

**Earthwatch Institute**

**ACN 001 967 979**

**Financial report  
for the financial year ended 30 September 2020**

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## Directors' Report

The Directors present their report together with the financial report of Earthwatch Institute for the year ended 30 September 2020 and the auditors' report thereon.

### Directors

The Directors of the company at any time during or since the financial year and their attendance at the Board meetings during the 2020 financial year are:

Name	Particulars	FY2020 Board Meetings Attended
Mathew Nelson (Interim Chair) (Non-executive)	BEng Mechanical, University of Melbourne MA Environment, University of Melbourne Global Climate Change and Sustainability Services Leader, EY  <i>Appointed: 1 August 2016</i> <i>Appointed Interim Chair: 5 September 2019</i> <i>Appointed Chair: 22 November, 2020</i>	4/4
Megan Flynn (Chair) (Non-executive)	BCom/LLB (Australian National University) Executive Director at Pollination Former Director, Sustainability Victoria Former Director, Carbon Market Institute Member, Advisory Board of the Melbourne Sustainable Society Institute, University of Melbourne  <i>Appointed Director: 13 March 2014</i> <i>Appointed Chair: 8 March 2018</i> <i>Maternity Leave from: 4 September 2019</i> <i>Resigned from Board: 22 November 2020</i>	0/4
Andrew Thompson (Non-executive)	MBA, The University of Western Australia BSc, The University of Western Australia Principal and CEO, Kilara Energy  <i>Appointed: 14 February 2020</i>	4/4
Nuvan Aranwela (Non-executive)	PhD Science Monash University Former Head of Client Services, Red Planet Former Head of Innovation, Qantas Loyalty Former CEO, Shoptize Former Chief Technology and Strategy Officer, Wishlist  <i>Appointed: 23 February 2018</i>	4/4

Name	Particulars	FY2020 Board Meetings Attended
Peter Cochrane (Non-executive)	<p>BSc ANU MPublic Policy ANU Australian Institute of Company Director's course Director, Ecotourism Australia Director, Tangaroa Blue Foundation Chair and Director, Blue Mountains World Heritage Institute Chair, Australian Tropical Herbarium Councillor, International Union for Conservation of Nature Chair, NESP Marine Biodiversity Hub</p> <p><i>Appointed: 30 May 2017</i></p>	4/4
Shamal Dass (Non-executive)	<p>GrDip Financial Planning, Superannuation, Investment Planning, Taxation Securities Institute of Australia BSc Hons Economics University of Sydney Head of Philanthropic Service &amp; Executive Director, JBWere Director &amp; Treasurer, Arts Health Institute</p> <p><i>Appointed: 4 June 2018</i></p>	4/4
Aaron Organ (Non-executive)	<p>BAppSci, Natural Resource Management (Deakin University) Associate Diploma, Natural Resource Management, Chisholm TAFE MASocSci, Enviro, Planning, RMIT University EnviroDevelopment Advisory Board Member, Urban Development Institute of Australia (Victoria) Director, Ecology and Heritage Partners Pty Ltd</p> <p><i>Appointed: 01 March 2016</i></p>	4/4
Chris Schulz (Non-executive)	<p>BComm/LLB (University of Melbourne) Partner, Allens Linklaters</p> <p><i>Appointed: 21 January 2011</i></p>	1/4
Professor Ian Woodrow (Non-executive)	<p>BSc Hons. (University of Melbourne) PhD (University of Sheffield, UK) Professor, School of Biosciences (The University of Melbourne) Member, Maud Gibson Trust Board Member, Royal Botanic Gardens, Australian Research Centre for Urban Ecology Board of Management</p> <p><i>Appointed: 12 December 2013</i></p>	2/4

Name	Particulars	FY2020 Board Meetings Attended
Emily Gerrard (Non-executive)	L.L.B Law, Sci (Honours) Admitted to Supreme Court of Victoria and High Court of Australia Member, Melbourne Sustainable Institute Advisory Board Member Carbon Market Institute Board Member Australian Sustainability Finance Initiative Member Law Institute of Victoria’s Environmental Issues Committee Director and Principal Lawyer at Comhar Group Pty Limited  <i>Appointed: 2 September 2019</i>	3/4

### Directors’ and key management personnel remuneration

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors and key management personnel of the company, directly or indirectly, by the company or by any related party was \$288,824. (2019: \$251,053). Remuneration of Directors is included as part of Note 10 ‘Program Expenses’. Non-executive directors receive no remuneration.

### Domicile, legal form and registered address

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

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

### Principal activity

The company’s principal activity during the course of the financial year was to support scientific field research and education, and the promotion of understanding and action needed for sustainable development. During the financial year there was a significant change in the nature of those activities. This primarily due to the Covid-19 virus that put a halt on any form of travel for our scientists and our retail and corporate volunteers. Many trips were postponed and costs were adjusted accordingly in the board approved budget.

## **Review and results of operations**

The Board is pleased to present the positive financial result this year. The company's Statement of Profit or Loss and Other Comprehensive Income shows a net profit attributable to members of \$138,968 compared with a net profit of \$33,077 in 2019. The outbreak of the COVID-19 pandemic and the measures adopted by The Australian Government to mitigate the pandemic's spread have significantly impacted the company's bottom line. These measures required the Company to close domestic and international expeditions and activities for an unknown amount of time. Of the overall net income for the year ended 30 September 2020, \$251,000 of this is attributed to Government Grants including the Federal Government Cash Stimulus, JobKeeper, and other grants which were applied for throughout the year.

## **Changes in state of affairs**

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

## **Events subsequent to reporting date**

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. Earthwatch continues to mitigate the risk of COVID to the business.

International expeditions are continuing to be cancelled in FY21, and as a result, Earthwatch Australia has not forecast income from International Expedition Sales for FY21.

Whilst COVID-19 has had a significant impact on the operations, this is being managed by reduction in costs given that expeditions are not being run and reductions in overhead costs. In addition there is significant support from Corporate and Retail funders and the Directors do not foresee any material impact on going concern as a result of COVID-19.

Beyond the impacts of COVID-19, there have been no items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of these operations, or the state of affairs of the company, in future financial years.

## **Environmental regulation**

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

### Indemnification of officers and auditors

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

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

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

We do not disclose Insurance premiums paid under the terms of our Director policies.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



**MATHEW NELSON**  
Chair



**FIONA SUTTON WILSON**  
Interim Chief Executive Officer

Melbourne, Victoria

Date:

12 March 2021

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2020

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
Revenue from ordinary activities	2	1,933,079	2,115,916
Interest income		6,622	15,513
		<u>1,939,701</u>	<u>2,131,429</u>
Field research support		(174,350)	(272,302)
Program expenses	10	(1,282,664)	(1,423,663)
Fellowship and corporate engagement expenses		(6,484)	(4,790)
Executive and international coordination		(45,212)	(5,646)
Other expenses from ordinary activities		(292,023)	(391,951)
		<u>(1,800,733)</u>	<u>(2,098,352)</u>
<b>Total expenses</b>		<b>(1,800,733)</b>	<b>(2,098,352)</b>
Profit for the year		138,968	33,077
Other comprehensive income		-	-
		<u>138,968</u>	<u>33,077</u>
<b>Total Profit and other comprehensive income</b>		<b>138,968</b>	<b>33,077</b>

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.



## Statement of Financial Position at 30 September 2020

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
<b>Assets</b>			
Cash and cash equivalents	4	1,414,931	689,037
Investments	5	1,220,000	920,000
Trade receivable	6	40,033	244,772
Other current asset		18,970	19,306
<b>Total current assets</b>		<u>2,693,934</u>	<u>1,873,115</u>
Plant and equipment	7	35,967	24,415
<b>Total non-current asset</b>		<u>35,967</u>	<u>24,415</u>
<b>Total assets</b>		<u>2,729,901</u>	<u>1,897,530</u>
<b>Liabilities</b>			
Trade and other payables	8	123,164	146,167
Provisions	9	112,361	83,942
Deferred income	11	1,957,419	1,273,419
<b>Total current liabilities</b>		<u>2,192,944</u>	<u>1,503,528</u>
Provision	9	8,848	4,861
<b>Total non-current liability</b>		<u>8,848</u>	<u>4,861</u>
<b>Total liabilities</b>		<u>2,201,792</u>	<u>1,508,389</u>
<b>Net assets</b>		<u>528,109</u>	<u>389,141</u>
<b>Members' funds</b>			
Reserves & development funds	16	389,141	356,064
Current year earnings		138,968	33,077
<b>Total Members' funds</b>		<u>528,109</u>	<u>389,141</u>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

## Statement of Changes in Equity for the year ended 30 September 2020

	<u>Note</u>	<u>Funds in</u> <u>Reserve</u> \$	<u>Total</u> \$
Balance at 30 September 2018		356,064	356,064
Profit for 2019 year		33,077	33,077
<b>Total loss and other comprehensive income for the year</b>		33,077	33,077
Balance at 30 September 2019	16	389,141	389,141
Profit for the year		138,968	138,968
<b>Total Profit and other comprehensive income for the year</b>		138,968	138,968
Balance at 30 September 2020		528,109	528,109

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

## Statement of Cash Flows for the year ended 30 September 2020

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		2,821,562	2,301,373
Cash payments in the course of operations		(1,781,724)	(2,215,208)
Interest received		6,622	15,513
		<hr/>	<hr/>
Net cash provided by operating activities	14(b)	1,046,717	101,678
<b>Cash flows from investing activities</b>			
Receipts from/(Investment) in term deposits		(320,823)	(500,000)
Payments for plant & equipment		-	-
		<hr/>	<hr/>
Net cash provided by investing activities		(320,823)	(500,000)
<b>Net increase in cash held</b>		725,894	(398,322)
Cash at beginning of financial year		689,037	1,087,359
		<hr/>	<hr/>
<b>Cash at end of the financial year</b>	14(a)	<u>1,414,931</u>	<u>689,037</u>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

## Notes to the Financial Statements

### Significant Accounting Policies

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

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

#### (a) Basis of Preparation

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

The financial statements were authorised for issue by the Board of Directors on 12 March, 2021.

#### Historical cost convention

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

#### Functional and presentation currency

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

#### Significant accounting judgments, estimates and assumptions

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

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

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

**(a) Basis of Preparation (continued)**

**Changes in Accounting Policy**

**(i) AASB 15 and AASB 1058**

The company has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not for Profit Entities for the first time in the current year with a date of initial application of 1 October 2019.

The key changes to the company's accounting policies and the impact on the financial report from applying AASB 15 and AASB 1058 are described below.

The company has applied AASB 15 and AASB 1058 using the modified retrospective (cumulative catch-up) method which means the comparative information has not been restated and continues to be reported under AASB 118 Revenue and AASB 1004 Contributions. All adjustments on adoption of AASB 15 and AASB 1058 have been taken to accumulated funds at 1 October 2019. There is no material impact.

The following practical expedients have been applied on transition to AASB 15 and AASB. For contracts modified prior to 1 October 2019, the company has elected not to restate the contract for the modifications and has instead reflected the aggregate effect of all modifications that occur before the transition date on 1 October 2019.

The following changes to accounting policy occurred for Earthwatch on adoption of AASB 15 and AASB 1058.

**Fielded volunteer contributions**

Under AASB 1004, Revenue are recognised at the time of the departure of the expedition. Under AASB 15 where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the expedition is completed, which has resulted in deferral of income.

**Supporter donations and subscriptions**

Under AASB 1004, supporter donations and subscriptions were recorded as revenue when the right to receive the cash is established and subscriptions are recognised as it accrues.

Under AASB 1058, supporter donations and subscriptions revenue is recognised on receipt.

**Program support income**

Under AASB 1004, revenue is recognised when the attached conditions are satisfied. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligation, the revenue is either recognised over time as the work is performed or recognised at the point in time that the performance obligations are fulfilled.

(a) **Basis of Preparation (continued)**

**Changes in Accounting Policy (continued)**

**AASB 15 and AASB 1058 (continued)**

**Government Grant income**

Under AASB 1004, revenue is recognised when the attached conditions are satisfied and upon receipt.

Under AASB 1058, the revenue is recognised on receipt if an agreement does not contain specific performance obligation. Whilst under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligation, the revenue is either recognised over time as the work is performed or recognised at the point in time that the performance obligation is fulfilled.

Having reviewed the government grants received, there are some which fall into AASB 1058 such as JobKeeper, Federal Government Cash Stimulus and others contract grants which fall into AASB 15 which has resulted in deferral of revenue.

**'In-kind' income**

Under AASB 1004, 'In-kind' income was recognised as revenue on receipt. There are no changes on revenue recognition under AASB 1058.

**Other Income**

Other income relates to events sponsorships during the year which were not anticipated. It is recognised when the sponsorship is received, this is inline with AASB 1058.

**Comparison of financial report line items under AASB 15 compared to previous standards for the current year**

The impact of adopting AASB 15 and AASB 1058 on the company's financial report for the year ended 30 September 2020 are as follows:

	<b>2020</b>
	<b>\$</b>
<b>Revenue from contracts with customers AASB 15</b>	
Program support income	922,920
Fielded volunteer contributions	306,274
Government Grants - Contracts	208,137
	<b><u>1,437,331</u></b>
<b>Revenue under AASB 1058</b>	
Supporter donations and subscriptions	80,381
'In-kind' income	55,907
Government Grants	278,000
Other income	81,460
	<b><u>495,748</u></b>

**(a) Basis of Preparation (*continued*)**

**Changes in Accounting Policy (*continued*)**

**(ii) AASB 16 Leases**

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the lessee or remained with the lessor. Under AASB 16, there is no difference between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except where an exemption election is used).

The implementation of AASB 16 Leases has no impact on Earthwatch Institute as the company has elected for the exemption that the leases are of short-term nature and low value.

**(b) Recognition of Revenue**

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

***Fielded Volunteer Contributions***

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

Revenue from these activities is recognised either over time as the work is performed or recognised at the point in time that the expedition is completed, which has resulted in deferral of income.

***Supporter Donations and subscriptions***

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

***Interest***

Interest revenue is recognised as it accrues.

***Program Support Income***

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

If an agreement is enforceable and contains sufficiently specific performance obligation, recognition of the grant as revenue is either at point in time upon receipt or over time which is deferred until those performance obligations are satisfied. The grant is recognised as a liability and then recognised as revenue when the performance obligation is fulfilled.

**(b) Recognition of Revenue (*continued*)**

***Government Grant Income***

The company receives grants from various government departments by undertaking governmental projects and receives business relief grants as a result of COVID-19.

In relation to governmental projects, if an agreement is enforceable and contains sufficiently specific performance obligation, recognition of the grant as revenue is either at point in time upon receipt or over time which is deferred until the performance obligation is satisfied.

COVID-19 relief grants such as JobKeeper, Federal Government Cash Stimulus are recognised in the statement of profit or loss and other comprehensive income upon receipt.

***'In kind' Income***

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

**(c) Income Tax**

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

**(d) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of the expenses.

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

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

**(e) Plant & Equipment**

***Acquisition***

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



**(e) Plant & Equipment (continued)**

***Depreciation***

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

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

	<b>Depreciation Rate</b>	<b>Depreciation Methods</b>
• Furniture & Equipment	10% - 100%	Diminishing value
• Computer Equipment	20% - 100%	Diminishing value

**(f) Employee Entitlements**

***Annual Leave***

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

***Long Service Leave***

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

***Superannuation***

Contributions to employee superannuation funds are expensed when incurred.

**(g) Receivables**

Trade receivables are recorded at amounts due less any expected credit loss.

**(h) Payables**

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

**(i) Cash and cash equivalents**

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

**(j) Investments**

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

**(k) Related Party Transactions**

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

In the 2020 financial year, the Earthwatch Institute has transacted with Earthwatch US, and the Conservation Education and Research Trust (Earthwatch UK).

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

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Earthwatch UK	(23,148)	(23,772)
Earthwatch US	(75,875)	(85,697)
	<u>(99,023)</u>	<u>(109,469)</u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Earthwatch UK	-	-
Earthwatch US	3,589	19,585
	<u>3,589</u>	<u>19,585</u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Earthwatch US</b>	72,906	69,627
	<u>72,906</u>	<u>69,627</u>

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>2 Revenue from ordinary activities</b>		
Fielded volunteer contributions	306,274	552,040
Supporter donations and subscriptions	80,381	120,863
Program support income	922,920	1,208,969
'In-kind' income	55,907	72,809
Government Grants	486,137	153,245
Other income	81,460	7,990
	<u>1,933,079</u>	<u>2,115,916</u>

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>3 Auditor's remuneration</b>		
Auditors of the company KPMG Australia		
- Audit and review of the financial report	47,800	45,000
	<u>47,800</u>	<u>45,000</u>

In 2020, KPMG offered audit services to Earthwatch as a part of their Honorary Work policy. These audit services amounting to \$47,800 (2019: \$45,000) are recognised as 'In-Kind' income.

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>4 Cash and cash equivalents</b>		
Cash at bank and on hand	1,257,725	652,747
Research Fund-Cash at Bank	126,020	5,128
Volunteers Funds in trust	31,186	31,162
	<u>1,414,931</u>	<u>689,037</u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>5 Investments</b>		
Bank Term Deposits	1,220,000	920,000
	<u>1,220,000</u>	<u>920,000</u>

These cash investments are held within Australian Banks. The term deposits as at 30 September 2020 were earning interest rates of between 0.50% per annum and 0.70% per annum. At 30 September 2020 the average time to maturity was 90 days. These term deposits are classified as investments as the deposits cannot be immediately accessed and quickly converted to cash by Earthwatch at any point without foregoing accrued interest.

		<u>2020</u>	<u>2019</u>
		\$	\$
<b>6</b>	<b>Trade receivable</b>		
	Trade debtors	36,699	225,161
	Related party receivables	3,589	19,585
	Other Debtors	(255)	26
		<u>40,033</u>	<u>244,772</u>
		<u>2020</u>	<u>2019</u>
		\$	\$
<b>7</b>	<b>Plant and equipment</b>		
	Furniture & Equipment	99,893	95,670
	Accumulated depreciation	(80,037)	(74,067)
		<u>19,856</u>	<u>21,603</u>
	Computer Equipment	173,693	157,093
	Accumulated depreciation	(157,582)	(154,281)
		<u>16,111</u>	<u>2,812</u>
		<u>35,967</u>	<u>24,415</u>
	Carrying amount at beginning of year	24,415	33,584
	Additions	20,823	-
	Disposals	-	-
	Depreciation	(9,271)	(9,169)
		<u>35,967</u>	<u>24,415</u>
<b>8</b>	<b>Trade and other payables</b>		
	Trade payables	8,853	9,554
	Related party payables	99,023	109,469
	Other payables and accruals	15,288	27,144
		<u>123,164</u>	<u>146,167</u>

9 Provisions	<u>2020</u>	<u>2019</u>
	\$	\$
<i>Current</i>		
Annual leave		
Opening	46,092	48,199
Additions	84,522	47,953
Paid	(60,465)	(50,060)
Closing	<u>70,149</u>	<u>46,092</u>
Long service leave		
Opening	37,850	39,452
Additions	8,064	2,931
Paid	(3,702)	(4,533)
Closing	<u>42,212</u>	<u>37,850</u>
	<u>112,361</u>	<u>83,942</u>
<i>Non current</i>		
Long service leave		
Opening	4,861	4,121
Additions	3,987	740
Paid	-	-
Closing	<u>8,848</u>	<u>4,861</u>

**10 Program expenses** 2020 2019  
\$ \$

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

Salaries and wages	930,201	749,721
Superannuation	96,932	62,697
	1,027,133	812,418
 All other program expenses	 255,531	 611,245
	1,282,664	1,435,663

**11 Deferred income** 2020 2019  
\$ \$

Expedition deposits received in advance	35,434	88,111
Grants received under obligation	1,921,985	1,185,308
	1,957,419	1,273,419

**12 Members guarantee**

The company is limited by guarantee. If the company is wound up, the articles of association state that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the company. Each member holds one voting right. At 30 September 2020 the number of members was 63 (2019: 63).

**13 Commitments for expenditure**

Non-cancellable operating lease expense commitments not provided for in the financial statements and payable:	<u>2020</u>	<u>2019</u>
	\$	\$
Not later than one year	3,705	10,860
Later than one year but not later than five years	0	5,733
	3,705	16,593

Non-cancellable operating lease expense commitments relate to the rental of the business premises and the total expense for the year was \$38,919 (2019: \$42,347).

## 14 Notes to the cash flow statement

### (a) Reconciliation of cash

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

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

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
Cash and cash equivalents	4	<u>1,414,931</u>	<u>689,037</u>

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

Operating surplus/(deficit)	138,968	33,077
Add non-cash item:		
Depreciation	9,271	9,169
Changes in net assets and liabilities:		
Decrease / (increase) in trade receivables	204,739	(164,981)
Decrease in other current assets	336	5,303
(Decrease) in trade and other payables	(23,003)	(128,359)
Increase in deferred income	684,001	350,438
Increase/ (decrease) in provisions	<u>32,406</u>	<u>(2,969)</u>
Net cash provided by operating activities	<u>1,046,717</u>	<u>101,678</u>

## 15 Financial instruments

### (a) Interest Rate Risk

The following details the company's exposure to interest rate risk as at 30 September 2020:

	Note	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in:			Non-interest bearing \$	Total \$
				1 year or less \$	1 to 5 years \$	More than 5 years \$		
<b>2019</b>								
<b>Financial assets</b>								
<i>Cash and cash equivalents</i>	4	0.49%	652,747	-	-	-	36,290	689,037
<i>Investments</i>	5	1.33%	-	920,000	-	-	-	920,000
<i>Trade Receivable</i>	6	-	-	-	-	-	244,772	244,772
			652,747	920,000	-	-	281,062	1,853,809
<b>Financial liabilities</b>								
<i>Trade and other Payables</i>	8	-	-	-	-	-	146,167	146,167
			-	-	-	-	146,167	146,165
<b>2020</b>								
<b>Financial assets</b>								
<i>Cash and cash equivalents</i>	4	0.07%	1,257,725	-	-	-	157,206	1,414,931
<i>Investments</i>	5	0.47%	-	1,220,000	-	-	-	1,220,000
<i>Trade Receivable</i>	6	-	-	-	-	-	40,033	40,033
			-	1,257,725	1,220,000	-	197,239	2,674,964
<b>Financial liabilities</b>								
<i>Trade and other Payables</i>	8	-	-	-	-	-	123,164	123,164
			-	-	-	-	123,164	123,164

### (b) Net Fair Value

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

### (c) Credit risk

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

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

### (d) Foreign currency risk

Earthwatch is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which transactions are denominated and the respective functional currencies of its business partners. The functional currencies of its trading partners are primarily the United States of America Dollars (USD) and the British Pound.



	<u>2020</u>	<u>2019</u>
	\$	\$
<b>16 Funds in reserve</b>		
Retained surplus at the beginning of the year	389,141	356,064
Allocation (to) from Development Fund Reserve	-	-
Net Surplus	<u>138,968</u>	<u>33,077</u>
Retained Surplus at the end of the year	<u><u>528,109</u></u>	<u><u>389,141</u></u>

## 17 Fundraising Notes

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

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Results of fundraising appeals</b>		
Gross proceeds from fundraising appeals	80,380	121,412
Less: direct costs of fundraising appeals	(9,314)	(3,997)
Net Surplus from appeals	<u><u>71,066</u></u>	<u><u>117,415</u></u>

## 18 Subsequent events

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. The impact of COVID-19 on the company will continue to be material on the company. However, Earthwatch continues to mitigate the risk of COVID to the business.

International expeditions are continuing to be cancelled in FY21, and as a result, Earthwatch Australia has not forecast income from International Expedition Sales for FY21.

Whilst COVID-19 has had a significant impact on the operations, this is being managed by reduction in costs given that expeditions are not being run and reductions in overhead costs. In addition there is significant support from Corporate and Retail funders and the Directors do not foresee any material impact on going concern as a result of COVID-19.

Beyond the impacts of COVID-19, there have been no items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of these operations, or the state of affairs of the company, in future financial years.

## Directors' Declaration

In the opinion of the Directors of Earthwatch Institute:

- (a) the financial statements and notes, set out on pages 9 to 23, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 September 2020 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
  - (ii) complying with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The provisions of, and the regulations under the; *Charitable Fundraising Act 1991 (NSW)*, and *Charitable Fundraising Regulation 2015 (NSW)*, and the conditions attached to the authority have been complied with by the company,
- (d) The company's internal controls are appropriate and effective in accounting for all income received and applied by the company from fundraising appeals.

Signed in accordance with a resolution of the Directors.



**MATHEW NELSON**  
Chair



**FIONA SUTTON WILSON**  
Interim Chief Executive Officer

Melbourne, Victoria

Date:

12 March 2021



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

To: the Directors of Earthwatch Institute

I declare that, to the best of my knowledge and belief, in relation to the audit of Earthwatch Institute for the financial year ended 30 September 2020 there have been:

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Andrew Hounsell'.

Andrew Hounsell

*Partner*

Melbourne

12 March 2021



# Independent Auditor's Report

To the Members of Earthwatch Institute

## Report on the audit of the Financial Report

### Opinion

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

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

- i. giving a true and fair view of the Company's financial position as at 30 September 2020, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 September 2020.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.
- v. Declaration by the Chief Executive Officer in respect of fundraising appeals of the Company.

### Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

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## Other information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

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

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.



We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In addition we have:

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

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

## Report on Other Legal and Regulatory Requirements

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

In our opinion:

- i. the Financial Report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 30 September 2020;
- ii. the Financial Report has been properly drawn up, and the associated records have been



properly kept for the period from 1 October 2019 to 30 September 2020, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

- iii. money received as a result of fundraising appeal activities conducted during the period from 1 October 2019 to 30 September 2020 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- iv. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

In our opinion, the Company has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 30 September 2020.

KPMG

Andrew Hounsell

*Partner*

Melbourne

12 March 2021