

Annual Report 2002



*National Association for Grantmaking Family, Private,
Corporate and Community Trusts and Foundations*



PHILANTHROPY
Australia

Patron

Sir Gustav Nossal AC CBE

Council

President:	Lady Southey AM
Vice President:	Ms Dur-e Dara OAM
Treasurer:	Prof Tom Healy
National Director:	Ms Elizabeth Cham
Council Member:	Mr Ian B Allen OAM
Council Member:	Mr Ben Bodna AM
Council Member:	Mr Barry Capp
Council Member:	Ms Jan Cochrane-Harry
Council Member:	Mr Peter McMullin
Council Member:	Mr Royce Pepin AM MBE KCSJ

Secretariat

National Director:	Ms Elizabeth Cham
General Manager:	Ms Ruth Jones
Executive Assistant:	Ms Jackie Purdie
Accountant:	Ms Nicola Johnson
Book-keeper:	Ms Cheryl O'Kelly
Resource Centre Officer:	Ms Vanessa Meachen
Resource Centre Librarian:	Ms Louise Arkles
Membership Services Officer (Melbourne):	Mr Grant Hooper
Membership Services Officer (Sydney):	Ms Jane Kenny

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Philanthropy Australia is the national peak body for the philanthropic sector, representing the interests of grantmaking private, family, corporate and community trusts, foundations and individuals.

Its mission is to represent and support the philanthropic sector and influence and engage in public policy, which will result in a benefit to its members and society at large. It works to improve public understanding and recognition of the relationship between philanthropy and the well being 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 is headquartered in Melbourne and also has offices in Sydney.

Membership fees, publication sales, training workshop fees, fee-for-service research services and consultancies fund Philanthropy Australia. It also receives funding from a number of leading trusts and foundations to support its work of promoting Australian philanthropy.

Services include:

- An annual calendar of members' seminars, presenting national and international speakers and issues in key areas of interest
- Australia's most comprehensive Resource Centre of philanthropic information
- *Australian Philanthropy*, a journal which documents and analyses developments in domestic philanthropy
- Bi-annual publication of *The Australian Directory of Philanthropy*
- Publication of texts designed to meet the information and management needs of the Australian philanthropic sector
- Original research on Australian philanthropy and its environment
- Advocacy – particularly tax advocacy – on behalf of members to Federal and State Governments and other major public and private institutions
- Consultancy services to individuals, families and corporations preparing to establish a charitable trust
- Special interest affinity groups, in key grantmaking areas

A formal Code of Practice was ratified by members at the Annual General Meeting and subsequently formally adopted by a significant number of member trusts and foundations. The Code of Practice aims to encourage best practice, openness and transparency in all aspects of grantmaking.

The Stegley Foundation was awarded Life Membership of Philanthropy Australia (PA) in a moving ceremony at the April 24th Annual General Meeting as a means of preserving the Foundation's name and recognising its contribution to philanthropy.

A new affinity group was established – Agriculture and Rural Affairs – the first meeting of which was opened by Philanthropy Australia's patron, Sir Gus Nossal AC CBE. This brought the number of affinity groups meeting quarterly to four, with Indigenous, Disability Services and Early Childhood Intervention.

With a grant from The Myer Foundation, PA engaged a consultant to conduct a quantitative survey of philanthropic trusts and foundations known to it. The purpose of the survey was to gather quantitative data on the sector and produce a report that philanthropic bodies could use for benchmarking purposes and PA can use to assist in advocacy and public policy. The survey was conducted during 2002 and the analysis of the data is currently underway with the report of the findings due for release in 2003.

Services

Grantmaking Essentials: policy, practice, priorities, a new specialist one-day grantmaker workshop was introduced.

Philanthropy Australia's Resource Centre was transformed into a fully-fledged online library, with the completion of information technology projects generously funded by Dame Elisabeth Murdoch. This culminated in the launch of a new, interactive website, the first online, key word searchable edition of *The Australian Directory of Philanthropy* and the introduction of a fully searchable, online library catalogue.

The Resource Centre became the first international member of the Council on Foundations' Consortium of Foundation Libraries, a network of libraries and information centres which share resources and coordinate information services for foundations and their supporting organisations.

The Resource Centre initiated the development of a draft common language for classifying areas of funding across the Australian philanthropic sector. The common classification system for philanthropic funding areas is designed to be used to support an information-sharing database and will enhance efforts to foster the use of a standard grants administration system by foundations throughout Australia.

Publications

Dr Diana Leat's *Working on Governance and Accountability: A Manual for Philanthropic Foundations*, published by Philanthropy Australia, is the first specialist text addressing governance and accountability issues for an Australian philanthropic audience.

Events

WINGSforum 2002 was held in Sydney in March 2002. 'WINGS' stands for Worldwide Initiatives for Grantmaker Support, and brings together representatives of organisations that support philanthropy. The keynote speaker was James Joseph, formerly US Ambassador to South Africa and President of the US Council on Foundations. More than 150 international delegates attended the meeting, which drew substantial media coverage, raising the profile of Australian philanthropy.

More than 60 delegates attended the third annual Australian Community Foundations' Forum, which was jointly presented by Philanthropy Australia and the Foundation for Rural and Regional Renewal.

Speakers at members' forums included Dr Diana Leat, The Myer Foundation Research Fellow in Philanthropy at QUT, who spoke on Foundation Governance and Accountability in Australia and the UK; Steven Burkeman, formerly of The Joseph Rowntree Charitable Trust, who analysed the practical implications of the relationship between philanthropy and the state; Kathleen Duncan, Director General of Lloyds TSB Foundation for England and Wales; and Michael Traill of Social Ventures Australia.

ANZ Chief Executive John McFarlane OBE addressed the inaugural Presidents' Dinner at Cranlana, on 4 July, on the topic of corporate social responsibility.



Appointments

Community foundation services were substantially increased with the appointment of Andrew Lawson as (part-time) Community Foundations Development Officer, a position funded by grant monies received from the Charles Stewart Mott Foundation. Planning began for the establishment of two new urban-based community foundations, with a grant provided by the Department of Family and Community Services.

The appointment of Jane Kenny as Membership Services Officer – NSW in August significantly increased services offered to Sydney based members of Philanthropy Australia.

Partnerships/relationships/external research agreements

In an important new development, Philanthropy Australia facilitated the development of the National Roundtable of Nonprofit Organisations, modelled on the UK's National Council for Voluntary Organisations, the USA's Independent Sector and the Canadian Voluntary Sector Roundtable. Its inaugural Chairman is Robert Fitzgerald AM, former President of VCOSS and now NSW Commissioner of Community Services. Philanthropy Australia is a founding member and provides secretariat services to the new organisation.

Philanthropy Australia entered into a new Australian Research Council agreement with Deakin University, to initiate research on New Trends in Foundation Formation. The resulting study will provide information on trends in foundations, including the rationales, structures, investment and grantmaking policies.

President's Report



Philanthropy Australia significantly increased its range of services in 2002, and this was reflected in increased membership and a greater take-up of services.

Melbourne has long been a stronghold of family and private trusts and foundations, but Sydney is Australia's commercial capital and a burgeoning source of philanthropic funds. Sydney is crucial to the development and expansion of Australian philanthropy. Its important role was reflected in Philanthropy Australia's appointment of Jane Kenny as Membership Services Officer – NSW in August 2002. Already we are seeing the benefits of an on-the ground staff member in Sydney, in the form of greater participation by Sydney-based members in Philanthropy Australia services, increased membership recruitment, and the development of closer, collegiate relationships between Sydney-based grantmakers.

Community foundations are the fastest-growing form of philanthropic foundation worldwide and Philanthropy Australia again increased its investment in supporting this branch of the sector. With the aid of grant monies from the Charles Stewart Mott Foundation, and in partnership with the Foundation for Rural and Regional Renewal (FRRR), Philanthropy Australia hosted the Australian Community Foundations' Forum and followed this with the appointment of Andrew Lawson as Community Foundations Development Officer. Andrew's appointment is supported by funds from FRRR and Community Foundations of Australasia and he provides practical advice and assistance to the (largely volunteer) staff and trustees of the more than 25 community foundations which have been established in recent times.

Australians may have read of the extraordinary generosity of Charles Feeney, founder of Atlantic Philanthropies, the US based foundation which has supported, to the tune of tens of millions of dollars, a number of major Australian educational, medical

and charitable institutions. We were honoured that Atlantic Philanthropies has become a Leading Member of Philanthropy Australia, recognising our important contribution to the growth of philanthropy within this country.

Our Leading Members provide Philanthropy Australia with the wherewithal to offer support and assistance to grantseekers and new entrants into the field of philanthropy and to fund essential research into the sector – fundamental tasks which support the growth of Australian philanthropy, but which, in many instances, do not return any income. Of course, the organisation does pursue fee-for-service opportunities – witness its training workshops, consultancy services and publications.

Our sponsors and supporters provide immense in-kind support to Philanthropy Australia and this is critical to the organisation's continuing operation. The ANZ Banking Group continues to provide office accommodation in Melbourne. Freehills offers extensive pro bono legal advice and support-backing which is critical to Philanthropy Australia's crucial role in tax advocacy on behalf of its members. In Sydney, Mr Brian Sherman has generously accommodated staff member Jane Kenny in his Sydney office. To them I offer our sincere thanks and appreciation.

I will conclude by thanking my fellow Council Members for their efforts on behalf of our membership, and in reiterating the determination of staff and council to continue to work in your interests in 2003.

A handwritten signature in blue ink that reads "Lady Southey". The signature is written in a cursive, flowing style.

Lady Southey AM
President

National Director's Report



The 2002 year saw a further increase in new membership services and we were fortunate that membership grew at a similar rate as over the last five years. Philanthropy Australia itself expanded interstate, with funding from Dame Elisabeth Murdoch allowing us to employ Jane Kenny in Sydney in the role of Membership Services Officer. I wish to thank Brian Sherman for his generosity and foresight in offering Philanthropy Australia a home in Sydney, which will assist in the further development of an association with a nation-wide focus.

The voluntary Code of Practice was unanimously adopted at the Annual General Meeting, in April 2002. The Code is significant not only because it was unanimously adopted, but more importantly because it has initiated debate within the sector about important issues such as transparency and accountability. It is hoped that such debate will encourage foundations to develop and seek out original solutions to these issues, in a way that allows them to maintain and preserve their uniqueness without sacrificing their role and purpose within Australian society. This Code has been initiated, not as a means of bureaucratising foundations, but to enhance, protect and promote the diversity of the philanthropic sector in Australia. It is envisaged that addressing issues such as transparency and accountability will in fact strengthen and validate the place of the sector within society, thus increasing the awareness and understanding of the role philanthropy plays in our community.

On the 11th December 2002, the Prime Minister, The Hon. John Howard, announced a second round of tax incentives aimed at increasing personal and corporate philanthropy. This is regarded as a very exciting development, which has to date, along with previous initiatives, resulted in the establishment of 81 new foundations, one of the largest annual increases in the sector's history.

In 2002, a substantial amount of time was spent facilitating the development of a National Roundtable of Nonprofit Organisations. The Roundtable is chaired by Robert Fitzgerald and has 18 members, from a variety of arenas. This initiative brings together representatives from the conservation, overseas aid, education, religious, arts and welfare sectors. The Roundtable has been established to provide critical infrastructure for the not-for-profit sector and to promote knowledge about it. Few in the community understand that this sector accounts for eight per cent of GDP and employs more people than the mining industry. The Roundtable is a crucial development because it is the first time that the various members have joined together as a united sector to promote interests which are common to all the parties involved.

Finally, none of these developments would have been possible without the hard work of the staff at Philanthropy Australia, especially the General Manager Ruth Jones, and I want to thank all the staff for their continued support. I would also like to thank and acknowledge Kerrie Zammit, my former Executive Assistant, who left Philanthropy Australia this year. I would also like to thank the members of our Council, who have played a pivotal role in our successes and I thank them all for their time and commitment. I would especially like to express my thanks to our President, Lady Southey, whose energy, hard work and graciousness have ensured that Philanthropy Australia flourished during 2002.

A handwritten signature in cursive script that reads "Elizabeth Cham".

Elizabeth Cham
National Director

Council Members

President

Lady Southey AM

Lady Southey is President of the Myer Foundation and President of St Catherine's School Foundation. A supporter and Honorary Life Member of the Australian Ballet, Life Member of the Nuffield Farming Scholars Association, and a major supporter of Birds Australia, Lady Southey was awarded an AM in 1999 for her service to the community in the support of health care, medical research and the arts. In January 2001 she was appointed Lieutenant Governor of Victoria.

Vice President

Ms Dur-e Dara OAM

Dur-e Dara is a Melbourne restaurateur, businesswoman and musician in the hospitality industry. For some 20 years she was well known as Manager and co-owner of 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 Convener 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. In 2001 she was selected as one of 150 on the Inaugural Women's Honour Roll, (a Victorian Government initiative as part of the Centenary of Federation celebrations), was named a Legend of the Melbourne Food and Wine Festival and she received the Vida Goldstein Award for excellence in her trade.

Treasurer

Professor Tom Healy

Tom Healy has held appointments at the University of Melbourne as Professor of Physical Chemistry, Dean of Science, President of the Academic Board, and Pro Vice Chancellor. He is currently Deputy Director of the Particulate Fluids Processing Centre in the Department of Chemical and Biomolecular Engineering at the University of Melbourne. In 1999, he was appointed Professor Emeritus and awarded the Wark Medal for contributions to Science and Technology. He has been a Governor of the Ian Potter Foundation since 1990.

National Director

Ms Elizabeth Cham

National Director of Philanthropy Australia since 1996, Elizabeth Cham is a member of the Prime Minister's Round table on Community and Business Partnerships, a founding member of the International Meeting of Associations Serving Grantmakers, and currently a committee member of Worldwide Initiatives for Grantmaker Support (WINGS).

Mr Ian B Allen OAM

Although he has only had two employers in 42 years, Ian's working experiences have been quite diverse and have included a wide range of activities in the electricity industry, developing and implementing an initiative to attract major energy intensive investments to Victoria, private philanthropy, property management, management training, corporate philanthropy, government relations, producing major corporate entertainment and advising on the policies and operational management of key public institutions. Since 1958 Ian's involvement in the entertainment industry has been as a musician, producer, artist manager and promoter of events. He has shared the stage with many internationally acclaimed artists. He serves on many boards of community organisations associated with education, youth and entertainment. Ian holds a Degree in Economics and a Masters Degree in Administration from Monash University. He is a Fellow of the Australian Institute of Management. In 1998 Ian was awarded an Order of Australia for services to rock-n-roll music and youth.

Mr Ben Bodna AM

Previously President of Philanthropy Australia for three years and Vice-President, Ben Bodna was Director-General of Community Welfare Services Victoria, Deputy-Secretary of the Law Department of Victoria, that state's first Public Advocate, and Former President of Unicef Australia. He is currently a trustee of the Brockhoff Foundation and Foundation Boroondara. In 1984 he received the Special Award for Community Service from VCOSS. In 1992 he was awarded an AM for community service. In 1996 the Victorian Council for Civil Liberties recognised him for 'outstanding commitment to the promotion of human rights and freedom'.

Mr Barry Capp

Barry Capp BE (Civil), BCom, BA is Chairman of National Foods Limited and Director of Westpac Banking Corporation, Australian Infrastructure Fund Limited, Melbourne University Private Limited, Hellaby Holdings Limited, and Touchcorp Limited. Mr Capp is currently Chairman of Trustees of the William Buckland Foundation, and of Trinity College at the University of Melbourne.

Ms Jan Cochrane-Harry

Ms Cochrane-Harry is Head of Philanthropic Foundations at Perpetual Trustees Australia Ltd, Australia's largest collective grantmaker. She has extensive experience in management in the community, public and private sectors and holds an MBA from Melbourne University. Ms Cochrane-Harry has held numerous honorary positions with community based groups and is a current member of the Melbourne Rotary Club and board member of the Old Treasury Reserve Melbourne.

Mr Royce R Pepin AM, MBE, KCSJ

Royce Pepin Ph.C. is the immediate past Chairman of the Board of the Greater Melbourne Foundation and the Lord Mayor's Charitable Fund. He is the Managing Partner of Pepin's Pharmacies. His international community interests and positions have included World President, Jaycees International; Chairman, Project Concern International (USA). He has been Treasurer and Chairman of Finance for United Way International (USA); Advisory Board, Multilateral Middle East Initiative (USA). Currently, Board Member, Children's Heartlink (USA). National and local involvement includes Victorian Chairman, Freedom from Hunger Campaign; President, Project Concern Australia; as well as Board Member of the Melbourne Moomba Festival and Co-Founder, Keep Australia Beautiful. Currently he is a Board Member of United Way Australia; and Chairman of Grants Committee, the Greater Melbourne Foundation and Lord Mayors Charitable Fund and serves on their Executive and Planning Committees.

Mr Peter McMullin

Peter McMullin is a Senior Consultant with HomeWilkinsonLowry Lawyers in Melbourne and a former Deputy Lord Mayor of Melbourne. He is Deputy President of the Museums Board of Victoria and chairs the Immigration Museum Advisory Committee. He is Chair of the Melbourne International Comedy Festival Board, and is a Board member with the Education Foundation, the Victorian Curriculum and Assessment Authority, the Victorian Casino and Gaming Authority, the Victorian Employers Chamber of Commerce and Industry, the Melbourne Community Foundation and Turning Point.



Executive Committee Report

Financial plan and operating results

The financial plan and budget adopted by Council at the start of the financial year envisaged another year of expansion, both in terms of the range of activities and services to members and, hence, the level of resources required. The plan and budget were achieved on the income side but costs were overrun.

A substantial proportion of this growth was funded by an increase in membership fees, due to growth in membership numbers, an increase in grants received for specific tasks, an increase in consulting fees received, and monies received for the WINGSForum hosted by Philanthropy Australia held in March 2002.

Income

Total income for the year was \$1,256,623, up \$233,496 (22.8 per cent) on last year.

Members' fees increased, (by 13.1 per cent, up from \$241,066 to \$272,654), as a consequence of an increase in members in all categories. Leading Members fees showed a decrease of \$25,000 (14.3 per cent) resulting from two leading members not renewing their commitment and one new member signing for three years.

Directory sales increased substantially, (by 94.08 per cent, up from \$56,640 to \$109,930), as a direct result of the release of the 11th edition of *'The Australian Directory of Philanthropy'* in both hard copy and online. Sales, even though substantially higher than last year, fell short of what was anticipated due to a delay in the release from January 2002 to late April 2002.

Grants brought to account during the year amounted to \$224,867, a decrease from \$279,514 (19.55 per cent). Grants received from Lady Southey, The Myer Foundation, The Charles Stewart Mott Foundation, and the Department of Family & Community Services have partially been capitalised and will be brought to account next financial year, to match expenses.

Consulting fees increased substantially, (by 45.4 per cent up from \$111,144 to \$161,600) as a direct result of the Community Support Fund tender won in late 2001. All work has been completed on this tender.

A net increase of \$176,177 or 126 per cent was recorded in all other sources of income. This resulted mainly from WINGSForum monies received for the

conference held March 2002. The WINGSForum resulted in a net loss of \$12,900 for Philanthropy Australia as a consequence of not being able to secure a major sponsor.

Expenses

Total expenses increased by \$277,827 (27.1 per cent) compared to last year. Of this \$160,393 was expected due to the employment of consultants for the WINGSForum Conference, research of the Corporate Directory, and work on the Community Support Fund. With the exception of the WINGSForum, the above costs were fully funded by grants received. The remaining \$117,434 increase from last year resulted from an increase in staff costs, increase in provision for doubtful debts and small decreases in other expenses. The increase in staff costs resulted from the introduction of Salary Packaging with Philanthropy Australia footing the fringe benefits tax bill, the employment of two new staff, pay increases, and the increase in associated employee costs.

Final operating result

The final result for 2002 was a deficit of \$43,111, compared to a surplus of \$1,220 achieved in the previous year. This was a \$73,705 decrease on the budgeted surplus of \$30,594.

Financial position and liquidity

The general Fund Account, representing accumulated members' funds, fell from \$94,811 at the end of the last financial year, to \$64,200 at year's end, through the deduction of the year's net deficit of \$30,611.

Economic dependency exists in relation to rent. Currently Philanthropy Australia has entered a rent arrangement with ANZ whereby Philanthropy Australia pays ANZ an annual lump sum of \$65,000 and ANZ generously provide a grant for the same amount. The current arrangement is for three years, due to end in August 2005. This is a major factor in enabling Philanthropy Australia to provide the current services to members.

The future

Philanthropy Australia looks forward to sustained and substantial growth over the next three years.

Statement of Financial Performance

For the year ended 31 December 2002

	Note	2002	2001
		\$	\$
Revenue from ordinary activities	2	1,256,623	1,023,127
Changes in inventories of finished goods and work in progress		(32,854)	(29,437)
Distribution costs		(4,293)	(4,450)
Employee and salary costs		(528,711)	(413,704)
Depreciation and amortisation expense		(37,647)	(52,146)
Consultants costs		(368,394)	(208,001)
Membership services		(26,524)	(28,662)
Promotion		(12,189)	(15,880)
Remuneration of auditor		(3,000)	(3,000)
Travel		(79,002)	(74,880)
Bad/doubtful debts		(37,907)	(128)
Premise expenses		(72,829)	(93,766)
Other expenses from ordinary activities		(96,384)	(97,853)
		(1,299,734)	(1,021,907)
Surplus/(deficit) from ordinary activities before income tax expense	8	(43,111)	1,220
Income tax expense relating to ordinary activities	1	-	-
Net surplus/(deficit) from ordinary activities after income tax expense attributable to the association	8	(43,111)	1,220
Total changes in equity of the association		(43,111)	1,220

Notes to the statement of financial performance are at pages 12 to 17.

Statement of Financial Position

As at 31 December 2002

	Note	2002	2001
		\$	\$
Current Assets			
Cash assets	3	334,845	228,145
Receivables	4	174,908	221,808
Inventory		7,650	12,265
Prepayments		8,016	3,988
		525,419	466,206
Non-Current Assets			
Furniture and equipment	5	24,068	47,560
		24,068	47,560
Total Assets		549,487	513,766
Current Liabilities			
Payables	6	167,413	210,77
Subscriptions received in advance:			
Members		115,213	58,339
Journal		-	501
Grants and other income received in advance		176,200	117,854
Provisions	7	38,961	31,490
Total Liabilities		497,787	418,955
Net Assets		51,700	94,811
Equity			
Retained surplus	8	51,700	94,811
Total Equity		51,700	94,811

Notes to the statement of financial position are at pages 12 to 17.

Statement of Cash Flows

For the year ended 31 December 2002

	Note	2002	2001
		\$	\$
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities:			
Receipts from members		479,533	432,367
Receipt from sales of publications		689,583	120,517
Grants received		218,532	141,018
Interest received		14,368	11,933
Payments to suppliers and employees		(1,281,161)	(776,129)
Net cash provided by operating activities	13b	120,855	(70,294)
Cash flows from investing activities:			
Purchase of office equipment		(14,155)	(28,707)
Net cash used in financing activities		(14,155)	(28,707)
Net increase in cash held		106,700	(99,001)
Cash at the beginning of the year		228,145	327,146
Cash at the end of the year	13a	334,845	228,145

Notes to the statement of cash flows are at pages 12 to 17.

Notes to the Financial Statements

For the year ended 31 December 2002

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 Victoria. The financial report is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets. 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 believes it is income tax exempt. The association has an application pending with the Australian Taxation Office for endorsement as an Income Tax Exempt Charity (ITEC).

(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) Furniture and equipment

The depreciation rates amount of all furniture and equipment are 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>
Furniture and fixtures:	33 per cent
Office equipment:	33 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.

The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amounts.

Notes to the Financial Statements continued

For the year ended 31 December 2002

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Leases

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

(f) Employee entitlements

Provision is made for the company'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 their nominal rate. 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.

Contributions are made by the association to an employee superannuation fund and are charged as expenses when incurred.

(g) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at banks, on deposit, and bank bills.

Notes to the Financial Statements continued

For the year ended 31 December 2002

	2002	2001
	\$	\$
2. REVENUE		
Leading members fees	150,000	175,000
Full members fees	222,570	194,618
Associate members fees	50,084	46,448
Resource centre subscriptions	25,291	28,582
Workshop fees	21,607	19,976
Publication sales	123,468	74,264
Journal subscriptions	6,614	5,872
Grants	224,867	279,514
Consulting fees	161,600	111,144
Other	270,522	87,709
	1,256,623	1,023,127

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

3. CASH ASSETS

Cash on hand	294	350
Cash at bank	91,488	30,150
Cash on deposit	158,096	112,946
Bank bills	84,967	84,699
	334,845	228,145

4. RECEIVABLES

Trade debtors	112,743	117,184
Sundry debtors	87,365	104,824
Provision for doubtful debts	(25,200)	(200)
	174,908	221,808

5. FURNITURES AND EQUIPMENTS

	Office furniture	Office equipment	Total
	\$	\$	
Gross carrying amount			
Balance at 31 December 2001	78,502	53,480	131,982
Additions	-	14,155	14,155
Disposals	(65,358)	-	(65,358)
Balance at 31 December 2002	13,144	67,635	80,779
Accumulated depreciation			
Balance at 31 December 2001	(54,785)	(29,637)	(84,422)
Depreciation expense	(20,422)	(17,225)	(37,647)
Disposals	65,358	-	65,358
Balance at 31 December 2002	(9,849)	(46,862)	(56,711)
Net book value			
As at 31 December 2001	23,717	23,843	47,560
As at 31 December 2002	3,295	20,773	24,068

Notes to the Financial Statements continued

For the year ended 31 December 2002

	2002	2001
	\$	\$
6. PAYABLES		
Creditors	23,833	13,883
Accruals	95,734	190,502
Others	47,846	6,386
	167,413	210,771
7. PROVISIONS		
Provision for annual leave	22,791	16,780
Provision for long service leave	16,170	14,710
	38,961	31,490
8. RETAINED SURPLUS		
Retained surplus/(deficit) at the beginning of financial year	94,811	93,591
Net surplus/(deficit) attributable to the association	(43,111)	1,220
Retained surplus/(deficit) at the end of financial year	51,700	94,811
9. LEASING COMMITMENTS		
Operating lease commitments		
Being for rent of office		
Payable:		
Not later than one year	86,667	43,330
Later than one year but not later than five years	108,333	-
Later than five years		
	195,000	43,330

10. EVENTS SUBSEQUENT TO REPORTING DATE

Nil.

11. RELATED PARTIES

The following persons held office as councillors of the state Executive Committee for 12 month period ending 31 December 2002.

Lady Southey AM	Mr Ian Allen OAM
Ms Dur-e Dara OAM	Ms Jan Cochrane-Harry
Prof Tom Healy	Mr Peter McMullin
Ms Elizabeth Cham	Mr Tim Duncan (resigned April 2002)
Mr Barry Capp	Mr Ben Bodna AM
Mr Royce Pepin AM MBE KCSJ	

Remuneration of councillors

Income bands	No.	\$
\$0 - \$10,000	10	-
\$80,000 - \$90,000	1	88,000
Total	11	88,000

Other related party transactions

No payments were received by Councillors or their related parties for services provided to the association for the 12 months ended 31 December 2002. No amounts are owed to or by these related parties as at 31 December 2002.

A grant of \$100,000 was received from Lady Southey in 2001 for researching of the Corporate Directory. Income was earned in 2002 in grants income.

Notes to the Financial Statements continued

For the year ended 31 December 2002

	2002	2001
	\$	\$

12. SEGMENT REPORTING

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

13. 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:

Cash on hand	294	350
Cash at bank	91,488	30,150
Bank bills	84,967	84,699
Term deposit	158,096	112,946
	<u>334,845</u>	<u>228,145</u>

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

Operating surplus/(deficit)	(43,111)	1,220
Depreciation	37,647	52,145
Decrease (increase) in receivables	46,900	(211,101)
Decrease (increase) in inventory	4,615	4,198
Decrease (increase) in prepayments	(4,028)	1,960
Increase (decrease) in accounts payable	(43,358)	114,975
Increase (decrease) in advance membership fees	56,874	16,301
Increase (decrease) in advance journal subscriptions	(501)	501
Increase (decrease) in unearned income	58,346	(51,507)
Increase (decrease) in provision for employee entitlements	7,471	1,014
	<u>120,855</u>	<u>(70,294)</u>

(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 2002

14. 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			
	2002	2001	2002	2001	Within one year		One to five years	
	2002	2001	2002	2001	2002	2001	2002	2001
Financial assets	%	%	\$	\$	\$	\$	\$	\$
Cash	3.69	3.04	249,585	143,096	-	-	-	-
Short term deposits	-	-	-	-	-	-	-	-
Bank bills	4.50	4.20	-	-	84,967	84,699	-	-
Debtors	0.00	0.00	199,908	221,808	-	-	-	-
Total financial assets			449,493	364,904	84,967	84,699	-	-
Financial liabilities								
Creditors	0.00	0.00	167,413	210,771	-	-	-	-
Income in advance	0.00	0.00	291,413	176,694	-	-	-	-
Total financial liabilities			458,826	387,465	-	-	-	-

(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 council the financial report as set out on pages 9 to 17:

1. Presents fairly the financial position of Philanthropy Australia Inc. as at 31 December 2002 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:



Lady Southey AM
President



Professor Tom Healy
Treasurer

Melbourne
Dated this 11th day of March 2003

**McINNES, GRAHAM
& GIBBS**
CHARTERED ACCOUNTANTS

JOHN L.C. McINNES
JEFFREY E. GRAHAM
DAVID I. GIBBS
MICHAEL J. HUNTINGTON
DAVID J. REID
SIMON C. TRIVETT

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PHILANTHROPY AUSTRALIA INC

Scope

We have audited the financial report of Philanthropy Australia Inc. for the year ended 31 December 2002 comprising the Statement by Members of the Council, Statement of Financial Position, Statement of Financial Performance, the Statement of Cash Flows and the Notes to the Financial Statements. The Council is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the association's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly 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 2002 and the results of its operations and its cash flows for the year then ended.

McInnes Graham & Gibbs
Chartered Accountants

D I Gibbs
Partner

// March 2003

Members List

Council

President:	Lady Southey AM (The Myer Foundation)
Vice President:	Ms Dur-e Dara OAM (Victorian Women's Trust)
Hon. Treasurer:	Prof Tom Healy (The Ian Potter Foundation)
National Director:	Ms Elizabeth Cham (Philanthropy Australia)
Council Member:	Mr Ian B Allen OAM (The Pratt Foundation)
Council Member:	Mr Ben Bodna AM (The Jack Brockhoff Foundation)
Council Member:	Mr Barry Capp (The William Buckland Foundation)
Council Member:	Ms Jan Cochrane-Harry (Perpetual Trustees Australia)
Council Member:	Mr Peter McMullin (Melbourne Community Foundation)
Council Member:	Mr Royce Pepin AM MBE KCSJ (Greater Melbourne Foundation)

Leading Members

The Atlantic Philanthropies
CEPA
The Ian Potter Foundation
The Jack Brockhoff Foundation
The Myer Foundation
The William Buckland Foundation

Life Members

Ben Bodna AM
Patricia Feilman AM
The Stegley Foundation

Full Members

The A L Lane Foundation
Alexander Wright Wales Memorial Scholarship
The Alfred Felton Bequest
Alfred Thomas Bellord Charitable Trust
AMP Foundation Limited
Mr A Angelatos
The Andrews Foundation
ANZ Executors & Trustee Company Limited
ANZ Foundation
ANZ Staff Foundation
Australia Foundation
Australia Post
Australia Business Arts Foundation
Australian Sports Foundation
AXA Australia
David & Sandra Bardas
B B Hutchings Bequest
Besen Family Foundation
BHP Billiton Community Trust
Bill & Jean Henson Trust
The Body Shop
Bokhara Foundation

Brencorp Foundation
BT Financial Group
CAF Australia
The Caledonia Foundation
The Calvert-Jones Foundation
Carleton Family Charitable Trust
The CASS Foundation
CEPA Trust
The Charles Bateman Charitable Trust
Ian & Nelleke Clark
Colonial Foundation Limited
The Dafydd Lewis Trust
The Danks Trust
Diana Elizabeth Browne Trust
Dymocks Literacy Foundation
Education Foundation
E B Myer Charitable Trust
Enid Irwin Charitable Trust
The Ern Hartley Foundation
Ernest Lonsdale Brown Trust
ESSO Australia Pty Ltd & Mobil Oil Pty Ltd
Ethel Herman Charitable Trust
The Feilman Foundation
The Flora & Frank Leith Charitable Trust
The Fogarty Foundation
Foundation for Rural & Regional Renewal
The Foundation for Young Australians
Malcom & Monika Freake
Freehills
The GM & EJ Jones Foundation
Geoffrey Gardiner Dairy Foundation Limited
George Alexander Foundation
GrainCorp Foundation
Greater Melbourne Foundation
The Grosvenor Settlement
The Gualtiero Vaccari Foundation
H V McKay Charitable Trust
Geoff & Helen Handbury
Harold Edward Corbould Charitable Trust
The Helen Lempriere Bequest
Helen Macpherson Smith Trust
The Hugh Williamson Foundation
The Ian Potter Foundation
The Invergowrie Foundation
J B Were Foundation
J C Pascoe Memorial Charitable Trust
The Jack & Robert Smorgon Families Foundation
The Jack Brockhoff Foundation
James Simpson Love Charitable Trust
JLF Group of Companies
John William Fleming Charitable Trust
Kingston Sedgfield (Australia) Charitable Trust
Law & Justice Foundation of NSW
Lawrence George & Jean Elsie Brown Charitable Trust Fund
Ledger Charitable Trust
LEW Carty Charitable Fund
The Lion Fund
Lotteries Commission of WA
Macquarie Bank Limited
Margaret Augusta Farrell Charitable Trust
Melbourne Community Foundation

Melbourne Newsboys Club Foundation
 Mercy Foundation Ltd
 The Miller Foundation Ltd
 The Myer Foundation
 Myer Grace Bros Community Fund
 National Foods Limited
 National Foundation for Australian Women
 Nelson Meers Foundation
 Norman H Johns Charitable Trust
 The Norman Wettenhall Foundation
 NRMA Foundation
 Patrick Brennan Trust
 Paul Edward Dehnert Trust
 The Percy Baxter Charitable Trust
 The Perpetual Foundation
 Perpetual Trustees Australia Ltd
 Pethard Tarax Charitable Trust
 Philip Morris Ltd
 Pierce Armstrong Foundation
 The Pratt Foundation
 PricewaterhouseCoopers Foundation
 Queensland Community Foundation
 RAC of WA
 RACV Foundation
 The R E Ross Trust
 Ray & Joyce Uebergang Foundation
 Bruce & Ruth Redpath
 The Reichstein Foundation
 Rio Tinto Services Ltd
 RMIT Foundation
 Ronald Geoffrey Arnott Foundation
 Ronald McDonald House Charities
 Rothwell Wildlife Preservation Trust
 Sony Foundation Australia
 SoundHouse Music Alliance
 Fleur Spitzer
 The Shell Foundation Australia
 The Sir Albert Sakzewski Foundation
 The Stan Perron Charitable Trust
 The Stan Willis Trust
 State Trustees Limited
 Brian Stegley
 Sunshine Foundation
 Tasmanian Community Fund
 Telematics Course Development Fund
 Telstra Foundation
 The Thomas Foundation
 Tibetan & Hindu Dharma Trust
 Trust for Nature Foundation
 United Grand Lodge of NSW & ACT
 VicHealth
 Victorian Medical Benevolent Association Inc
 Victorian Women's Trust
 Westpac Foundation
 The William Buckland Foundation
 William Paxton Charitable Fund

Associate Members

AAMI
 Alannah & Madeline Foundation
 The Alfred Foundation
 Austin & Repatriation Medical Centre

Australian Rotary Health Research Fund
 The Benevolent Society
 Bluearth Institute
 The Bobby Goldsmith Foundation
 Cancer Council of Victoria
 Carnbrea & Co Limited
 Central Queensland University Foundation
 City of Boroondara
 Clem Jones Group
 Foundation for Development Cooperation
 The Gandel Charitable Trust
 Garvan Reserach Foundation
 The Hammond Care Group
 Heart Research Centre
 Heart Research Institute
 HSBC Asset Management Australia Ltd
 Inspire Foundation
 The Leukaemia Foundation of Australia
 Leukaemia Foundation of Queensland
 Mission Australia
 Monash Institute of Reproduction and Development
 Monash University
 Museum of Contemporary Art
 National Heart Foundation of Australia
 The Northcott Society
 Peter MacCallum Cancer Foundation
 Prime Minister's Community Business Partnership
 The Queen Elizabeth Hospital Research Foundation
 Royal Australasian College of Surgeons
 Royal Blind Society
 Royal Botanic Gardens Melbourne
 Rusden Foundation
 Sabemo Trust
 St James Ethics Centre
 St. George Foundation
 The Smith Family
 Southern Health
 The State Library of NSW
 The State Library of Victoria Foundation
 Tabcorp Holdings Ltd
 UNICEF Australia
 United Way Australia Ltd
 The University of Melbourne – Alumni Office
 The University of Western Australia
 University of South Australia Foundation Inc
 University of Tasmania Foundation
 Victorian Endowment for Science, Knowledge
 & Innovation
 Victorian Schools Innovation Commission
 Vision Australia Foundation

Affiliate Members

Asia-Pacific Centre for Philanthropy and Social
 Investment
 Catherine Brown & Associates

International Members

Himalaya Foundation

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Sir Gustav Nossal AC CBE