

Financial Report 2021

For the financial year ended
31 December 2021

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REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2021 is presented together with the Auditor's Report and the voluntary Code of Conduct report for the Australian Council for International Development (ACFID).

Overall performance

The 2021 financial year (2021) was another where the Royal Australasian College of Surgeons (RACS), like many organisations, was disrupted by the evolving and unpredictable nature of the coronavirus (COVID-19) with a resulting impact on the delivery and cost of services. Acknowledgement and credit is given to RACS management and the many teams for their co-ordination and collaboration in the delivery of services and events in a complex and challenging environment. This includes the highly successful RACS Annual Scientific Congress (RACS ASC) that was delivered outside a central location and via hubs in state and territories across Australia and in Wellington, Aotearoa New Zealand for the first time.

Despite the challenges, RACS delivered a surplus result of \$1.16m compared to \$2.46m in 2020 and an overall comprehensive income of \$6.78m compared to \$2.72m in 2020. Strong performance returns of 13.2% from the investment portfolio enabled the overall surplus and offset the core operations deficit of \$4.08m.

Revenue

Revenues from operations were \$70.8m compared to \$63.6m in 2020, an increase of \$7.1m (11%). Of note, 2021 did not include any JobKeeper support payments that represented \$4.4m of revenue in 2020, but enabled RACS to maintain its pre-pandemic staffing resources and continued revised approach to the delivery of core services and events disrupted by COVID-19.

Key revenue streams for the year reflect:

- Subscriptions and entrance fees of \$19.4m (2020: \$18.6m), the increase of \$0.8m (4%) predominately a result of a 2% percent fee indexation and increased fellowship entrance fees;
- Training, examination, and assessment fees of \$23.2m (2020: \$20m), the increase of \$3.2m (16%) primarily due to resumption and "catch-up" of events that were cancelled in the prior year;
- Project income and management fees from external parties of \$21.4m (2020: \$17.1m), the increase of \$4.3m (25%) due to additional conference management fees from related third-party conference events compared to the prior year where many were cancelled;
- Conference registrations of \$1.5m (2020: \$0.1m), the significant increase of \$1.4m (+1000%) primarily due to the delivery of the RACS ASC in May 2021 compared to the prior year where it was cancelled.

Expenditure

Expenditures from operations of \$74.8m compared to 2020 at \$65.9m, an increase of \$8.9m (13%). The increase is reflective of the increased income and primarily attributable to the return of many events throughout the year as well as digital transformation initiatives under the One College Transformation program.

Key expenses for the year reflect:

- Personnel costs of \$30.2m (2020: \$28m), the increase of \$2.3m (8%) driven by the requirement for additional resources to deliver core services and events disrupted by COVID-19 and a higher level of fellowship engagement personnel for the delivery of enhanced member services;
- Externally funded grants of \$12m (2020: \$8.3m), the increase of \$3.6m (44%) primarily related to hospital training post payments funded under the Specialist Training Program agreements;
- Travel and accommodation of \$1.6m (2020: \$2.3m), the decrease of \$0.6m (29%) due to less demand given the devolved delivery of events across regions and offset against the increased expenditure in facilities hire;
- Facilities hire and catering costs of \$3.3m (2020: \$1.8m), the increase of \$1.4m (75%) predominately due to the increase and devolved delivery of examinations and events and somewhat offset by the decrease in travel costs.
- Telephone, teleconference and audio-visual costs of \$1.0m (2020: \$0.3m), the increase of \$0.7m (269%) is from the resumption of events including the RACS ASC, that were cancelled in the prior year;
- Project equipment purchases, hire and repairs costs of \$0.9m (2020: \$0.2m), the increase of \$0.7m (384%) is from an increase in demand for medical supplies, consumables and equipment hire due to COVID related disruptions;
- Specialist Society funding costs of \$5m (2020: \$4.9m), the increase of \$0.05m (1%) being in line with training partnership agreements and revenue.

Financial position

Statement of Financial Position reflect:

- Net assets of \$98.5m (2020: \$91.7m), the increase of \$6.8m (7%) being wholly attributable to overall comprehensive income of \$6.8m;
- Cash and short-term deposits of \$34.2m (2020: \$35.2m), the decrease of \$1.1m (3%) a result of net cash outflows from operating activities;
- Trade and other receivables \$21.8m (2020: \$20.6m), the increase of \$1.2m (6%) a result of net increase in cash receipts primarily driven from Fellows and Trainees annual fees;
- Other current assets of \$2.9m (2020: \$2.9m) are in line with the prior year and relate to prepaid expenses;
- Non-current Other Financial Assets of \$85m (2020: \$79m), the increase of \$5.6m (7%) relates to growth in investment assets managed within the portfolio aligned to the overall increase in market valuations;
- Property, plant and equipment of \$17.3m (2020: \$17.4m), the decrease of \$0.1m (1%) being directly attributable to depreciation charged during the year;
- Intangible assets of \$7.2m (2020: \$3.8m), the increase of \$3.4m (87%) the result of digital technology investments under the multi-year 'One College Transformation' program;
- Trade and other payables of \$5.6m (2020: \$4.1m), the increase of \$1.5m (37%) predominately driven by an increase in funds held for third party external conferences yet to be conducted and GST due in 2022;
- Contract liabilities and other revenue received in advance of \$44.4m (2020: \$47.1m), the decrease of \$2.7m (6%) is due to a decrease in contract liabilities with grants and donors associated with the Specialist Training Program and RACS Global Health projects;
- Current employee benefits of \$3.8m (2020: \$3.8m) are in line with the prior year annual leave and long service leave staff entitlements with marginal movements in each.

Cash Flow

Net cash inflows from operating activities of (\$0.97m) were lower compared to \$3.5m in 2020 due to an increase in payments to suppliers and employee as well as interest on leases.

Net cash inflows from investing activities of \$1.2m were lower compared to net inflows of \$1.8m in 2020. This was largely due to higher purchases of investments.

Net cash outflows from financing activities of \$1.3m.

Overall, there was a net decrease in cash and short-term deposits of \$34.2m (2020 \$35.2m) during the year.

Foundation for Surgery

The Foundation activities encompass scholarships, fellowships, and research grants as well as direct oversight of RACS philanthropic endeavours. It is Board of Council's strategic aim to commit to an annual funding limit of up to \$2.5m to maintain RACS as a nationally and globally recognised funding institution for surgical research, global health, indigenous health, and other philanthropic initiatives. As a result of COVID restrictions and initiatives to manage expenditure, a number of scholarships, grants and fellowship selections for 2021 activity were paused, with \$0.8m being awarded for Scholarship commitments in the year (2020: \$1.9m). The Board of Council has reintroduced the program for selection in 2022 and distributions in 2023.

Investment portfolio – funding the Foundation for Surgery

Investment markets performed strongly for the year with the investment portfolio achieving a positive return of 13.2% (2020: 3.7%). The ongoing performance of the investment portfolio was underpinned by strong cash income of \$5m which provides the necessary funding to support the Foundation for Surgery while ensuring that the capital value of the portfolio is maintained long term.

Conclusion

I would like to acknowledge the services of our Honorary Advisers to whom we remain indebted. My thanks to Ms Siobhan Blewitt (Investment), Ms Penny Heard (Investment), Mr Chesley Taylor (Investment), Mr Michael Randall OAM (Investment), Mr Michael Saba (Investment), Mr Paul McDonald (Finance) and Mr Adam Davies (Finance) for their generous and valued support during the year. We thank our Honorary Advisers for their wise counsel and support.

I would also like to thank the RACS staff for their ongoing hard work and commitment in 2021.

We continue to maintain a sound financial position and have access to both cash reserves and other financial assets that can be readily converted to cash to ensure it can meet its ongoing financial commitments and obligations.

Dr Greg Witherow
Treasurer

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Councillors as Directors of the Royal Australasian College of Surgeons (RACS) submit herewith the Annual Financial Report of RACS for the year ended 31 December 2021. In order to comply with the requirements of the Australian Charities and Not-for-profits Commission Act 2012, the Councillors' report as follows:

Councillors

The names and details of the Office Bearers and the Councillors in office during the financial year and until the date of this report are as follows. Office Bearers and Councillors were in office for this entire period unless otherwise stated. Four Council meetings and eight Board of Council meetings were held in 2021. The number of meetings attended by each Councillor is noted below.

Councillors Meeting Attendance 2021		Number of meetings attended		Number of meetings eligible to attend	
		Council	Board of Council/ Council Executive	Council	Board of Council/ Council Executive
Office Holders					
Dr Sally Jane Langley	Chair, Professional Standards & Development Board (Jan - Apr) President (May - Dec)	4	8	4	8
Dr Lawrence Pietro Malisano	Vice President (May - Dec)	4	5	4	5
Dr Gregory Edwin Witherow	Treasurer	4	8	4	8
Dr Adrian Anand Anthony	Rotating Councillor (Jan - Apr) Censor in Chief (May - Dec)	4	8	4	8
Prof Andrew Graham Hill	Chair, Professional Standards & Advocacy Committee (May - Dec)	4	5	4	5
Elected Members of Council					
Professor Mark Winter Ashton		4		4	
Ms Ruth Caroline Bollard		4		4	
Dr Jennifer Lee Chambers OAM		4		4	
A/Prof Andrew Donald Cochrane AM	Appointed 14 May 2021	3		3	
Dr Sarah Helen Coll		4		4	
Mr John Anthony Crozier AM CSM		3		4	
Dr Mark Anthony James Dexter		4		4	
A/Prof Kerin Ann Fielding	Rotating Councillor	4	7	4	8
Prof David Rowley Fletcher AM		4		4	
Prof Mark Frydenberg AM		4		4	
Dr Nicola Maret Hill	Appointed 14 May 2021	3		3	
Miss Annette Coralie Holian		4		4	
Dr Rebecca Kate Jack	Rotating Councillor (July - Dec)	4	3	4	3
Dr Christine Su-Li Lai		4		4	
Dr Philip Neil Morreau	Appointed 14 May 2021	3		3	
A/Prof Christopher Martin Pyke		4		4	
Dr Maxine Mariri Ronald		3		4	
Professor Raymond Sacks		4		4	
Professor Owen Ung		4		4	
Professor Henry Hyunshik Woo	Rotating Councillor	4	8	4	8
Co-Opted Members of Council					
The Hon Rob Knowles AO		4	8	4	8
Ms Souella Cumming		3		4	
Dr Nishanthi Gurusinghe		4		4	
Dr Richard Ian Bradbury	Appointed 15 September 2021	1		1	

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Councillors Meeting Attendance 2021		Number of meetings attended		Number of meetings eligible to attend	
		Council	Board of Council/ Council Executive	Council	Board of Council/ Council Executive
Retired Members of Council					
Dr Anthony Lloyd Sparnon	President (Jan - Apr) Retired 14 May 2021	1	3	1	3
A/Prof Phillip James Carson	CIC (Jan - Apr) Retired 14 May 2021	1	3	1	3
A/Prof Julie Ann Mundy	Vice President (Jan - Apr) Retired 14 May 2021	1	3	1	3
Dr Charles Jenkinson	RACSTA Chair, 1 January 2021 Retired 31 December 2021	4		4	

Councillors' and Chief Executive Officer's Qualifications and Current Experience

Mr Adrian Anand Anthony MBBS MSurgEd FRACS GAICD

Senior Staff Specialist and Director Clinical Training, The Queen Elizabeth Hospital, Central Adelaide Local Health Network; Senior Visiting Surgeon, Regional Health SA, Senior Lecturer Upper GI Surgery, University of Adelaide; Lecturer in Surgical Education, University of Melbourne; Trustee, Anthony Superannuation Fund.

Professor Mark Winter Ashton MB BS MD FRACS (Plas)

Specialist Plastic Surgeon, Professor of Surgery at the University of Melbourne; Chair of Plastic Surgery at Epworth Freemasons Hospital; Former Head of Plastic Surgery at The Royal Melbourne Hospital; Immediate past President of the Australian Society of Plastic Surgeons; Invited Editor for *The Plastic and Reconstructive Surgery Journal* in America; Editor-in-Chief of the *Australasian Journal of Plastic Surgery*; Invited Faculty Member of the International Perforator Flap Course in Belgium; Chairman of the Melbourne Advanced Facial Anatomy Course; Director of the Taylor Research Lab within the Anatomy Department of the University of Melbourne; Board Member, past Chair of the Surgical Committee for Interplast.

Dr Richard Ian Bradbury B.Sc, MBBS, FRACS

Consultant General Surgeon Royal Darwin Hospital, Palmerston Regional Hospital, Gove District Hospital NT; VMO Darwin Private Hospital; Chair of RDH Medical Advisory Committee; Senior Lecturer with Flinders University for NT Medical Program.

Ms Ruth Caroline Bollard MBChB FRACS FRCS FRCS (Gen) MSc GAICD

Consultant General Surgeon; VMO Ballarat Health Services, St John of God Hospital Ballarat; East Grampians Health Service; Director Specialists on Drummond; Appointed Diversity and Inclusion Director Australian Dragon Boating Federation.

Dr Jennifer Lee Chambers OAM MBBS (Hons) FRACS GAICD

Senior Vascular Surgeon, Port Macquarie Base, Kempsey and Wauchope District Hospitals; Conjoint Lecturer in Surgery UNSW Rural Clinical School; Associate of Hastings Vascular Associates.

Associate Professor Andrew Donald Cochrane AM, MBBS, FRACS, FRCS (CTh), B.Comm, MPH, M.Epidemiol, MBA, M.Med.Admin, M.Surg.Ed, FCSANZ, FACC

Cardiothoracic Surgeon at Monash Health, and Associate Professor in the Department of Surgery at Monash University; Visiting cardiothoracic surgeon at Epworth Hospital, Mulgrave Private Hospital and St John of God Hospital at Berwick; Journal sectional editor for the *ANZ Journal of Surgery* and for *Heart Lung & Circulation*.

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Chair of the Science and Education Committee of the Australian and New Zealand Society of Cardiac and Thoracic Surgeons (ANZSCTS); Convenor of the annual ANZSCTS Scientific meeting and member of the Executive of ANZSCTS; Director and Board member of the National Cardiac Registry; Member of the ANZSCTS Database committee; Board member of Australasian Cardiac Surgery Research Institution Ltd (ACSRL) (which provides financial governance over the ANZSCTS Database); Board member of Maluk Timor Australia (an NGO involved in delivery of primary healthcare in East Timor).

Member of the Clinical Governance Committee for East Timor Hearts Fund. Trustee of the Cochrane-Schofield Charitable Trust. Recipient of an NHMRC research grant with colleagues at the Florey Medical Research Institute, Parkville. Investments held with JB Were and with Morgan Stanley Smith Barney.

Dr Sarah Helen Coll MBBS FRACS FAOA GAICD CIME

Orthopaedic Surgeon; James Cook University Senior Lecturer, Examiner and Entrance Interviewer; Past President, Far North Lady Doctors Association; AMAQld Councillor & Board member; AMAQ Council Specialist Craft Group; Chair AMAQ Electronic Health Record Review Committee; Member AMAQ Nominations and Remuneration Committee; Past President and Committee Member, Far North Medical and Legal Society; AMA Federal Orthopaedic Surgical Representative; AMA Committee Member Private Practice, Fees Committee and Equity, Diversity & Inclusion Committees; AOA Member COE Committee and Diversity & Inclusion Committee; Past President Queensland Medical Women's Society; Treasurer, Pacific International Orthopaedic Association, Chair Cairns Day Surgery Medical Advisory Committee; Director Breadcrumbs 241 Pty Ltd; Director Coll Nominees Family Trust; Cairns Art Gallery Foundation Board Member.

Dr John Anthony Crozier AM CSM MBBS FRACS FRCST (Hon) FACRS GAICD DDU (Vasc)

Vascular Surgeon; VMO Liverpool Hospital Sydney; Codirector National Alliance for Action on Alcohol.

Ms Souella Cumming BCA CRMA

Partner KPMG NZ; Board member and Deputy Chancellor Order of St John in NZ; Governor Zonta International NZ.

Dr Mark Anthony James Dexter BSc (Med) MBBS (Hons 1) FRACS IFAANS

Neurosurgeon. Head, Department of Neurosurgery, Westmead Adult Hospital and Children's Hospital at Westmead; Associate Professor, University of Sydney; Previous President Neurosurgical Society of Australasia; Chair, Shunt Registry Committee; Member of Neurosurgical Society of Australasia; MBS Review Committee, Department of Health; Neurosurgical representative, Pacific Islands Project.

Associate Professor Kerin Ann Fielding, MBBS(Syd), FRACS(Orth), FAOA, MAICD

Senior visiting Orthopaedic Surgeon Calvary Hospital, Wagga Wagga Rural Referral Hospital; Executive Chair Clinical Surgical Training Council for Health Education and Training Institute of NSW; Clinical Leader for Surgical Education, Notre Dame University Wagga Wagga Clinical School, Member NSW Department Model Scope of Practice Working Party; Member Australian & New Zealand Hip Fracture Registry; Chair Orthopaedic Department; Member Trauma Committee Wagga Wagga Rural Referral Hospital, Expert Peer Reviewer Medical Board NSW.

Dr Ailene Joy Fitzgerald, MBBS, FRACS

Commander Royal Australian Navy; Chair ACT Trauma Committee.

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Professor David Rowley Fletcher AM MBBS MD FRACS GAICD

General / UGI Surgeon; Emeritus Consultant Surgeon Fiona Stanley Fremantle Hospital Group; retired Head of Department FSFHG / University West Australia; Member Medical Services Advisory Committee; Member Clinical Casemix Advisory Group of IHPA; Member General Surgery Committee Medicare Taskforce; Chair Service Surgical Registrar Employment Advisory Committee HDWA.

Professor Mark Frydenberg AM MBBS FRACS GAICD

Professor Department of Surgery Monash University; Academic Director of Urology, Cabrini Institute, Cabrini Health; Member Urology MBS Implementation Committee, Department of Health; Member Out of Pocket Expenses Reference Group, Department of Health; Member Medical Reference Group, Medibank Private; Board member, Cabrini Foundation.

Dr Nishanthi Gurusinghe BSc (Psychology), MBChB, FRACS, PGDip Clinical Education

General surgeon with sub specialist interests in Colorectal Surgery, Advanced Laparoscopic Surgery, Colonoscopy & Endoscopy. Scientific convener combined 2019 GSA/CSSANZ Annual Scientific Meeting and 2019 Colorectal Trainees' Day. Surgical Supervisor of Training, Launceston General Hospital. SEAM Committee Member.

Professor Andrew Graham Hill BHB MBChB GradDip Theol MD EdD FAICD CFInstD FCSSL(Hon) FASI(Hon) FASA(Hon) FRCSEd (ad hom) FACS FRACS FISS FRSNZ.

President and Governor, ANZ Chapter, American College of Surgeons; Colorectal Surgeon; Professor of Surgery; Assistant Dean Faculty of Medical and Health Sciences and Head of the South Auckland Clinical Campus, University of Auckland; Consultant General Surgeon, Middlemore Hospital, Auckland; Past President, International Society of Surgeons, Zurich, Switzerland; Director Ormiston Hospital, Auckland.

Dr Nicola Hill MB ChB BA MSc EBHC FRACS (ORL-HNS)

Nelson-Marlborough District Health Board, New Zealand, as consultant otolaryngology surgeon; ORL Health Ltd (New Zealand) - director and shareholder; Medical Council of New Zealand - contractor for educational supervision, Honorary Lecturer University of Otago, Beneficiary of Kumi Point Family Trust.

Ms Annette Coralie Holian MBBS FRACS FAOrthA MSurgEd

Orthopaedic Surgeon Monash Children's Hospital; Clinical Director Surgery and Perioperative Services, RAAF; Vice President Australian Orthopaedic Association; Councillor, Asia Pacific Orthopaedic Association; Member, Victorian DHHS Perioperative Working Group; Governor, Shrine of Remembrance, Melbourne; Patron, Catalina Flying Boat section, RAAFA.

Dr Rebecca Kate Jack MBBS, MPhil, FRACS, AFRACMA, MAICD

Director of Medical Services, St Andrews Toowoomba Hospital, Vascular Surgeon – VMO St Andrew's Toowoomba Hospital, St Vincent's Toowoomba Hospital, Toowoomba Base Hospital.

Dr Charles Gordon Jenkinson MBBS

Surgical Trainee – Cardiothoracic Surgery, St Vincents Hospital Darlinghurst NSW; Conjoint Associate Lecturer – UNSW; Adjunct Research Fellow – UWA; Adjunct Clinical Lecturer – Murdoch University; unpaid Clinical Advisor for Celo.

The Honourable Rob Knowles AO MAICD

Director, Silverchain Group of Companies, Drinkwise Australia Ltd, IPG Pty Ltd, Global Health Ltd; Chair, Royal Children's Hospital; Director Great Ocean Road Health; Director Beyondblue Ltd; Director of the Medical Research Commercialisation Fund Trust; Member of Victorian Medical Workforce Advisory Council; Chair of Working group for medical workforce requirements for Portland Health and St Western Victoria; Member of Review Panel Medically Supervised Injection Room.

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Dr Sally Jane Langley MBChB FRACS GAICD

Plastic and Reconstructive Surgeon, Canterbury District Health Board.

Dr Christine Su-Li Lai MBBS (Adel) DDU FRACS FACS GAICD

Senior Staff Specialist, Breast and Endocrine Surgical Unit, Division of Surgery, The Queen Elizabeth Hospital; Visiting Surgeon, Breastscreen SA; Director of The Surgical Precinct; Director Christine Lai Pty Ltd.

Dr Lawrence Pietro Malisano MBBS, FRACS, FAOrthA, FAICD

Orthopaedic Surgeon; Deputy Director Professional Services Review; Senior Specialist Royal Brisbane & Women's Hospital; Senior Lecturer QLD University; Director Brisbane Orthopaedic and Sports Medicine Centre.

Mr Philip Neil Morreau, MbChB FRACS

Paediatric Surgeon Starship Children's Hospital Auckland

Senior Lecturer University of Auckland.

Kidzhealth, Paediatric Surgical and Medical Specialists Director and shareholder. Family member SET Trainee.

Professor Christopher Martin Pyke PhD, FRACS, FACS, FASI(Hon) PGDip Oncoplast Surg, GAICD

Senior Visiting Medical Officer and Stream Lead Surgery and Acute Care Mater Health Services, Brisbane; Chairman Foundation for Breast Cancer Care; Board Member Breast and Prostate Cancer Association of Queensland, Director CM Pyke Pty Ltd.

Dr Maxine Mariri Ronald MBChB FRACS

General Surgeon, Whangarei Hospital, New Zealand; Member Perioperative Mortality Review Committee (NZ).

Professor Raymond Sacks MBBCh, FCS(SA)ORL, FARS, FRACS

Otorhinolaryngology - Head & neck Surgery; Professor and Head of discipline of OHNS, Sydney University; Professor of Surgery, Macquarie University; Deputy President Australian Society of Otolaryngology-Head & Neck Surgery; Member Expert Advisory Committee of Therapeutic Goods Administration and of Prosthesis List Advisory Committees; Consultant to Medtronic Pty Ltd.

Professor Owen Allan Ung MBBS FRACS FAICD

Professor of Surgery School of Medicine University of Queensland; Senior Visiting Surgeon Royal Brisbane and Women's Hospital, St Andrews War Memorial Hospital, Wesley Private Hospital; Federal Councillor & surgical representative Australian Medical Association (AMA) - Council of Private Specialist Practice, Medical Practice Committee, Fees List Committee; Director Medical Insurance Australia (MIA); Director Medical Defence Association of South Australia (MDASA); Director Specialist Oncology Property Ltd.

Dr Gregory Edwin Witherow MBBS, FRACS GAICD

Visiting Orthopaedic Surgeon Hollywood Private Hospital; Observer AOA Federal Board; Member Ramsay Orthopaedic Specialists Advisory Group; Shareholder Ramsay Healthcare, Cochlear, CSL, Orthocel.

Chief Executive Officer

Mr John Biviano BAppSci MBus FIML GAICD

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Principal Activities

The principal activities of RACS in the course of the year were promoting the study of the science and art of surgery and clinical and scientific research. During the year, there was no significant change in the nature of those activities.

Operating and Financial Review

The total comprehensive income of RACS for the year as shown in the Statement of Profit or Loss and Other Comprehensive Income was \$6,775,961 compared to 2020 total comprehensive income of \$2,719,294. RACS is a company limited by guarantee, which has no share capital and is prohibited by its constitution from paying dividends.

No likely developments are anticipated in relation to the company's future operations.

Significant Changes in the State of Affairs

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

Significant events after the Balance Date

COVID-19

The COVID-19 pandemic is expected to continue to have an ongoing future economic impact which may in turn affect RACS' operations, the results thereof, and RACS' state of affairs in years subsequent to 31 December 2021.

Russian invasion of Ukraine

The Russian invasion of Ukraine continues to evolve with tragic humanitarian and geopolitical impacts which has seen volatility in global investment markets. Given RACS' exposure to financial assets measured at fair value, the volatility in investment markets is expected to have a future economic impact which may in turn affect the value of RACS' financial assets, the results thereof, and RACS' state of affairs in years subsequent to 31 December 2021.

RACS is financially sound with sufficient cash reserves and is expected to continue as a going concern for the 12 months from the signing date of this financial report.

There are no other matters or circumstances, which have arisen since the end of the financial year, which have significantly affected or may significantly affect the operation of RACS, the results of those operations, or the state of affairs of RACS.

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Indemnification and Insurance of Councillors and Auditors

During the year, RACS paid a premium in respect of a contract insuring the Councillors and Officers of RACS against a liability incurred as a Councillor or Officer to the extent permitted by the applicable laws and regulations. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

RACS has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of RACS or of any related body corporate against a liability incurred as an officer or auditor.

Members' Guarantee

If RACS is wound up, the Constitution states that each member is required to contribute a maximum of \$50.00 towards meeting any outstanding obligations of RACS.

At 31 December 2021, the number of members was 8,379 (2020: 8,391).

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Auditor's Independence Declaration

We, the Councillors as Directors, hereby declare and note that the Auditor's Independence Declaration has been received and follows this report.

Signed in accordance with a resolution of the Directors made pursuant to the *Australian Charities and Not-for-profits Commission Act 2012*.

On behalf of the Directors.



.....
Dr Sally Jane Langley
President



.....
Dr Greg Edwin Witherow
Treasurer

**MELBOURNE
25 MARCH 2022**

Auditor's Independence Declaration to the Directors of Royal Australasian College of Surgeons

In relation to our audit of the financial report of Royal Australasian College of Surgeons for the year ended 31 December 2021, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* or the *Australian Charities and Not-for-Profits Commission Act 2012*; or
- (b) any applicable code of professional conduct.



PKF
Melbourne, 25 March 2022



Steven Bradby
Partner

Independent Auditor's Report to the Directors of Royal Australasian College of Surgeons

Our Opinion

We have audited the accompanying financial report of Royal Australasian College of Surgeons (the Company), which comprises the statement of financial position as at 31 December 2021 and the statements of profit or loss and other comprehensive income, changes in members' funds, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the Financial Report and our Auditor's Report thereon

The directors are responsible for the Report from the Treasurer to Fellows, the Councillors' Report and the Directors' Report (together referred to as other information). The other information comprises the information included in the Company's 'Financial Report 2021' but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the directors 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 responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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:

- 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 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 Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the branch activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.



PKF

Melbourne, 25 March 2022



Steven Bradby

Partner

DIRECTORS' DECLARATION

The directors declare that in the directors' opinion:

- (a) there are reasonable grounds to believe that RACS is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

On behalf of the Directors.



.....
Dr Sally Jane Langley
President



.....
Dr Greg Edwin Witherow
Treasurer

MELBOURNE
25 MARCH 2022

**STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		\$	\$
Revenue from operations	5(a)	70,764,781	59,223,407
JobKeeper wage subsidy	5(b)	-	4,401,600
Total revenue – from operations		70,764,781	63,625,007
Personnel costs	5(c)	30,243,953	27,981,054
Outsourced service providers	5(d)	3,444,428	4,076,127
Telephone, teleconference and audio-visual costs		1,036,608	280,750
Printing, stationery and photocopying		689,536	896,634
Postage and courier costs		396,773	262,749
Information system costs		3,615,184	2,542,732
Travel and accommodation		1,609,456	2,259,878
Associations and library publications		1,722,804	1,460,486
Audit, legal and professional fees		1,559,853	1,030,954
Bank fees and merchant charges		416,213	419,267
Interest on lease liabilities		677,736	321,708
Utilities and other property costs		1,331,258	1,039,762
Insurance		702,194	797,430
Project equipment purchases, hire and repairs		855,115	176,778
Training manuals and consumables used in education and field projects		691,133	601,535
Scholarships, fellowships and research grants		790,286	1,859,516
Awards, other grants, gifts and prizes		234,767	339,865
Grants – funded from external sources		11,961,910	8,317,776
Facilities hire and catering costs		3,294,094	1,877,254
Depreciation and amortisation expense	12 & 13	2,769,584	2,615,762
Depreciation of right-of-use asset	14(a)	1,701,064	1,548,457
Specialty societies funding costs		4,973,911	4,928,046
Other expenses from operating activities		122,114	300,545
Total expenditure – from operations		74,839,974	65,935,065
(Deficit) for the year – from operations		(4,075,193)	(2,310,058)
Other income			
Financial asset income		5,048,957	2,819,030
Gain / (loss) on sale of financial assets		(1,470,756)	(890,355)
Gain / (loss) on disposal of other assets		-	2,664,090
Changes in the fair value of financial assets at FVTPL		1,656,655	180,393
Total other income		5,234,856	4,773,158
Surplus for the year		1,159,663	2,463,100

**STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>2021</u>	<u>2020</u>
	\$	\$
OTHER COMPREHENSIVE INCOME		
<i>Items that will not to be reclassified subsequently to profit or loss:</i>		
Changes in the fair value of equity investments and debts instruments at FVOCI	5,590,209	401,675
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	26,089	(145,481)
Other comprehensive income for the year	5,616,298	256,194
Total comprehensive income for the year	6,775,961	2,719,294

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 from page 22.

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
CURRENT ASSETS			
Cash and short-term deposits	6	34,152,380	35,217,440
Trade and other receivables	7	21,775,040	20,562,088
Contract assets	8	444,298	561,703
Inventories		36,014	58,151
Other assets	9	2,916,679	2,939,318
Total current assets		59,324,411	59,338,700
NON-CURRENT ASSETS			
Trade and other receivables	10	536,372	578,483
Other financial assets	11	84,961,372	79,372,795
Property, plant and equipment	12	17,326,148	17,431,247
Intangible assets	13	7,207,138	3,848,596
Right-of-use assets	14(a)	15,170,368	16,651,228
Total non-current assets		125,201,398	117,882,349
TOTAL ASSETS		184,525,809	177,221,049
CURRENT LIABILITIES			
Trade and other payables	15	5,561,598	4,065,493
Contract liabilities and other revenue received in advance	16	44,427,046	47,104,389
Lease liabilities	14(b)	987,429	1,251,567
Employee benefits	17	3,792,196	3,849,066
Funds held on behalf of others	18	15,845,923	13,081,058
Total current liabilities		70,614,192	69,351,573
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	14,948,487	15,753,237
Employee benefits	19	393,607	322,766
Provisions	20	104,391	104,300
Total non-current liabilities		15,446,485	16,180,303
TOTAL LIABILITIES		86,060,677	85,531,876
NET ASSETS		98,465,132	91,689,173
MEMBERS FUNDS AND RESERVES			
Reserves		12,591,021	6,974,726
Retained surplus		85,874,111	84,714,447
TOTAL MEMBERS FUNDS AND RESERVES		98,465,132	91,689,173

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to the financial statements set out from page 22.

STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

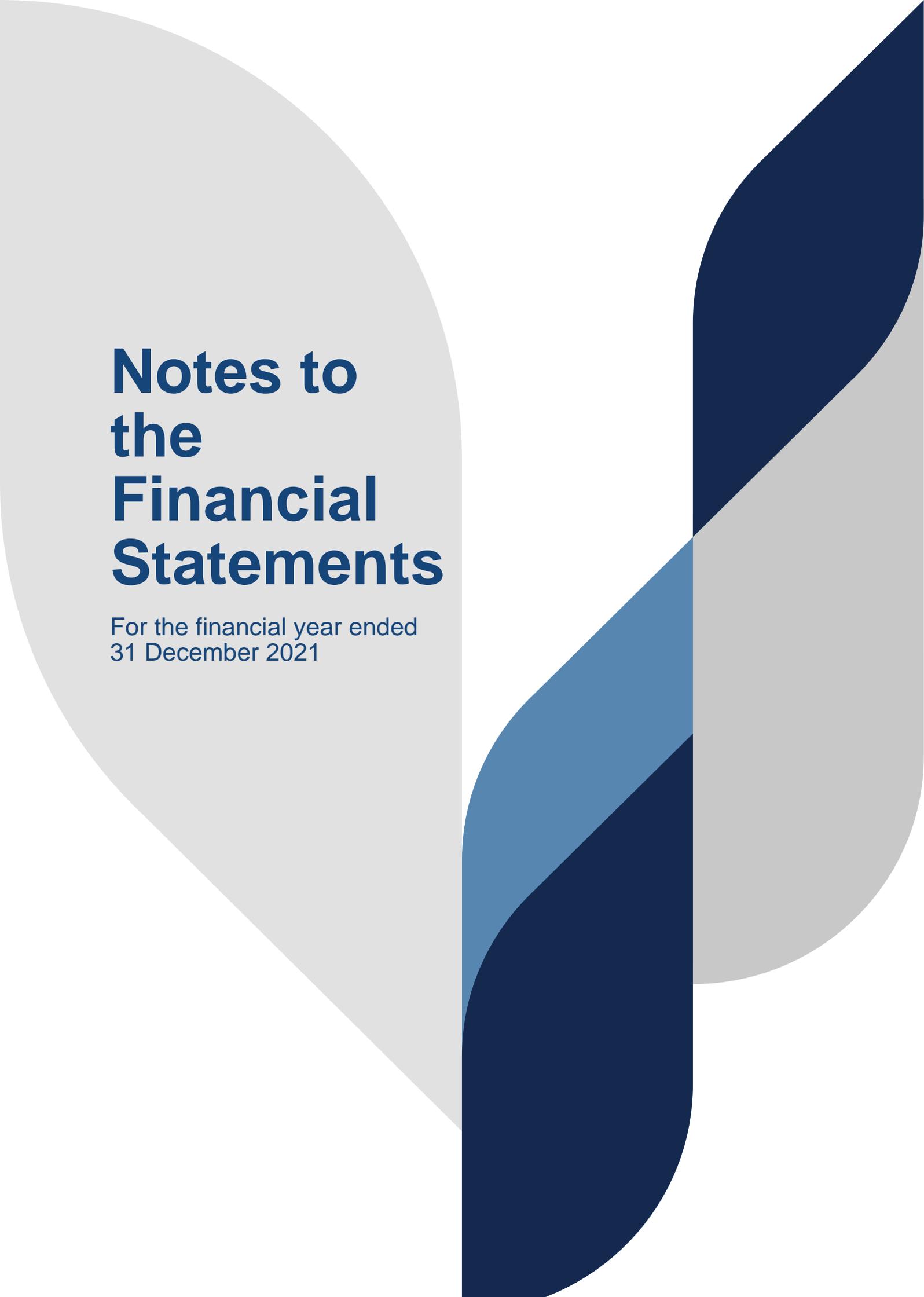
	Retained Earnings	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2020	82,251,347	6,719,076	(544)	88,969,879
Surplus for the year	2,463,100	-	-	2,463,100
Other comprehensive income	-	401,675	(145,481)	256,194
Balance at 31 December 2020	84,714,447	7,120,751	(146,025)	91,689,173
Surplus for the year	1,159,663			1,159,663
Other comprehensive income		5,590,206	26,089	5,616,296
Balance at 31 December 2021	85,874,111	12,710,957	(119,936)	98,465,132

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to the financial statements set out from page 22.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		67,668,500	64,327,645
Payments to suppliers and employees		(67,960,222)	(60,497,005)
Interest on leases		(677,736)	(321,708)
Net cash inflows from operating activities	6	(969,458)	3,508,932
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	12 & 13	(6,151,491)	(6,151,014)
Net proceeds from sale of property, plant and equipment		-	3,603,816
Proceeds from sale of investments		12,607,369	7,535,602
Purchase of investments		(10,404,737)	(5,959,791)
Investment dividends, interest and franking credits received		5,116,376	2,752,092
Net cash inflows/(outflows) from investing activities		1,167,517	1,780,705
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(1,295,243)	(1,674,932)
Net cash outflows from financing activities		(1,295,243)	(1,674,932)
Net increase/(decrease) in cash and short-term deposits		(1,097,184)	3,614,705
Cash and short-term at the beginning of the financial year		35,217,440	31,681,510
Effects of exchange rate changes in the balance of cash held in foreign currencies		32,124	(78,775)
Cash and short-term deposits at the end of the financial year		34,152,380	35,217,440

Notes to and forming part of the financial statements can be found from page 22.



Notes to the Financial Statements

For the financial year ended
31 December 2021

1. CORPORATE INFORMATION

The financial report of RACS for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Board of Council on 25 March 2022.

RACS is a company limited by guarantee incorporated in Australia and operating in Australia and New Zealand.

RACS is registered on the New Zealand Companies Office overseas company register.

Principal Registered Office and Place of Business is:

Royal Australasian College of Surgeons, 250-290 Spring Street, East Melbourne, Victoria 3002, telephone 03 9249 1200.

The nature of the operations and the principal activities of the RACS are described in the Councillors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Simplified Disclosures and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets which are measured at fair value.

The financial report has been prepared on a going concern basis, which contemplates the continuity of trading operations represented within this financial report. At 31 December 2021 RACS' current liabilities exceeded current assets by \$11.3 million. Current liabilities include a range of revenue-related elements received in advance that will be recognised as revenue subsequent to the year end, together with amounts held on behalf of other surgical societies and groups, in respect of which the related assets are classified as non-current. RACS is expected to trade within its means, considering the impacts of COVID-19 described in note 21, and has access to non-current financial assets that can be readily converted to cash should the need arise.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

(b) (i) Statement of Compliance

For the purposes of preparing the financial statements, RACS is a not-for-profit entity. The financial statements were authorised for issue by the directors on 25 March 2022.

(b) (ii) Adoption of new and revised Accounting Standards and changes in accounting policy and disclosures

RACS has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standard is the most relevant to the Company:

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. The Company has adopted AASB 1060 from 1 July 2020. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SME's. As a result, there are increased disclosures in these financial statements in respect of related parties, financial instruments and leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Financial Assets

Financial instruments are recognised initially on the date that the company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs except for financial assets through profit or loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the company classifies its financial assets into the following categories, measured at:

- amortised cost
- fair value through profit or loss – FVTPL
- fair value through other comprehensive income – FVOCI (designated equity and debt instruments)

Measured at amortised cost

The company measures receivables, cash and cash equivalents at amortised cost since these financial assets meet the relevant criteria in AASB 9 *Financial Instruments* (AASB 9), being that they are held to collect contractual cash which give rise to solely payments of principal and interest.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

The company holds investments directly in listed shares and debt instruments through an investment manager and the company has made an irrevocable election to classify these investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income – FVOCI reserve. On disposal any balance in the reserve is transferred to accumulated funds and is not reclassified to profit or loss.

Dividends and interest relating to these investments are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Fair value through profit or loss

Other securities such as hybrid investments that are unable to be designated under an election at FVOCI are measured at fair value through profit and loss with changes in fair value at each reporting period being recognised directly in surplus for the year.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets measured at amortised cost

Impairment of financial assets is determined on an expected credit loss (ECL) basis for financial assets measured at amortised cost and contract assets arising under AASB 15.

The company has used the simplified approach available in AASB 9 which uses an estimation of lifetime expected credit losses. The company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward looking information.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in the result for the year. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

(d) Foreign Currency Translation

Both the functional and presentation currency of the Australian operations is Australian dollars (AUD\$). The functional currency of the New Zealand operations is New Zealand dollars (NZD\$).

Foreign Currency Transactions

Transactions in currencies other than functional currency ("foreign currencies") are initially recorded in the functional currencies using the exchange rate as at the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign Operations

As at the reporting date, results and financial position of the foreign operation, New Zealand National Office are translated into the presentation currency of RACS as follows:

- Assets and liabilities are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year;
- All the resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under foreign currency translation reserve.

(e) Property, Plant and Equipment and Intangibles

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or any accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	40 years
Plant & Equipment	3–5 years
Land	not depreciated

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end. Project assets are written off in the year incurred. Independent valuers are engaged for valuation purposes of property assets. The timing of valuations are performed every 3-5 years or undertaken in accordance with banking facility agreements.

Treasures (antique furniture, silverware and artwork) donated to RACS, are recorded at their fair value as determined by the Councillors and accounted for as donation income.

The Gordon Craig Library, Great Mace and Treasures, which are not replaceable and subject to proper maintenance are considered to have indefinite useful lives and their recoverable value is not expected to diminish overtime. Accordingly, these assets are not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment – property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and depreciable replacement cost. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Intangibles – IT Products, Systems and Other

Costs incurred in developing IT products or systems are capitalised and included as an asset when it is probable the development project will be successfully completed, RACS will be able to use the assets as part of its operations, and there is a continuing intention to complete the development project and the costs can be reliably measured. Costs capitalised include external direct costs of materials and services. Acquired software is also capitalised.

Other costs incurred in developing RACS branding used by members, promotion of business identity and use in various information tools such as publications are not capitalised.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Core business systems	5 years
Other software	5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment – intangibles

At each reporting date, the carrying amounts are reviewed to determine whether there is any indication that those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in the profit or loss.

(f) Inventories

Inventories are valued at the lower of cost and current replacement cost. Costs are assigned to 'inventory on hand' comprise all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(g) Employee Benefits

Provision is made for benefits accruing to employees in respect of annual leave, leave in lieu and long service leave when management has a present obligation as a result of a past event and it is probable that settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave, leave in lieu and long service leave expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All short-term employee benefits – wages, salaries, annual leave, leave in lieu and sick leave for current employees have not been discounted to present value. In accordance with RACS policy, the entitlement for leave in lieu expires annually on the 31st of January and the provision is written down for any unused entitlement accrued up to the 31st of December of the prior year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Provisions made in respect of long service leave, which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by RACS in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience, employee departures and period of service. In determining the present value of future cash outflow, the market yield as at the reporting date on Australian corporate bond rates, which have a maturity approximating the terms of the related liability, are used.

(h) Taxation

Income Tax

RACS is exempt from income tax as it is considered an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Revenue recognition

Subscriptions & fees

RACS' fellowship subscription year is 1 January to 31 December, with fees payable annually in advance. Only those fee receipts that are attributable to the current financial year are recognised as revenue. Subscriptions and fee receipts for periods beyond the current financial year are shown in the Statement of Financial Position as contract liabilities and other revenue received in advance.

Other revenue - generating activities

RACS undertakes certain activities which are accounted for when the performance obligation is satisfied, including:

Training, examination and assessment
Conferences
Advertising, royalties and rebates

The revenue is either recognised over time as the services are provided or recognised at the point in time, for example, as events are delivered, or services are provided to a customer.

Project income and management fees

Funding from the Commonwealth and State Governments are received for a wide range of projects carried out by RACS in the areas of overseas medical aid, rural and regional medicine, trauma, procedural registers and audits of breast cancer, mortality and morbidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the services are provided or recognised at the point in time that the control of the services pass to the customer. Any consequent requirement to defer revenue is accounted in the Statement of Financial Position as contract liabilities and other revenue received in advance.

Property Rental Income

Rental income arising on RACS properties is accounted on a straight-line basis over the lease terms.

Sponsorship and Donations

Revenue from sponsorship is recognised at the time of the sponsored event or publication issue. Where payment is received in advance, it is recognised as a liability until the performance obligation is satisfied. Donations are recognised as revenue when RACS gains control, economic benefits are probable, and the amount can be measured reliably.

Financial Asset Income

Financial asset income comprises interest, dividends and distributions. Interest income is recognised as it accrues, using the effective interest method. Dividends and trust distributions from listed entities are recognised when the right to receipt has been established.

(j) Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of generally 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash short-term deposits as defined above.

(k) Trade and Other Receivables

Trade receivables, which comprise amounts due from the provision of services and unconditional amounts owed for work performed under grant agreements are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Trade receivables are generally due for settlement up to 30 days.

The company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are debtor specific, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Leases

At inception of a contract, the company assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. This involves an assessment of whether:

- the contract involves the use of an identified asset – this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right, then there is no identified asset.
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- the Company has the right to direct the use of the asset i.e. decision-making rights in relation to changing how and for what purpose the asset is used.
- the company has elected not to separate non-lease components from lease components have accounted for all leases as a single component.

At the lease commencement, the company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the company believes it is reasonably certain that the option will be exercised. The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy. The right-of-use asset is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the company's incremental borrowing rate is used. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method.

The lease liability is remeasured where there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the company's assessment of lease term. Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

RACS has elected to apply the exceptions to lease accounting for leases of low-value assets. For these leases, the company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Comparatives

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. RACS bases its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market conditions or circumstances arising beyond the control of RACS. Such changes are reflected in the assumptions when they occur.

Significant accounting judgements

Impairment of assets

RACS carries out impairment assessment at each reporting date by evaluating conditions specific to RACS and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Allowance for doubtful debts

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Long service leave

In determining the level of provision required for long service, RACS has made judgements in respect of anticipated future wage and salary levels, employee departures, periods of service and discount rates.

4. FOUNDATION FOR SURGERY

The Foundation for Surgery is strategically committed to providing surgical support, training and research where it is needed most. Funds have been generated through donations from Fellows, contributions from individuals (including bequests), other entities and RACS operational surpluses from time to time. This has enabled the establishment of a Foundation for Surgery corpora consisting of various funds predominantly used to fund surgical research, global health and Indigenous health scholarships. These funds, which account for a significant value of RACS overall funds and reserves, are either reserved for a specific purpose or unreserved but held and used in accordance with the prevailing objective of the Foundation for Surgery.

The total Members' Funds of \$98,465,132 represents an allocation between the Foundation for Surgery funds of \$75,987,658 and General funds of \$22,477,474.

5. REVENUES AND EXPENSES

	<u>2021</u>	<u>2020</u>
	\$	\$
A. REVENUE FROM OPERATIONS		
Subscriptions and entrance fees	19,434,774	18,615,066
Training, examination and assessment fees	23,203,431	20,025,330
Sponsorship and donations	3,704,223	2,130,290
Conference registrations	1,489,215	115,938
Property rental and recoveries	683,568	407,584
Project income and management fees	21,430,217	17,123,765
Advertising, royalties and rebates	506,222	445,952
Other	313,131	359,482
	70,764,781	59,223,407
B. JOBKEEPER WAGE SUBSIDY		
Australian government wage payment scheme for the period 31 March 2020 to 27 September 2020 – RACS experienced a significant decline in operational funding due to the impact of COVID-19 mandated travel restrictions which resulted in the cancellation of examinations, skills training courses and other educational events throughout the year.	-	4,401,600
C. EXPENDITURE - PERSONNEL		
Wages and salaries expense	26,438,034	24,108,761
Workers' compensation costs	71,911	76,811
Superannuation costs	2,313,373	2,111,484
Other staffing costs	1,420,635	1,683,998
	30,243,953	27,981,054
D. EXPENDITURE – OUTSOURCED SERVICE PROVIDERS		
Clinical - professional services		
- Specialist international medical graduate assessments	73,436	51,224
- International aid and development programs	194,200	305,965
- Audits of surgical mortality programs	100,560	82,176
- Other	249,758	112,619
	617,955	551,984
Auditors Remunerations		
- External Audit Fees: PKF	108,350	102,800
Other – professional services		
- Digital services - business support and development	728,573	1,537,606
- Corporate services – governance, communications and strategic programs	569,609	548,966
- Externally funded programs – customer contracts	177,441	449,007
- Foundation for surgery programs	371,673	464,619
- Other	870,827	408,309
	2,718,123	3,421,343
	3,444,428	4,076,127

6. CASH AND SHORT-TERM DEPOSITS

	<u>2021</u>	<u>2020</u>
	\$	\$
CASH AND SHORT-TERM DEPOSITS		
Cash at bank and in hand	17,182,674	17,766,854
Deposits at call	16,969,706	17,450,586
	34,152,380	35,217,440

Cash and short-term deposits comprise cash on hand, cash at bank, at call deposits and bank bills.

RECONCILIATION OF SURPLUS TO THE NET CASH

INFLOW FROM OPERATING ACTIVITIES

Surplus for the year	1,159,663	2,463,100
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Plus/(minus) non-operating items:

Interest and dividend income received	(5,048,957)	(2,819,030)
Net (gain)/loss on sale of property, plant and equipment	122,757	(2,664,090)
Write off - property, plant and equipment and intangible assets	-	387,592
Net (gain)/loss on sale of financial assets	1,470,756	890,355
Make-good expense/(gain)	-	30,820

Plus/(minus) non-cash items:

Depreciation and amortisation	4,476,471	4,164,219
Foreign exchange translation	(26,089)	145,481
Add back loss allowance on trade receivables	47,844	35,622
(Gain)/loss on revaluation of financial assets at FVTPL	(1,656,655)	(180,393)

Changes in assets and liabilities:

(Increase) / decrease in receivables	(536,343)	209,178
(Increase) / decrease in contract assets	117,405	(103,555)
(Increase) / decrease in inventories and other assets	44,776	277,842
Increase / (decrease) in trade & other payables	1,522,285	(187,414)
Increase / (decrease) in contract liabilities and other revenue received in advance	(2,677,343)	681,380
Increase / (decrease) in employee benefits	13,972	177,825
Net cash (outflow) / inflow from operating activities	(969,458)	3,508,932

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	<u>2021</u>	<u>2020</u>
	\$	\$
Subscription, fees and levies	14,274,699	11,143,944
Training, examination and assessment fees	5,009,518	6,199,394
Conference registrations	170,463	96,030
RACS projects – work in progress	128,312	1,062,844
Other sundry debtors	2,239,892	2,095,498
	21,822,885	20,597,710
Provision for doubtful debts	(47,844)	(35,622)
Trade and other receivables (current)	21,775,040	20,562,088

PROVISION FOR DOUBTFUL DEBTS MOVEMENT

Provision balance as at beginning of year	35,622	148,484
Amount provided for during the year	47,844	35,622
Amount written off during the year	(35,622)	(148,484)
Provision balance as at end of year	47,844	35,622

8. CONTRACT ASSETS

	<u>2021</u>	<u>2020</u>
	\$	\$
Work performed on programs not yet able to be invoiced		
- ASERNIP-S – externally contracted work	344,298	461,703
- ANZ Journal of Surgery - royalty income agreement	100,000	100,000
	444,298	561,703

9. OTHER CURRENT ASSETS

	<u>2021</u>	<u>2020</u>
	\$	\$
PREPAID EXPENDITURE		
Library – publications and journals	345,174	634,127
Software annual licence fees	1,175,866	858,638
Events – venue deposit and other advanced payments	663,933	656,921
Insurance	351,783	410,414
Other	379,923	379,218
	2,916,679	2,939,318

10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	<u>2021</u>	<u>2020</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	516,372	518,483
Loans to Fellows	20,000	60,000
	536,372	578,483

11. OTHER FINANCIAL ASSETS

	<u>2021</u>	<u>2020</u>
	\$	\$
ANZ bank – term deposit - banking facility cash security	1,878,000	1,878,000
Financial assets at fair value through profit or loss (FVTPL)	15,998,036	16,114,635
Financial assets at fair value through other comprehensive income (FVOCI)	67,085,336	61,380,160
	84,961,372	79,372,795

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Project & Low Value Equipment	Treasures, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$	\$
GROSS CARRYING AMOUNT						
Balance at 1 January 2021	3,650,000	17,507,254	12,144,346	4,746,417	326,807	38,374,824
Additions	-	-	1,909,806	313,009	-	2,222,815
Disposals	-	-	(135,003)	(2,025)	-	(137,028)
Exchange differences	-	-	2,283	1,758	-	4,041
Balance at 31 December 2021	3,650,000	17,507,254	13,921,432	5,059,159	326,807	40,464,652
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2021	-	7,249,047	8,948,114	4,746,417	-	20,943,577
Depreciation charge for the year	-	437,769	1,454,504	313,009	-	2,205,282
Disposals	-	-	(12,267)	(2,025)	-	(14,292)
Exchange differences	-	-	2,177	1,759	-	3,936
Balance at 31 December 2021	-	7,686,816	10,392,528	5,059,159	-	23,138,504
NET BOOK VALUE	3,650,000	9,820,438	3,528,904	-	326,807	17,326,148
Balance as at 31 December 2020	3,650,000	10,258,208	3,196,232	-	326,807	17,431,247
Balance as at 31 December 2021	3,650,000	9,820,438	3,528,904	-	326,807	17,326,148

13. INTANGIBLE ASSETS

	<u>2021</u>	<u>2020</u>
	\$	\$
Net balance at the beginning of the year	3,848,596	2,138,800
Acquisitions	3,928,676	2,936,882
Write-offs	0	(387,592)
Amortisation expense	(570,144)	(839,493)
Net balance at the end of the year	7,207,138	3,848,596

Costs incurred in developing IT products or systems are capitalised and included as an asset when it is probable the development project will be successfully completed.

14. LEASES

RACS has leases over property and office equipment.

(i) PROPERTY

RACS leases corporate office buildings in Sydney, Adelaide, Brisbane, Hobart, Perth and Wellington (NZ). RACS includes options in the leases and at commencement date and each subsequent reporting date assesses where it is reasonably certain that the extension options will be exercised. The corporate office leases contain annual CPI pricing where the lease payments are adjusted at each anniversary date and undergo a market rent review on renewal of an option.

(ii) OFFICE EQUIPMENT

RACS has a 12 month lease for photocopiers with Ricoh which expires on 5 June 2022.

The total cash outflow for the leases during the year to 31 December 2021 was \$92,232.

14 (a) RIGHT OF USE ASSETS

	Property	TOTAL
	\$	\$
Position as at 31 December 2021		
Balance on 1 January 2021	16,651,229	16,651,229
Additions		
Additions – CPI	212,368	212,368
Depreciation	(1,701,064)	(1,701,064)
Foreign exchange movement	7,835	7,827
Balance as at 31 December 2021	15,170,368	15,170,368

14 (b) LEASE LIABILITIES

	<u>2021</u>	<u>2020</u>
		\$
Current	987,429	1,251,567
Non-current	14,948,486	15,753,237
	15,935,915	17,004,804

14 (c) Lease Liability Maturity Analysis

	2021
	\$
<1 year	1,613,592
1-5 years	6,561,804
> 5 years	13,140,770
Total undiscounted lease liability	21,316,166
Lease liability included in the statement of financial position	15,935,915

15. TRADE AND OTHER PAYABLES (CURRENT)

	2021	2020
	\$	\$
Trade payables	935,740	2,040,822
Other payables	3,467,100	2,024,671
Net external conferences – monies held	1,158,758	-
	5,561,598	4,065,493

16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	2021	2020
	\$	\$
CONTRACTS WITH CUSTOMERS		
Specialist Training Program	8,484,410	11,565,119
RACS Global Health Projects	1,915,380	3,878,393
Audits of Surgical Mortality	873,579	924,496
Other	186,642	141,936
	11,460,011	16,509,944
OTHER REVENUE RECEIVED IN ADVANCE		
Subscriptions billed in advance	18,615,635	17,649,379
Examination entry and annual training fees billed in advance	10,033,903	9,637,869
Skills training courses billed in advance	3,238,913	2,858,104
Annual scientific conference fees billed in advance	482,058	210,376
Other fees billed in advance	596,526	238,717
	32,967,035	30,594,445
	44,427,046	47,104,389

17. EMPLOYEE BENEFITS (CURRENT)

	2021	2020
	\$	\$
Annual leave	1,704,713	1,829,495
Leave in lieu	-	-
Long service leave	2,087,483	2,019,571
	3,792,196	3,849,066

18. FUNDS HELD ON BEHALF OF OTHERS

	<u>2021</u>	<u>2020</u>
	\$	\$
Funds held on behalf of other surgical societies and groups	15,845,923	13,081,058
	15,845,923	13,081,058

19. EMPLOYEE BENEFITS (NON-CURRENT)

	<u>2021</u>	<u>2020</u>
	\$	\$
Long service leave	393,607	322,766
	393,607	322,766

20. PROVISIONS (NON-CURRENT)

	<u>2021</u>	<u>2020</u>
	\$	\$
Make good provision under leases	104,391	104,300
	104,391	104,300

21. EVENTS AFTER BALANCE SHEET DATE

COVID-19 Outbreak and the Russian Invasion of Ukraine

The outbreak and invasion and measures taken in response are considered by RACS to be non-adjusting events indicative of conditions that arose after the reporting period.

As of the date of preparation of this financial report the Councillors as Directors are aware of the financial impact in terms of funding from operational revenues and performance of the investment portfolio. The COVID outbreak and the invasion of Ukraine are expected to have an ongoing future economic impact which may in turn affect RACS' operations, the results thereof, and RACS' state of affairs in years subsequent to 31 December 2021.

However, as RACS is financially sound with sufficient cash reserves, the above-noted events are not anticipated to impact RACS' status as a going concern.

There are no other matters or circumstances, which have arisen since the end of the financial year, which have significantly affected or may significantly affect the operation of RACS, the results of those operations, or the state of affairs of RACS.

22. RELATED PARTY TRANSACTIONS

During the year, the Councillors and key management personnel of RACS provided services to RACS. These services were provided at commercial rates for which payment was made during the 2021 financial year totalling \$1,005 (2020: \$4,215).

23. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of RACS. During the financial year 2021 there were 7 key management personnel including any that have resigned or retired during the year

	<u>2021</u>	<u>2020</u>
	\$	\$
Compensation to key management personnel	2,654,185	2,674,071
	2,654,185	2,674,071

ACFID CODE OF CONDUCT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Information to be provided under the ACFID Code of Conduct

RACS is a signatory member of the Australian Council for International Development (ACFID). The ACFID Code of Conduct is a voluntary self-regulatory code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the accountability and transparency of signatory members. Information disclosed below is in accordance with the financial reporting requirements of the ACFID Code of Conduct.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 - INTERNATIONAL AID AND DEVELOPMENT PROGRAMS

	<u>2021</u>	<u>2020</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	451,397	249,310
Donations and gifts – non-monetary	147,506	-
Bequests and legacies		-
Grants		
- Department of Foreign Affairs and Trade	2,683,739	1,976,681
- Other Australian Grants	64,500	134,744
- Other Overseas	66,477	-
Investment Income	986,532	573,255
Other income – International programs	239,564	222,608
Other income – all other RACS activities	71,507,429	65,241,567
Revenue for international political or religious adherence promotion program		-
Total Revenue	76,147,144	68,398,165
EXPENDITURE		
International Aid and Development Programs		
International Programs		
- Funds to international programs	2,970,902	3,438,552
- Program support costs	407,500	1,096,131
Community education		-
Fundraising costs		
- Public		-
- Government, multilateral and private		-
Accountability and administration	241,403	150,540
Non-monetary expenditure	147,506	-
Total International Aid and Development Programs Expenditure	3,767,311	4,685,223
Expenses for international political or religious adherence promotion program		-
Other expenditure – all other RACS activities	71,220,169	61,249,842
Total Expenditure	74,987,480	65,935,065
Surplus / (Deficit)	1,159,662	2,463,100
Other Comprehensive Income	5,616,298	256,194
TOTAL COMPREHENSIVE INCOME	6,775,961	2,719,294