements continued

For the year ended 31 December 2006

	2006	2005
	\$	\$
2(a). REVENUE		
Leading membership	125,000	100,000
Full Members fees	371,005	326,708
Associate Members fees	99,966	86,084
Resource Centre subscriptions	16,375	18,042
Workshop fees	106,247	18,350
Publication sales	99,952	108,458
Journal subscriptions	5,700	4,226
Grants	81,027	379,894
Consulting fees	-	12,269
Conference income	205	636,565
Other	73,189	47,040
	978,666	1,737,636

Revenue from Leading Members fees are treated as grants received and brought to account as income in the year it is due

2(b). EXPENSES

Auditors remuneration	4,900	3,950
-----------------------	-------	-------

3. CASH ASSETS

Cash on hand	109	429
Cash at bank	67,839	73,182
Cash on deposit	337,119	418,442
	405,067	492,053

4. RECEIVABLES

Trade debtors	83,054	109,619
Sundry debtors	-	12,180
	83,054	121,799

5. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture \$	Office Equipment \$	Total
Gross Carrying Amount			
Balance at 31 December 2005	13,900	84,919	98,819
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2006	13,900	84,919	98,819
Accumulated Depreciation			
Balance at 31 December 2005	(13,858)	(74,607)	(88,465)
Depreciation expense	(42)	(4,545)	(4,587)
Disposals	-	-	-
Balance at 31 December 2006	(13,900)	(79,152)	(93,052)
Net Book Value			
As at 31 December 2005	42	10,312	10,354
As at 31 December 2006	-	5,767	5,767

	2006 \$	2005 \$
--	------------	------------

6. PAYABLES

Creditors	24,667	8,175
Accruals	28,901	137,842
Others	15,719	31,535
	69,287	177,552

	Employee Entitlements	Total
--	--------------------------	-------

7. PROVISIONS

Opening balance at 1 January 2006	47,153	47,153
Additional provision raised during the year	33,888	33,888
Amounts used	(22,531)	(22,531)
Balance as 31 December 2006	58,510	58,510

Analysis of total provisions

Provision for annual leave	37,617	30,053
Provision for long service leave	20,893	17,100
	58,510	47,153

Notes to the Financial Statements continued

For the year ended 31 December 2006

	2006	2005
	\$	\$
8. LEASING COMMITMENTS		
Operating Lease Commitments		
Being for rent of office		
Payable:		
not later than 1 year	65,000	43,333
later than 1 year but not later than 5 years	-	-
later than 5 years	-	-
	65,000	43,333

Rent payable is supported by the generous inkind donation of ANZ. As yet an invoice has not been received.

9. KEY MANAGEMENT PERSONNEL

The following persons held office as Councillors for the 12 month period ending 31 December 2006.

Lady Marigold Southey AC
(reappointed as President 21/6/06)
(resigned as President 31/12/06)
(resigned from Council 31/12/06)

Ms Dur-e Dara OAM

Mr Barry Capp
(resigned 18/5/06)

Mr Christopher Thorn

Mr Christopher Arnold

Ms Gina Anderson
(Chief Executive Officer)

Ms Samantha Meers

Ms Jan Cochrane-Harry

Dr Noel Purcell

Mr David Ward

Mr Terry Macdonald

Mr Bruce Bonyhady
(appointed to Council 21/6/06)
(appointed as President 1/1/07)

	Salary and Fees	Short Term Benefits		Non Cash Benefits	Post Employment Benefits	Total
		Superannuation Contribution	Bonus		Long Term Benefits Superannuation	
2006 Total compensation	137,788	3,252	-	24,788	13,617	179,446
2005 Total compensation	79,926	20,316	-	25,662	10,506	136,410

10. RELATED PARTIES

No payments were received by Councillors or their related parties for services provided to the Association for the 12 months ended 31 December 2006. No amounts are owed to or by these related parties as at 31 December 2006.

11. SEGMENT REPORTING

The Association operates in the not-for-profit sector for the advancement of philanthropy in Australia.

12. CASH FLOW INFORMATION

(a). Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market deposits. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2006	2005
	\$	\$
Cash on hand	109	429
Cash at bank	67,839	73,182
Term deposit	337,119	418,442
	405,067	492,053

(b). Reconciliation of cash flow from operations with operating surplus/(deficit)

Operating surplus/(deficit)	52,492	(39,157)
<i>Non cash flows in surplus/(deficit)</i>		
Depreciation	4,587	5,378
<i>Changes in assets and liabilities net of effects of purchase and disposal of subsidiaries</i>		
Decrease (increase) in receivables	38,745	(42,225)
Decrease (increase) in inventory	11,275	848
Decrease (increase) in prepayments	(3,021)	57,824
Increase (decrease) in accounts payable	(108,265)	91,243
Increase (decrease) in advance membership fees	28,804	29,991
Increase (decrease) in unearned income	(122,960)	5,479
Increase (decrease) in provision for employee entitlements	11,357	(6,873)
	(86,986)	102,508

(c). The Association has no credit stand-by or financing facilities in place

Notes to the Financial Statements continued

For the year ended 31 December 2006

13. FINANCIAL INSTRUMENTS

(a). Interest Rate Risk

The Association's exposure to interest rate risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing			
	2006	2005	2006	2005	Within One Year		One to Five Years	
	2006	2005	2006	2005	2006	2005	2006	2005
Financial assets	%	%	\$	\$	\$	\$	\$	\$
Cash	3.17	3.17	67,948	73,611	-	-	-	-
Short term	-	-	-	-	-	-	-	-
Deposits	5.90	4.67	337,119	418,442	-	-	-	-
Bank bills	-	-	-	-	-	-	-	-
Debtors	0.00	0.00	83,054	121,799	-	-	-	-
Total financial assets			488,121	613,852	-	-	-	-
Financial liabilities								
Creditors	0.00	0.00	24,667	8,175	-	-	-	-
Income in advance	0.00	0.00	188,227	282,383	-	-	-	-
Total financial liabilities			212,894	290,558	-	-	-	-

(b). Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Association does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Association.

(c). Net Fair Values

Methods and assumptions used in determining net fair value.

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

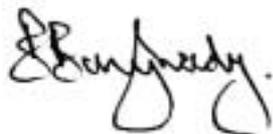
The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Statement by Members of the Council

In the opinion of the committee the financial report as set out on pages 15 to 26:

1. Presents a true and fair view of the financial position of Philanthropy Australia Inc. as at 31 December 2006 and its performance and cash flows for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that Philanthropy Australia Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Council and is signed for and behalf of the Council by:



Bruce Bonyhady
President



David Ward
Treasurer

Dated: 15 February 2007

Location: Melbourne

Independent Audit Report

McINNES, GRAHAM
— & GIBBS —
CHARTERED ACCOUNTANTS

JOHN L.C. McINNES
JEFFREY E. GRAHAM
DAVID I. GIBBS
DAVID J. REID

2 WELLINGTON PARADE
EAST MELBOURNE 3002
PO BOX 126
EAST MELBOURNE 8002
VICTORIA, AUSTRALIA
TELEPHONE (03) 9419 5133
FACSIMILE (03) 9417 5982
EMAIL info@mgg.com.au
WEBSITE www.mgg.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PHILANTHROPY AUSTRALIA INC.

Scope

The financial report and directors' responsibility

The financial report comprises of the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the committee declaration for Philanthropy Australia Inc. (the association), for the year ended 31 December 2006.

The committee of the association are responsible for the preparation and true and fair presentation of the financial report in accordance with the Associations Incorporation Act 1981 (Victoria). This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the association. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Associations Incorporations Act 1981 (Victoria), including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the association's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PHILANTHROPY AUSTRALIA INC. (Continued)**

Independence

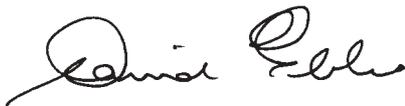
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of Philanthropy Australia Inc. presents a true and fair view in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Philanthropy Australia Inc., as at 31 December 2006 and the results of its operations and its cash flows for the year then ended.



MCINNES, GRAHAM AND GIBBS
CHARTERED ACCOUNTANTS



DAVID GIBBS
PARTNER

Dated in Melbourne on this 15th day of February 2007

Members of Philanthropy Australia

Current at 31 December 2006

Leading Members



COLONIAL FOUNDATION



JBWere



THE MYER
FOUNDATION

The
WILLIAM BUCKLAND
FOUNDATION

WbF

Life Members

Ben Bodna AM
Patricia Feilman AM
Dame Elisabeth Murdoch AC DBE
Jill Reichstein OAM
The Stegley Foundation
Meriel Wilmot

Patron

Sir Gustav Nossal AC CBE

Full Members

ABD Foundation
The A. L. Lane Foundation
AMP Foundation
The Alfred Felton Bequest
Alfred Thomas Belford Charitable Trust
The Andrews Foundation
Andyinc Foundation
A. & S. Angelatos
Annamila Pty Ltd
ANZ Executors & Trustee Company
ANZ Staff Foundation
Australia Business Arts Foundation
Australia Council
Australia Post
The Australian Elizabethan Theatre Trust
Australian Stock Exchange
AXA Australia
BB Hutchings Bequest
BHP Billiton Community Trust
The Ballarat Foundation
D. & S. Bardas
Bass Coast Community Foundation
Bennelong Foundation
Besen Family Foundation
Bill & Jean Henson Trust
The Body Shop
Boeing Australia Holdings
Bokhara Foundation
Bruce & Joy Reid Foundation
Buderim Foundation
CAF Australia
The CASS Foundation
The Caledonia Foundation
Calvert-Jones Foundation
Capital Region Community Foundation
The Charles Bateman Charitable Trust
The Christensen Fund
Clayton Utz
Coles Myer Ltd
Collier Charitable Fund
Colonial Foundation Trust
Commonwealth Bank Foundation
Community Enterprise Foundation
Community Foundation for Albury
Wodonga Region

Community Foundation for Bendigo
& Central Victoria
Community Foundation for Tumut Region
The Cubit Family Foundation
The Dafydd Lewis Trust
The Danks Trust
Davis Langdon
The Deloitte Foundation
Diana Elizabeth Browne Trust
Doxa Youth Foundation
ERM Foundation Australia
Education Foundation
Equity Trustees
The Ern Hartley Foundation
Ethel Herman Charitable Trust
The Feilman Foundation
The Flora & Frank Leith Charitable Trust
The Fogarty Foundation
Foster's Group
Foundation Boroondara
Foundation for Rural & Regional Renewal
The Foundation for Young Australians
M. & M. Freake
Freehills
The GM & EJ Jones Foundation
Gandel Charitable Trust
Geelong Community Foundation
Geoffrey Gardiner Dairy Foundation
George Alexander Foundation
Goldman Sachs JBWere Foundation
Gonski Foundation
GrainCorp Foundation
The Greatorex Foundation
The Grosvenor Settlement
The Gualtiero Vaccari Foundation
H V McKay Charitable Trust
G. Handbury
M. & C. Handbury
Harold Mitchell Foundation
Helen Macpherson Smith Trust
Hewlett Packard Australia
The Horizon Foundation
The Hugh Williamson Foundation
The Hunt Foundation
Hunter Hall International
The Ian Potter Foundation
Ilhan Foundation
The Invergowrie Foundation
IOOF Foundation
The Jack Brockhoff Foundation
Jobs Australia Foundation
John T. Reid Charitable Trusts
John William Fleming Trust
KPMG
The Keir Foundation
Kingston Sedgfield (Australia)
Charitable Trust
The Kirk Foundation

LEW Carty Charitable Fund
 Law & Justice Foundation of NSW
 Lawrence George & Jean Elsie Brown Charitable Trust Fund
 Ledger Charitable Trust
 Lord Mayor's Charitable Fund
 Lotterywest
 Lumbu Indigenous Community Foundation
 The Mackay Foundation
 Macquarie Bank Foundation
 Mallesons Stephen Jacques
 Maple-Brown Family Charitable Trust
 Margaret Augusta Farrell Trust
 Margaret Lawrence Bequest
 Mary MacKillop Foundation
 The Mary Potter Trust Foundation
 masoniCare
 Matana Foundation for Young People
 mecu
 Melbourne Community Foundation
 Melbourne Newsboys Club Foundation
 Mercy Foundation
 Michael Craft Memorial Fund
 Microsoft Pty Ltd
 The Miller Foundation
 Minter Ellison Lawyers
 The Moore Family Philanthropy Foundation
 Morawetz Social Justice Fund
 a sub fund of the Melbourne Community Foundation
 The Mullum Trust
 Mumbulla Foundation
 The Myer Foundation
 Myer Community Fund
 National Australia Bank
 National Foundation for Australian Women
 Nelson Meers Foundation
 Newcastle Permanent Charitable Foundation
 The Norman Wettenhall Foundation
 Northern Rivers Community Foundation
 Paul Edward Dehnert Trust
 The Percy Baxter Charitable Trust
 The Perpetual Foundation
 Perpetual Trustees Australia
 Pethard Tarax Charitable Trust
 Petre Foundation
 Pfizer Australia
 Pierce Armstrong Foundation
 Poola Foundation
 Portland House Foundation
 PricewaterhouseCoopers Foundation
 Queensland Community Foundation
 RACV Foundation
 The R. E. Ross Trust

RMIT Foundation
 Ray & Joyce Uebergang Foundation
 R. Redpath
 Reichstein Foundation
 G. & G. Reid
 Rio Tinto Aboriginal Foundation
 Robert Christie Foundation
 The Robert Salzer Foundation
 Ronald Geoffrey Arnott Foundation
 Ronald McDonald House Charities
 Rothwell Wildlife Charitable Trust
 Sabemo Trust
 The Sarah & Baillieu Myer Family Foundation
 Scanlon Foundation
 The Shell Company of Australia
 Sherman Foundation
 Sir Andrew and Lady Fairley Foundation
 Sisters of Charity Foundation
 Smile Foundation
 SoundHouse Music Alliance
 Sparke Helmore Lawyers
 F. Spitzer
 The Stan Perron Charitable Trust
 Stand Like Stone Foundation
 State Trustees Australia Foundation
 Sunshine Foundation
 Sydney Community Foundation
 The Tallis Foundation
 Tasmanian Community Foundation
 Tasmanian Community Fund
 Tattersall's George Adams Foundation
 Telematics Trust
 Telstra Foundation
 The Thomas Foundation
 Tibetan & Hindu Dharma Trust
 Tomorrow: Today Foundation
 The Tony and Lisette Lewis Foundation
 The Towards a Just Society Fund
 a sub fund of the Melbourne Community Foundation
 Toyota Australia
 Trust for Nature Foundation
 UBS Wealth Management
 Victoria Law Foundation
 Victorian Medical Benevolent Association
 Victorian Women's Trust
 Vincent Fairfax Family Foundation
 The Vizard Foundation
 Voiceless, The Fund For Animals
 The Walter Mangold Trust Fund
 Western Australian Community Foundation
 Westpac Foundation
 The William Buckland Foundation
 Wingecarribee Community Foundation
 The Wyatt Benevolent Institution
 Wyndham Community Foundation

Associate Members

ACON
 The Alfred Foundation
 Austin Health
 Australia Zoo Wildlife Warriors Worldwide
 Australian Conservation Foundation
 Australian Rotary Health Research Fund
 Australian Sports Foundation
 Bell Shakespeare
 The Benevolent Society
 Berry Street Victoria
 Bluearth Institute
 The Brotherhood of St Laurence
 Burnet Institute
 The Cancer Council Victoria
 Carnbrea & Co
 Centennial Parklands Foundation
 ChildFund Australia
 Children's Cancer Institute Australia
 City of Port Phillip
 Clem Jones Group
 Deakin University
 Deutsche Bank Private Wealth Management
 Dymocks Literacy Foundation
 Earthwatch Institute
 ExxonMobil
 Fernwood Foundation
 Foundation for Development Cooperation
 Foundation for National Parks & Wildlife
 The Fred Hollows Foundation
 Freemasons Hospital
 Great Barrier Reef Research Foundation
 Greening Australia Vic
 Grow Employment Council
 The Hammond Care Group
 Heart Research Centre
 IDP Education Australia
 Inspire Foundation
 The Institute of Chartered Accountants
 Leukaemia Foundation
 MDM Design Associates
 Mission Australia
 Monash Institute of Medical Research
 Monash University
 National Aids Fundraising
 National Heart Foundation of Australia
 National Museum of Australia
 NIDA
 Northcott
 Opening the Doors Foundation
 Osteoporosis Australia
 Parramatta City Council
 Peninsula Health
 Peter MacCallum Cancer Foundation
 Powerhouse Museum
 Queensland Art Gallery Foundation
 Queensland Library Foundation

Members of Philanthropy Australia continued

Current at 31 December 2006

Reconciliation Australia
Royal Botanic Gardens Melbourne
Rural Health Education Foundation
The S. R. Stoneman Foundation
Save the Children Australia
Scope (Vic)
The Smith Family
South Metropolitan Migrant Resource Centre
The Spastic Centre
St Andrew's War Memorial Hospital
St George Foundation
St Vincent de Paul Society Victoria
St Vincent's Hospital Foundation
The State Library of NSW
The State Library of Victoria Foundation
Surf Life Saving Foundation
Sydney Opera House
Tabcorp Holdings
Tamar Region Natural Resource Management Strategy Reference Group – Public Committee of Management
The Travellers Aid Society of Victoria
United Way Australia
The University of Melbourne – Alumni Office
University of New South Wales
University of South Australia Foundation
University of Tasmania Foundation
The University of Western Australia
VicHealth
Victoria University
Victorian College of the Arts
Vision Australia
Wesley Mission, Sydney
Wise Community Investment
World Vision Australia
Zoological Parks Board of NSW

Affiliate Members

Andrea Larkin & Associates
Asia-Pacific Centre for Philanthropy and Social Investment
Australian Multicultural Foundation
Catherine Brown & Associates
Credit Union Australia
Cropper Parkhill
Curtin University School of Accounting
Dusseldorp Skills Forum
Fantastic Furniture
Global Philanthropic
HBOS Australia Foundation
Investec Bank (Australia)
MCG Wealth Management
Merrill Lynch Private Wealth Services
Monash University Medical Foundation
Murdoch University
New Philanthropy
Philanthropy Squared
Social Ventures Australia
Stewart Partners
Volunteering Australia
W & A Johnson Family Foundation

Philanthropy Australia Inc

Head Office

Level 10, 530 Collins St
Melbourne Victoria 3000
Australia

Tel (61 3) 9620 0200
Fax (61 3) 9620 0199

pa@philanthropy.org.au
www.philanthropy.org.au

Sydney Office

Tel (61 2) 9981 5599

Patron

Sir Gustav Nossal AC CBE
Lady Southey AC