Foundation for Rural and Regional Renewal

ACN 091 810 589
A company limited by guarantee

Financial Report
for the year ended
30 June 2020

Contents

Directors' report

The directors present their report together with the financial report of Foundation for Rural and Regional Renewal ("the Foundation" or "FRRR") for the financial year ended 30 June 2020 and the auditor's report thereon.

1. Directors

The directors of the Foundation at any time during or since the end of the financial year are:

	Appointed	Retired
Ian Allen, AM, B.Ec, M.Admin, FAIM, FAICD (1)	28 March 2001	-
Patrick Handbury (2)	20 March 2009	-
Fred Grimwade, B.Comm, LLB (Hons) MBA, SF Fin, FAICD, FCIS (3)	21 September 2011	-
Patrick Myer (4)	25 September 2013	-
Annabel White, BA, M.Phil Bus (5)	24 March 2015	-
Anne Grindrod, BA, GAICD (6)	24 March 2015	-
Bruce Scott, OAM (7)	15 November 2017	-
Sue Middleton (8)	4 April 2018	-
Andrew McKenzie, JP, Dip Ap Sci (Ag), Grad Dip Bus Mgt, Dip Fin Adv (SIA) (9)	4 April 2018	-
Hon Simon Crean, B.Ec, LLB (10)	11 September 2019	-
Hon John Sharp, AM, ADFM, FCIT (11)	11 September 2019	-
Tim Fairfax, AC, FAICD (12)	1 January 2020	-
Simon Atkinson, B. Sci, B.Law, Grad Dip Legal Practice, GAICD (13)	11 March 2020	
Steven Kennedy, PSM BEc (Hons), MEc, PhD (14)	15 November 2017	11 September 2019

2. Information on directors

(1) Ian Allen, AM, is Chair of the In a Good Place Assessment Committee, and a member of the Strengthening Rural Communities, Nominations and ECHO Assessment Committees.
(2) Patrick Handbury is Chair of Tackling Tough Times Together, Grants for Resilience & Wellness ("GR&W') and ECHO Assessment Committees and a member of the Disaster Resilient: Future Ready National Reference Group.
(3) Fred Grimwade is Chair of the Finance and Audit Committee; and member of the Grants for Resilience & Wellness Committee, member of the Strengthening Rural Communities Assessment Committee and member of the Nominations Committee.
(4) Patrick Myer is the Sidney Myer Fund's representative; Chair of Heywire Youth Innovation Assessment Committee, and Chair of the ANZ Seeds of Renewal Assessment Committee.
(5) Annabel White is Chair of the Investing in Rural Community Futures; and Aussie Cotton Farmers Grow Cotton Communities Assessment Committees; and a member of the In a Good Place Assessment and Nominations Committees.

(6) Anne Grindrod was Acting Chair from 1 July 2019 to December 2019; and is Deputy Chair of the Foundation for Rural & Regional Renewal Board of Directors, and Chair of the Strengthening Rural Communities Assessment Committee and Nominations Committee; Chair of Caring for Ageing & Rural Australians Assessment Committee, a member of the GR&W Assessment Committee.
(7) Bruce Scott OAM is a member of the Tackling Tough Times Together Assessment Committees.
(8) Sue Middleton is a member of the Strengthening Rural Communities Assessment Committee.
(9) Andrew McKenzie JP is a member of the Strengthening Rural Communities Assessment Committee; a member of ANZ Seeds of Renewal Assessment Committee and the Finance and Audit Committee.
(10) Hon Simon Crean was appointed 11 September 2019.
(11) Hon John Sharp AM was appointed 11 September 2019.
(12) Tim Fairfax, AC was Chair of the Foundation for Rural & Regional Renewal Board of Directors from 1 January 2020 and a member of Caring for Ageing & Rural Australians Assessment Committee.
(13) Simon Atkinson was appointed 11 March 2020.
(14) Steven Kennedy PSM was the Government's representative; until his retirement on 11 September 2019.

3. Company Secretary

Mrs Lisa Norden was appointed in 2014 and resigned in March 2020. Her qualifications include Certified Practicing Accountant (CPA), Governance Institute of Australia Corporate Governance Graduate Diploma and Australian Institute of Company Directors Course Diploma.

Mrs Karen Fazzani was appointed in March 2020. Her qualifications include B.Comm, MBA (Public Sector Mgt), Certified Practicing Accountant (CPA) and Graduate Australian Institute of Company Directors.

4. Directors' meetings

The number of directors' meetings, including the Finance and Audit Committee (F&A), Nominations and Appointments Committee meetings (N&A) and the number of meetings attended by each of the directors of the Foundation during the financial year are:

	F&A		N&A		Board	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Ian Allen, AM, OAM	-		1	1	3	4
Tim Fairfax (Chair)	3	4	-	-	3	3
Fred Grimwade	6	6	1	1	4	4
Paddy Handbury	-	-	-		3	4
Annabel White	-	-	1	1	4	4
Anne Grindrod (Acting/Deputy Chair)	2	2	1	1	4	4
Patrick Myer	-	-	-	-	4	4
Bruce Scott OAM	-	-	-	-	4	4
Sue Middleton	1	3	-		4	4
Andrew McKenzie	6	6	-	-	4	4
James Flintoft (Non-director member)	6	6	-	-	-	-
Simon Crean	-	-	-	-	4	4
John Sharp AM	-	-	-	-	3	4
Simon Atkinson	-	-	-	-	1	2
Steven Kennedy	-	-	-	-	-	-

A - Number of meetings attended
B- Number of meetings held during time director held office

5. Principal activities

The principal activity of the Foundation is that of a charitable foundation. The Foundation is established for rural charitable purposes, namely to promote for the public benefit, rural and regional renewal, regeneration and development in Australian social, economic, environmental and cultural areas.

The Foundation's short term objectives are to:
- Deliver a range of grant programs, that supports the development of rural and regional Australia, and use seed funding and challenge grants to move regional development project funding into a more dynamic context;
- Build a greater understanding of the needs and opportunities in rural, regional and remote Australia to develop programs and products ensuring effectiveness; and
- Attract further partners and resources, resulting in financial and product growth.

The Foundation's long term objectives are to:
- Promote for the public benefit, rural and regional renewal, regeneration and development in Australia in social, economic, environmental and cultural areas in the manner the directors decide from time to time; and
- Establish partnerships between philanthropy, governments and business to stimulate rural and regional renewal in Australia.

6. Operating and financial review

The Foundation generated a net profit of $11,423,149 (2019: loss $1,389,880) for the year under review.

This is the first set of the Foundation's annual financial statements in which AASB 16 Leases have been applied. Changes to significant accounting policies and the impact of applying the new standards are described in Note 2(e).

7. Significant changes in the state of affairs

In the opinion of the directors, the significant changes in the state of affairs of the Foundation that occurred during the financial period under review included COVID-19 which impacted on investment returns, the receipt of substantial funds resulting from the 2019/20 bushfires and the establishment of new corpus for long term distributions for natural disasters.

8. Likely developments

The Foundation's primary focus will be on the continued promotion for the public benefit, rural and regional renewal, regeneration and development in Australian social, economic, environmental and cultural areas.

9. Events subsequent to balance date

There has not arisen in the interval between the end of the financial period and the date of the report any item, transaction or event of a material or unusual nature likely to affect significantly the operation of the Foundation, the results of those operations, or the state of affairs of the Foundation, in future financial years.

10. Environmental regulations

The Foundation's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Foundation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Foundation.

11. Indemnification and insurances of officers and auditors

Indemnification
Since the end of the previous financial year, the Foundation has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Foundation.
Insurance premiums
During the financial year the Foundation has paid $14,965 (2019: $5,301) in insurance premiums in respect of directors' and officers' liability and legal expenses, insurance contracts, for current and former directors and officers, including senior executives of the Foundation. The insurance premiums relate to:

- Costs and expenses incurred by relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

12. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of directors:

T.V. FAIRFAX, AM

Mr Tim Fairfax	Mr Fred Grimwade
Chair	Chair of Finance & Audit committee
Dated at Victoria	Dated at Victoria
11 November 2020	*11 November 2020*

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 Foundation for Rural and Regional Renewal

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 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.

KPMG

Tony Batsakis

Partner

Melbourne

11 November 2020

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Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020	2019
		$	$
Operating Revenue			
Administration fees	5	1,636,977	800,771
Service and project fees	5	1,127,613	379,331
Finance income	6	181,638	222,170
Investment income	6	482,930	821,807
		3,429,158	2,224,079
Operating Expenses			
Employee related expenses		(1,986,939)	(1,477,959)
Depreciation expense		(70,782)	(5,613)
Other expenses	5a	(1,011,889)	(977,280)
		(3,069,610)	(2,460,852)
Results from operating activities excluding granting and donations		359,548	(236,773)
Grants and donations income	5	24,803,193	10,391,231
Grants and donations expenditures		(13,739,592)	(11,544,338)
Results from granting and donations		11,063,601	(1,153,107)
Results from operating including granting and donations		11,423,149	(1,389,880)
Tax expense	3a	-	-
Profit/(loss) for the year		11,423,149	(1,389,880)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at FVOCI- net change in fair value		(498,712)	137,779
Debt instruments at FVOCI- reclassified to profit and loss		263,449	-
Items that will never be reclassified to profit or loss:			
Equity instruments at FVOCI- net change in fair value		(507,030)	(72,161)
Other comprehensive (loss)/income for the year, net of income tax		(742,293)	65,618
Total comprehensive income/(loss) for the year		10,680,856	(1,324,262)

See Note 2(e). The Foundation has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information has not been restated. 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 12 to 32.

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Statement of financial position
As at 30 June 2020

	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	7	26,477,817	19,929,728
Trade and other receivables	8	169,962	282,493
Other current assets		4,014	4,014
Total current assets		26,651,793	20,216,235
Non-current assets			
Financial assets	9	16,422,991	9,887,804
Plant and equipment		211,727	21,673
Total non-current assets		16,634,718	9,909,477
Total assets		43,286,511	30,125,712
Current liabilities			
Trade and other payables	10	49,214	123,861
Employee benefits	11	259,356	150,901
Deferred revenue- contract liability		8,526,840	6,285,773
Lease Liability		71,275	-
Total current liabilities		8,906,685	6,560,535
Non-current liabilities			
Employee benefits	11	14,143	13,122
Lease Liability		132,772	-
Total non-current liabilities		146,915	13,122
Total liabilities		9,053,600	6,573,657
Net assets		34,232,911	23,552,055
Equity			
FRRR Capital	12	12,953,901	12,953,901
FRRR Capital- DRRF	12	4,192,662	-
Fair value reserve	12	(505,804)	35,481
Retained earnings (Operations Reserve)	12	6,263,407	6,104,867
Committed grants reserve	12	11,328,745	4,457,806
Total equity		34,232,911	23,552,055

See Note 2(e). The Foundation has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information has not been restated. The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

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Statement of changes in equity
For the year ended 30 June 2020

	Retained earnings (Operations reserve)	Committed grants reserve	FRRR Capital	Fair value reserve	Total equity
2019	**$**	**$**	**$**	**$**	**$**
Opening balance 1 July 2018	5,782,775	5,610,913	12,953,901	528,728	24,876,317
Total comprehensive income for the period					
Loss for the year	(236,773)	(1,153,107)	-	-	(1,389,880)
Transfers of realized gains FVOCI- equity	558,865	-	-	(558,865)	-
Other comprehensive income for the year	-	-	-	65,618	65,618
Total comprehensive income/(loss) for the year	322,092	(1,153,107)	-	(493,247)	(1,324,262)
Transactions with members of the Foundation	-	-	-	-	-
Balance at 30 June 2019	6,104,867	4,457,806	12,953,901	35,481	23,552,055

See Note 2(e). The Foundation has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information has not been restated. The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

Statement of changes in equity
For the year ended 30 June 2020

	Retained earnings (Operations reserve)	Committed grants reserve	FRRR Capital	FRRR Capital- DRRF	Fair value reserve	Total equity
2020	**$**	**$**	**$**	**$**	**$**	**$**
Opening balance 1 July 2019	6,104,867	4,457,806	12,953,901	-	35,481	23,552,055
Total comprehensive income for the period						
Profit for the year	359,548	11,063,601	-	-	-	11,423,149
Transfer to establish FRRR Capital- DRRF	-	(4,192,662)	-	4,192,662	-	-
Transfers of realized losses FVOCI- equity	(201,008)	-	-	-	201,008	-
Other comprehensive income for the year	-	-	-	-	(742,293)	(742,293)
Total comprehensive income/(loss) for the year	158,540	6,870,939	-	4,192,662	(541,285)	10,680,856
Transactions with members of the Foundation	-	-	-	-	-	-
Balance at 30 June 2020	6,263,407	11,328,745	12,953,901	4,192,662	(505,804)	34,232,911

See Note 2(e). The Foundation has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information has not been restated. The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

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Statement of cash flows
For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Cash from grants, donations and other operating activities		27,478,377	9,402,414
Interest received		181,638	253,858
Interest paid on lease liabilities		(15,799)	-
Distributions received from fund managers		913,080	1,829,530
Payments to grantees, suppliers and employees		(14,446,725)	(7,620,589)
Net cash from operating activities		14,110,571	3,865,213
Cash flow from investing activities			
Receipts from sales of financial assets		8,429,328	7,564,313
Payments for financial assets		(15,935,021)	(3,260,429)
Payments for plant and equipment		(2,849)	(10,548)
Net cash (used in)/from investing activities		(7,508,542)	4,293,336
Cash flow from financing activities			
Repayment of lease liability		(53,940)	-
Net cash used in financing activities		(53,940)	-
Net increase in cash and cash equivalents		6,548,089	8,158,549
Cash and cash equivalents at beginning of year		19,929,728	11,771,179
Cash and cash equivalents at end of year	7	**26,477,817**	**19,929,728**

See Note 2(e). The Foundation has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information has not been restated. The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 32.

1. Reporting entity

The Foundation for Rural and Regional Renewal (the 'Foundation') is a not-for profit company limited by guarantee domiciled in Australia. These financial statements are individual financial statements of the Foundation and are as at and for the year ended 30 June 2020. The Foundation is primarily involved in the issuance of grants, namely to promote for the public benefit, rural and regional renewal, regeneration and development in Australian social, economic, environmental and cultural areas.

The address of the Foundation's registered office is: 66 Garsed Street, Bendigo, Victoria 3550.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the Directors, the Foundation is not publicly accountable. The financial report is a Tier 2 general purpose financial report which has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements 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*. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were approved by the Board of Directors on 11 November 2020.

This is the first set of the Foundation's annual financial statements in which AASB 16 Leases has been applied. Changes to significant accounting policies are described in Note 2(e).

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for financial instruments classified as fair value through other comprehensive income (FVOCI), which are measured at fair value.

The methods used to measure fair value are discussed further in Note 4.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements 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.

2. Basis of preparation (continued)

(e) Changes in significant accounting policies

The Foundation has initially applied AASB 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Foundation's financial statements.

The Foundation applied AASB 16 using the modified retrospective approach, under which the right-of-use asset equals lease liability. Accordingly, comparative information presented for the year ended 30 June 2019 is not restated- i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally applied to comparative information.

i) Definition of lease

Previously the Foundation determined at contract inception whether an arrangement was or contained a lease under AASB interpretation 4 Determining whether an Arrangement contains a Lease. The Foundation now assesses whether a contract is or contains a lease based on the definition of a lease based on the definition of a lease, as explained in Note 3(d).

On transition to AASB 16, the Foundation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Foundation applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

ii) As a lessee

As a lessee, the Foundation leases assets including property, plant and equipment and office equipment. The Foundation previously classified leases as operating or finance leases based on its assessment of whether there lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Foundation. Under AASB 16, the Foundation recognises right-of-use assets and lease liabilities for most of these leases- i.e. these leases are on balance sheet.

At commencement or on modification of a contract that contains a lease component, the Foundation allocates the consideration in the contract to each lease component on the basis of its relative stand -alone price.

However, for the leases of property the Foundation has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Basis of preparation (continued)

(e) Changes in significant accounting policies (continued)

ii) As a lessee (continued)

Leases classified as operating leases under AASB 117

Previously, the Foundation classified property lease as operating leases under AASB 117. On transition, for these leases, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Foundation's incremental borrowing rate as at 1 July 2019 (see Note 2(e)(iii)). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by amount of any prepaid or accrued lease payments.

The Foundation has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Foundation used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Foundation:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); and
- used hindsight when determining the lease term

iii) Impact on financial statements

a) *Impact of transition**

On transition to AASB 16, the Foundation recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

In thousands of AUD	**1 July 2019**
Right-of-use assets – property, plant and equipment	225,559
Lease liabilities	(225,559)

2. Basis of preparation (continued)

(e) Changes in significant accounting policies (continued)

iii) Impact on financial statements (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Foundation discounted lease payments using its incremental rate at 1 July 2019. The weighted-average rate applied is 7.4%

In AUD	**1 July 2019**
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Company's financial statements.	251,322
Discounting	(25,763)
Discounted using incremental borrowing rate at 1 July 2019	225,559

a) Amounts recognised in profit or loss

In AUD	**Total $**
2020 – Leases under AASB 16	
Interest on lease liabilities	15,799
Depreciation on right-of-use assets	62,200
2019 – Operating leases under AASB 117	
Lease expense	57,123

b) Amounts recognised in statement of cash flows

In AUD	**30 June 2020 $**
Total cash outflow for leases	69,739

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

(a) Income tax

The Foundation is an exempt body for income tax purposes and accordingly no provision for income tax is made.

(b) Financial instruments

(i) Non derivative financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost, fair value through other comprehensive income – debt investment, fair value through other comprehensive income – equity investment; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Foundation changes it business model for managing financial assets.

Financial assets at amortised cost

A financial asset classified under this category are assets held with the objective to collect contractual cashflows. These assets have fixed and determinable payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Equity investments elected at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognised as Finance Income in Statement of Profit or Loss and Other Comprehensive Income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the Finance Income or Expense in the Statement of Profit or Loss and Other Comprehensive Income.

Debt investments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised at profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Foundation initially recognises its financial liabilities on the trade date, which is the date that the Foundation becomes a party to the contractual provisions of the instrument. The Foundation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Foundation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise trade and other payables.

(c) Impairment

(i) Non-derivative financial assets

The Foundation recognises loss allowances on financial assets measured at amortised cost and debt instruments measured at FVOCI, but not to investments in equity instruments measured at FVOCI in line with AASB 9.

Loss allowances for trade receivables are measured at an amount equal to the lifetime expected credit loss. The Foundation have used past experience and best available information to determine the Trade Receivables that are likely not to be collected.

(ii) Non-financial assets

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(d) Leases

The Foundation has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

(i) Policy applicable from 1 July 2019

At inception of a contract, the Foundation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Foundation uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

3. Significant accounting policies (continued)

(d) Leases (continued)

At commencement or on modification of a contract that contains a lease component, the Foundation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Foundation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of lease term, unless the lease transfers ownership of the underlying asset to the Foundation by the end of the lease term or the cost of the right-of-use asset reflects that the Foundation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Foundation's incremental borrowing rate. Generally, the Foundation uses its incremental borrowing rate as the discount rate.

The Foundation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Foundation is reasonably certain to exercise, lease payments in an optional renewal period if the Foundation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Foundation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Foundation's estimate of the amount expected to be payable under a residual value guarantee, if the Foundation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

(d) Leases (continued)

Short-term leases and leases of low-value assets

The Foundation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Foundation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains lease component, the Foundation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) Policy applicable before 1 July 2019

Leases in terms of which the Foundation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Foundation's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Foundation concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Foundation's incremental borrowing rate.

3. Significant accounting policies (continued)

(e) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Foundation's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Foundation's obligations. Re-measurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Foundation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Foundation has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(iv) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Foundation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(f) Revenue

(i) Grant revenue

The Foundation recognises the income deferred from grants and donations based on the conditions and specific performance obligations attached to each grant and donation arrangement.

Income from grants and donations that do not contain significant conditions and specific performance obligations are recognised when the grant becomes receivable.

Receipts from grants and donations that contain significant conditions and specific performance obligations are initially recognised as deferred revenue liabilities (contract liabilities) and subsequently recognised as income when the Foundation complies with the conditions associated with the grants and donations, which is usually when the funds are expended.

3. Significant accounting policies (continued)

(f) Revenue (continued)

***(ii)* Services**

Income from the provision of administrative services is recognised over the time that services are provided, which typically aligns with the delivery of performance obligations relating to grant and donation contract arrangements.

(g) Finance income and expenses

Finance income comprises interest income on funds invested, unwinding of the discount on receivables, dividend and distribution income and gains on the disposal of FVOCI- debt financial assets. Interest and distribution income is recognised as it accrues in profit or loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the Foundation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of FVOCI- equity financial assets and impairment losses recognised on financial assets (other than trade receivables).

(h) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Provisions

A provision is recognised if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(j) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

3. Significant accounting policies (continued)

(j) Plant and equipment (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the term of their lease.

4. Determination of fair values

A number of the Foundation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) FVOCI financial assets and other instruments

The fair value of available for sale financial assets and other instruments are determined as follows:

- Listed – by reference to their quoted bid price at reporting date.
- Unlisted – by reference to the declared fund manager valuations at the reporting date, which are typically determined by reference to recent transaction values or commonly accepted valuation methodologies.

(c) Market risk

The Foundation is exposed to equity price risk, which arises from available-for-sale equity securities measured at fair value. Management monitors the proportion of equity securities in its investment portfolio based on market indices. Investments are managed by the Finance and Audit Committee. The primary goal of the Foundation's investment strategy is to maximise investment returns to improve its returns in general. Management is assisted by external advisors in this regard.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principle and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Operating and granting revenue

	2020 $	2019 $
Other grants	14,408,040	6,748,050
Donations	4,633,363	3,139,599
Education grants	1,569,128	503,582
DRRF Donations	4,192,662	-
Administration, service and project fees	2,764,590	1,180,102
	27,567,783	11,571,333

5a. Other expenses

	2020 $	2019 $
Marketing expenses	237,672	237,542
Rent expenses	25,896	57,123
Other expenses	748,321	682,615
	1,011,889	977,280

6. Net finance income

	2020 $	2019 $
Finance income:		
Interest received	181,638	222,170
Distributions/redemptions from managers	579,950	588,315
Imputation credit refunds	131,193	224,073
(Loss)/gain on disposal of financial assets	(228,213)	9,419
	664,568	1,043,977

7. Cash and cash equivalents

	2020 $	2019 $
Variable interest instruments:		
Cash deposits at call	25,877,817	13,796,341
Fixed interest instruments:		
Short term deposits	600,000	6,133,387
	26,477,817	19,929,728

8. Trade and other receivables

	2020	2019
	$	$
Trade debtors	57,510	26,450
Trade debtors – investment distributions receivable	112,452	54,107
Sundry debtors – imputation credits receivable	-	201,936
	169,962	282,493

9. Financial assets held at FVOCI

	2020	2019
By fund manager:	$	$
Morgan Stanley	-	6,380,259
Warakirri Asset Management	-	3,507,545
Koda Capital	12,915,245	-
Koda Capital- (Disaster Resilience & Recovery Fund)	3,507,746	-
	16,422,991	9,887,804
Comprising:		
FVOCI- debt securities	10,950,533	6,380,259
FVOCI- equity securities	5,472,458	3,507,545
	16,422,991	9,887,804

10. Trade and other payables

	2020	2019
	$	$
Sundry creditors	49,214	123,861
	49,214	123,861

11. Employee benefits	**2020 $**	**2019 $**
Current		
Provision for annual leave	111,080	96,956
Provision for long service leave	61,249	53,945
Other Payables	87,027	-
	259,356	150,901
Non-current		
Provision for long service leave	14,143	13,122
	273,499	164,023

The Foundation made contributions during the year to superannuation plans of $178,289 (2019: $117,187).

12. Reserves and retained earnings		**2020 $**	**2019 $**
Retained earnings (Operations reserve)	(a)	6,263,407	6,104,867
Committed grants reserve	(b)	11,328,745	4,457,806
FRRR Capital- DRRF	(c)	4,192,662	-
FRRR Capital	(d)	12,953,901	12,953,901
Fair Value Reserve	(e)	(505,804)	35,481
		34,232,911	23,552,055

(a) Retained earnings (Operations reserve)

In the current year the Retained earnings (Operations reserve) was renamed from its previous description, Operations reserve. The retained earnings (operations reserve) comprises the cumulative retained surplus from activities not related to granting, core grant/capital funding, or the fair value reserve.

(b) Committed grants reserve

In the current year the Committed grants reserve was renamed from its previous description, Granting reserve. The committed grants reserve represents the accumulated net result of grants and donations received and related expenditures incurred.

12. Reserves and retained earnings (continued)

(c) FRRR Capital- DRRF

The FRRR Capital- DRRF reserve was newly established in the current year. It represents donations made to the DRRF Corpus for perpetual investment, for which the earnings will support disaster resilience and recovery activity.

(d) FRRR Capital

In the current year the FRRR Capital reserve was renamed from its previous description, Core grants reserve. The Deed of Grant between the Commonwealth of Australia, represented by the Department of Infrastructure, Regional Development and Cities and the

Foundation for Rural and Regional Renewal, discloses measures for the termination and redirection of Commonwealth funding.

The Commonwealth may, at any time for any reason, by written notice, terminate or restrict the scope of the Commonwealth's Funding for the Foundation for Rural and Regional Renewal and may do so if monies have not been made available for the Foundation of Rural and Regional Renewal by the Parliament of the Commonwealth.

Upon a written notice being given and to the extent required by or consistent with, the termination or restrictions, the Foundation for Rural and Regional Renewal:

i) must cease planned and projected activities under the Agreement and immediately do everything possible to minimise the expenditure of Commonwealth Funds as necessary; and
ii) may continue its activities in any area and to the extent not affected by the termination or restriction.

On 6 February 2012 an amendment to the Deed of Grant was executed deleting clause 13.3. The core amount now cannot be recalled provided the Foundation remains in operation and manages the fund in accordance with the Deed of Grant.

The corpus reserve represents the original $10m corpus grant and the capital growth on it that has been invested to provide income to support annual operating expenditure and funding support for charitable initiatives.

(e) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of FVOCI financial assets until such investments are derecognised or impaired.

12. Reserves and retained earnings (continued)

Members' guarantee

The Foundation is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $100 towards meeting any outstanding obligations of the Company. All members have equal voting rights.

At 30 June 2020 the number of members was 2 (2019: 2).

13. Commitments

	2020	2019
	$	**$**
Project expenditure commitments		
Within one year and no later than five years	23,613,034	14,053,496
	23,613,034	14,053,496

14. Auditors' remuneration

	2020	2019
	$	**$**
Audit services		
Auditors of the Foundation		
KPMG Australia:		
Audit of financial report	29,110	33,500
	29,110	33,500
Other services		
KPMG Australia:		
Assistance with the compilation of financial statements	5,000	5,000
	5,000	5,000
	34,110	38,500

16. Related parties

(a) Key management personnel disclosure

(i) Directors

The following persons held the position of Director of the Foundation for Rural and Regional Renewal during all of the financial year, unless otherwise stated:

Ian Allen, AM
Patrick Handbury
Fred Grimwade
Patrick Myer
Annabel White
Anne Grindrod
Bruce Scott, OAM
Sue Middleton
Andrew McKenzie, JP
Hon Simon Crean was appointed 11 September 2019
Hon John Sharp, AM was appointed 11 September 2019
Tim Fairfax, AC was appointed 1 January 2020
Simon Atkinson, PSM was appointed 11 March 2020
Steven Kennedy, PSM retired on 11 September 2019

Directors of the entity or their Director related entities, conduct transactions with entities within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director related entity at arm's length in similar circumstances.

These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements.

Mr Fred Grimwade has contributed donations to FRRR amounting to $1,000 (2019: nil) during the year under normal terms and conditions.

Ms Anne Grindrod has contributed donations to FRRR amounting to $1,000 (2019: $1,000) during the year under normal terms and conditions.

Mr Patrick Myer is a shareholder of the Myer Family Investments Pty Ltd which is the owner of Myer Family Company Ltd which administers the MF Charities Equities Fund. The Foundation is a unit holder of the MF Charities Equities Fund and payments for services are made based on the aggregate portfolio value of the fund. Transactions with this fund are on normal commercial terms. Mr Patrick Myer has contributed donations to FRRR amounting to $8,000 (2019: nil) during the year under normal terms and conditions.

16. Related parties (continued)

(a) Key management personnel disclosure (continued)

(ii) Executives

Key management personnel includes the Board of Directors, Ms Natalie Egleton, CEO, Mrs Lisa Norden, Company Secretary and Mrs Karen Fazzani, Company Secretary.

Mrs Lisa Norden has contributed donations to FRRR amounting to $505 (2019: $505) during the year under normal terms and conditions.

(b) Transactions with members

Mr Patrick Myer is a shareholder of the Myer Family Investments Pty Ltd which is the owner of the Myer Family Company Ltd. Affiliates of the Sidney Myer Fund (The Myer Family Company) have contributed donations to FRRR amounting to $310,000 (2019: $300,000) during the year under normal commercial terms.

The Australian Government through the Department of Infrastructure, Transport, Cities and Regional Development contributed donations to FRRR amounting to $4,500,000 (2019: $6,000,000) during the year under normal commercial terms.

17. Remuneration of Directors and key management personnel

The key management personnel compensations recognised during the year are as follows:

	2020 $	2019 $
Short-term employee benefits	288,400*	310,234*
Post-employment benefits	29,185	25,229
Total executive key management benefits	317,585	335,463

*This balance includes the remuneration of the Chairman $2,500 (2019: $5,000) for travel and communication allowances to defray expenses in these areas.

Apart from travel and communication allowances for the Chairman, and director reimbursements for same items, directors do not receive any remuneration.

18. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Foundation, to affect significantly the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation, in future financial years.

19. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Foundation. Capital is represented by total equity as recorded in the statement of financial position.

The Board is managing the growth of the business in line with the requirements of the deed of grant between the Commonwealth of Australia and Foundation for Rural and Regional Renewal. There are no other externally imposed capital requirements, although the nature of the Foundation is such that amounts will be paid in the form of grants. Grants paid for the year ended 30 June 2020 are recorded in the statement of profit or loss and other comprehensive income.

To assist in ensuring the Foundation’s sustainability the Board has decided to set aside additional funds to enable the original core contribution of $10 million (refer to Note 12) to be maintained regardless of market conditions.

21. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For the current year, the fair value disclosure of lease liabilities is not required.

30 June 2020	***Note***	**Carrying amount**				**Fair value**			
		Amortised cost	**FVOCI**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value									
Equity securities	9	-	5,472,458	-	5,472,458	446,813	5,025,645	-	5,472,458
Corporate debt securities	9	-	10,950,533	-	10,950,533	1,161,083	9,789,450	-	10,950,533
		-	**16,422,991**	**-**	**16,422,991**	**1,607,896**	**14,815,095**	**-**	**16,422,991**
Financial assets not measured at fair value									
Cash and cash equivalents	7	26,477,817	-	-	26,477,817	-	-	-	-
Trade and other receivables	8	169,962	-	-	169,962	-	-	-	-
		26,647,779	**-**	**-**	**26,647,779**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value									
Trade and other payables	10	-	-	49,214	49,214	-	-	-	-
		-	**-**	**49,214**	**49,214**	**-**	**-**	**-**	**-**

21. Financial instruments (continued)

30 June 2019	Note	Carrying amount				Fair value			
		Amortised cost	FVOCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	9	-	3,507,545	-	3,507,545	-	3,507,545	-	3,507,545
Corporate debt securities	9	-	6,380,259	-	6,380,259	6,380,259	-	-	6,380,259
		-	**9,887,804**	**-**	**9,887,804**	**6,380,259**	**3,507,545**	**-**	**9,887,804**
Financial assets not measured at fair value									
Cash and cash equivalents	7	19,929,728	-	-	19,929,728	-	-	-	-
Trade and other receivables	8	282,493	-	-	282,493	-	-	-	-
		20,212,221	**-**	**-**	**20,212,221**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value									
Trade and other payables	10	-	-	123,861	123,861	-	-	-	-
		-	**-**	**123,861**	**123,861**	**-**	**-**	**-**	**-**

Foundation for Rural and Regional Renewal
A company limited by guarantee

Directors' declaration

In the opinion of the directors of Foundation for Rural and Regional Renewal (the Foundation):

(a) the Foundation is not publicly accountable;

(b) the financial statements and notes that are set out on pages 7 to 32 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

  (i) giving a true and fair view of the Foundation's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

T.V. FAIRFAX, AM

Tim Fairfax
Chair

Dated at Victoria
11 November 2020

Mr Fred Grimwade
Chair of Finance & Audit Committee

Dated at Victoria
11 November 2020

Independent Auditor's Report

To the directors of Foundation for Rural and Regional Renewal

Opinion

We have audited the ***Financial Report***, of the Foundation for Rural and Regional Renewal (the Foundation).

In our opinion, the accompanying ***Financial Report*** of the Foundation 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 Foundation's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* 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 June 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 Foundation.

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 Foundation 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.

KPMG

Other information

Other Information is financial and non-financial information in Foundation for Rural and Regional Renewal'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 - Reduced Disclosure Requirements and the ACNC.

ii. 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.

iii. Assessing the Foundation's ability to continue as a going concern. 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 Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our 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 judgment and maintain professional scepticism throughout the audit.

KPMG

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 Foundation'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 Foundation'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 Foundation 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 Foundation 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.

KPMG

KPMG

Tony Batsakis
Partner
Melbourne
11 November 2020