

Financial Report

For the financial year ended
31 December 2020

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REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2020 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 impact of the coronavirus (COVID-19) has been substantial for all businesses and not-for-profit organisations throughout the world. RACS recognised early in March of 2020 that core educational events such as examinations, skills training courses and the Annual Scientific Congress (ASC) would be subject to widespread disruption whereby reducing various streams of significant funding for RACS. Despite revenues from operations being \$9.6m down on 2019, RACS was able to respond to this financial impact by initiating numerous business measures to scale back operational expenditures while also applying for the Australian governments JobKeeper Payment scheme.

In 2020, RACS delivered a surplus result of \$2.46m (2019: \$2.86m) and an overall comprehensive income of \$2.72m (2019: \$10.42m). The financial result for the year was materially supported by the \$4.4m JobKeeper payments received over the eligible payroll period from 31 March 2020 to 27 September 2020. With the security of this additional funding RACS was able to maintain its pre-pandemic staffing resources and better respond and reposition its plans for recovery and subsequent delivery of repurposed core educational events.

Revenue

Revenues from operations decreased by \$9.6m over the 2020 financial year to \$59.2m (2019: \$68.8m). With the inclusion of JobKeeper payments overall revenues were \$63.6m.

Key Revenue Streams

Key revenue streams for the year can be broken down into:

- Subscriptions and entrance fees of \$18.6m, being higher than \$18.3m in 2019 as a result of a net increase in Fellows in 2020;
- Training, examination and assessment fees of \$20m, was 21% lower than 2019 at \$25.2m, due primarily to cancellation of the examinations in June 2020 and skills training courses over the March to September 2020 period;
- Project income and management fees from external parties of \$17.1m, which is lower than 2019 at \$18.3m due mainly to decreased conference management fees from COVID-19 related third party conference event cancellations;
- Conference registrations of \$0.1m, being significantly lower than \$2.1m in 2019 due primarily to the cancellation of the ASC which was scheduled to be held in Melbourne in May 2020.

Expenditure

Expenditures from operations of \$65.9m decreased by \$7m or 10% under 2019 at \$72.9m. The decrease was primarily attributable to cancellation of events throughout the year with particular reference to the ASC.

Key Expenses

Key expenses for the year can be broken down into:

- Personnel costs of \$28m (2019: \$26.2m) representing an increase of 6.7% including finalisation of the Education portfolio restructure initiative;
- Externally funded grants of \$8.3m mainly related to hospital training post payments funded under the Specialist Training Program agreement (2019: \$7.8m);
- Travel and accommodation of \$2.3m (2019: \$7.7m), with the material decrease due to cancelled educational events throughout the year;
- Specialist Society funding costs of \$4.9m (2019: \$4.5m) in line with the training partnership agreements.

Financial Position

The Statement of Financial Position reflects net assets increasing by \$2.7m or 3% being wholly attributable to overall comprehensive income of \$2.7m.

Cash and short-term deposits of \$35.2m increased by \$3.5m compared to 2019 mainly due to net cash inflows from operating activities of \$3.5m.

Trade and other receivables have decreased by \$0.2m to \$20.6m in 2020 (2019: \$20.8m) mainly due to net increase in cash receipts from Fellows and Trainees annual fees.

Other current assets of \$2.9m are \$0.2m lower than the prior year due to lower prepaid expenses.

Non-current other financial assets of \$79.4m related to investment assets managed within the portfolio remain unchanged year on year with an overall positive performance return of 3.7%.

Property, plant and equipment has marginally increased by \$0.1m to \$17.4m (2019: \$17.3m) which is directly attributable to the net asset additions of \$1.9m less depreciation charged during the year of \$1.8m.

Intangible assets of \$3.8m have increased \$1.7m compared to the prior year mainly due to digital technology investments under the multi-year 'One College Transformation' program.

Trade and other payables of \$4.1m remain unchanged year in year.

Contract liabilities and other revenue received in advance of \$47.1m were \$0.7m higher than 2019 which is due to higher subscriptions and training fees received in advance.

Current employee benefits of \$3.8m increased by \$0.2m from the prior year with a net increase in annual leave and long service leave staff entitlements.

Cash Flow

Net cash inflows from operating activities of \$3.5m were lower compared to \$6.3m in 2019 due mainly to reduction in customer receipts from the result of cancelled events.

Net cash inflows from investing activities of \$1.8m were favourable compared to net cash outflows of (\$0.3m) in 2019. This was largely due to \$3.6m in net cash proceeds from the sale of the South Australian property and lesser acquisition of investments of \$6m compared to \$12.7m in 2019.

Net cash outflows from financing activities of \$1.7m.

Overall, there was a net increase in cash and short-term deposits of \$3.5m (2019: \$4.7m) during the year.

Foundation for Surgery

The Foundation activities encompass scholarships, fellowships and research grants as well as direct oversight of our philanthropic endeavours. Scholarship commitments of \$1.9m were paid in 2019 (2019: \$1.8m). It is Council's strategic aim to commit to an annual funding limit of up to \$2.5m in order to maintain RACS as a nationally and globally recognised funding institution for surgical research, global health, indigenous health and other philanthropic initiatives.

Investments Portfolio – Funding the Foundation

The markets recovered since the initial severe downturn in March 2020 with the investment portfolio achieving a modest positive return of 3.7% (2019: 22.5%). The ongoing performance of the investment portfolio was underpinned by strong cash income of \$2.7m which provides the necessary funding to support the Foundation for Surgery while ensuring that the capital value of the portfolio is maintained long term.

In Closing

I would like to acknowledge the services of our Honorary Advisers for which we remain indebted. My thanks to Ms Siobhan Blewitt (Investment), Ms Penny Heard (Investment), Mr Chesley Taylor (Investment), Mr Ian Taylor (Investment), Mr Michael Randall OAM (Investment), Mr Paul McDonald (Finance) and Mr Adam Davies (Finance) for their generous and valued support during the year. RACS remains extremely grateful to all 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 2020.

RACS continues to maintain a sound financial position and has 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 2020

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 2020. 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 2020. The number of meetings attended by each Councillor is noted below.

Councillors Meeting Attendance 2020			<u>Number of meetings attended</u>		<u>Number of meetings eligible to attend</u>	
			<u>Council</u>	<u>Board of Council</u>	<u>Council</u>	<u>Board of Council</u>
Office Holders						
Dr Anthony Lloyd Sparnon	President	4	8	4	8	
A/Prof Julie Ann Mundy	Vice President	4	8	4	8	
Dr Gregory Edwin Witherow	Treasurer	4	6	4	6	
A/Prof Phillip James Carson	Censor in Chief	4	8	4	8	
Dr Sally Jane Langley	Chair, Professional Development & Standards Board	4	8	4	8	
Elected Members of Council:						
Dr Adrian Anand Anthony		4		4		
Professor Mark Winter Ashton	Appointed 12 May 2020	2		2		
Ms Ruth Caroline Bollard		4	8	4	8	
Dr Jennifer Lee Chambers OAM		4		4		
Dr Sarah Helen Coll		4		4		
Mr John Anthony Crozier AM CSM		4		4		
Dr Mark Anthony James Dexter	Appointed 12 May 2020	2		2		
A/Prof Kerin Ann Fielding		4	8	4	8	
Prof David Rowley Fletcher AM		4		4		
Prof Mark Frydenberg AM		4		4		
Prof Andrew Graham Hill		4		4		
Miss Annette Coralie Holian		4		4		
Dr Rebecca Kate Jack	Appointed 12 May 2020	2		2		
Dr Christine Su-Li Lai		4		4		
Dr Lawrence Pietro Malisano		4	8	4	8	
A/Prof Christopher Martin Pyke		4		4		
Dr Maxine Mariri Ronald		4		4		
Professor Raymond Sacks	Appointed 12 May 2020	2		2		
Prof Owen Allan Ung		4		4		
Prof Henry Hyunshik Woo		4		4		
Co-Opted Members of Council						
The Hon Rob Knowles AO		4	8	4	8	
Ms Souella Cumming		3		4		
Prof Richard Clive Turner	Resigned 14 May 2020	2		2		
Dr Nishanthi Gurusinghe	Appointed 14 August 2020	1		1		

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		<u>Number of meetings attended</u>		<u>Number of meetings eligible to attend</u>	
		<u>Council</u>	<u>Board of Council</u>	<u>Council</u>	<u>Board of Council</u>
Retired Members of Council					
Mr Bruce Ian Hall	Retired 12 May 2020	1		2	
Dr Geoffrey Blake Lyons	Retired 12 May 2020	1		2	
Mr Christopher Francis Perry OAM	Retired 12 May 2020	1		2	
Mr Richard Edward Perry	Retired 12 May 2020	2	2	2	2
Dr James Anthony Churchill	Appointed 1 January 2020 Retired 31 October 2020	4		4	

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

Dr 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; Deputy Presiding Member, Health Advisory Council, SA Medical Education & Training; 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

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

Associate Professor Phillip James Carson MBBS, FRACS, FRCS, FRCS(Ed), GAICD

Senior Specialist Surgeon, Royal Darwin Hospital; Associate Professor of Surgery, Flinders NT Medical Program; Commissioner, Northern Territory Liquor Commission; Member Cancer Australia Indigenous Leadership Group, Regional Cancer outcomes advisory committee & Guide to lung Cancer working group; Member Medicare Review Committee Oncology & General Surgery; Member of Board, Cancer Council NT; Member of Board, Board Integrated Disability Action, NT

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

Dr James Anthony Churchill MBBS BMedSc GAICD

Urology SET Trainee St George Hospital Kogarah; Director, Churchill-Strach Investment Pty Ltd, Conjoint Associate Lecturer at the University of New South Wales, Clinical Associate Lecturer at The University of Sydney

Dr Sarah Helen Coll MBBS, FRACS, FAOA, GAICD, CIME

Orthopaedic Surgeon; James Cook University Clinical Educator, Secretary Far North Lady Doctors Association; AMA Qld Councillor & Board member; Director Breadcrumbs 241 Pty Ltd; Director Coll Nominees Family Trust, Chair AMAQ electronic health record review committee, Past President Far North Medical and Legal Society, AMA Federal Orthopaedic Surgical Representative, Past President Queensland Medical Women's Society, Member Pacific International Orthopaedic Association, Chair Cairns Day Surgery Medical Advisory Committee

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 & 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. Member. Chair, Shunt Registry Committee, 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
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

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; Director Prostate Cancer Foundation of Australia; Chair MBS Review - Urology Clinical Committee; Member Urology MBS Implementation Committee, Department of Health; Member Out of Pocket Expenses Reference Group, Department of Health; Member Medical Reference Group, Medibank Private

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

Mr Bruce Ian Hall MBBS, FRACS, CIME
Chairman of Neurosurgery and Co-Director Gamma Knife Radiosurgery Unit Princess Alexandra Hospital; Director of Neurosurgery Greenslopes Private Hospital; Managing Director Queensland Neurosurgery & Spine Surgery

Professor Andrew Graham Hill MBChB, MD, EdD, FACS, FCSSL (Hon), FAIS (Hon), FRACS, GAICD
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; President/Past President, International Society of Surgeons, Zurich, Switzerland; Director Ormiston Hospital, Auckland; Member Board of Directors, The G4 Alliance, Chicago, USA

Miss Annette Coralie Holian MBBS, FRACS, FAOrthA MSurgEd
Orthopaedic Surgeon Monash Children's hospital; Clinical Director Surgery and Perioperative Services, RAAF; 2nd 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

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Honorary 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

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 Geoffrey Blake Lyons MBBS, FRACS

Council member, Australian Society of Plastic Surgeons; Director, GEL NSW Pty Ltd

Dr Lawrence Pietro Malisano MBBS, FRACS, FAOA, FAICD

Orthopaedic Surgeon; Deputy Director Professional Services Review; Senior Specialist Royal Brisbane & Women's Hospital; Clinical Lead Getting it Right First Time QLD Health; Senior Lecturer QLD University; Director Brisbane Orthopaedic and Sports Medicine Centre

Associate Professor Julie Ann Mundy MBBS, FRACS, MBA

Cardiothoracic Surgeon; Executive Member, Australian and New Zealand Society of Cardiac and Thoracic Surgeons

Associate Professor Christopher Perry OAM FRACS GAICD

Consultant, Otolaryngology Head & Neck Surgery Department, Princess Alexandra Hospital & Queensland Children's Hospital; Director ASOHNS; Director Brisbane ENT Pty Ltd; Vice President AMA QLD and Director AMA QLD Foundation; Dep Ch National Indigenous Hospitals Network Steering Committee

Mr Richard Edward Perry, MBChB, Dip Obs(Otago), FRACS, FAICD

General surgeon, Visiting Consultant Surgeon Intus Digestive and Colorectal Care, St Georges Hospital and Southern Cross Hospital, Christchurch; Director, Intus Ltd; Director, Medical Software Corporation Ltd.

Professor Christopher Martin Pyke PhD, FRACS, FACS, 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 Therapeutics Goods Administration and of Prosthesis List Advisory Committees. Consultant to Medtronic Pty Ltd.

Dr Anthony Lloyd Sparnon MBBS, FRACS, GAICD

Paediatric Surgeon; Women's and Children's Hospital, Adelaide International Advisor for Masters in Paediatric Surgery Program, National University of Malaysia; Visiting external examiner, Master of Paediatric Surgery, University of Malaya

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Professor Richard Clive Turner MBBS, B Med Sc, FRACS, PhD

General Surgeon; Professor of Surgery, University of Tasmania; Director, Hobart Clinical School (University of Tasmania); Visiting Medical Officer, Royal Hobart Hospital and Launceston General Hospital.

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 Royal Brisbane and Women's Hospital Foundation; Director Specialist Oncology Property Ltd

Dr Gregory Edwin Witherow MBBS, FRACS MAICD GAICD

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

Professor Henry Woo MBBS DMedSc FRACS

Urological surgeon; Director of Uro-Oncology Chris O'Brien Lifehouse; Head Department of Urology Sydney Adventist Hospital; Board Director, Australian and New Zealand Uro-genital and Prostate Cancer Trials Group; Board Director, Australasian Urological Foundation; Board member Asian Pacific Prostate Society; Member MBS Urology Review Committee; Clinical Trial Investigator for Medeon, Zenflow, Boston Scientific, Astellas, Janssen, Myovant

Chief Executive Officer

Mr John Biviano BAppSci MBus FIML GAICD

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 \$2,719,294 compared to 2019 total comprehensive income of \$10,423,496. 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

Coronavirus (COVID-19) outbreak

The coronavirus outbreak is 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 2020.

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 2020

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 2020, the number of members was 8,391 (31 December 2019 – 8,179).

DIRECTORS' REPORT

Auditor's Independence Declaration

We, the 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 Anthony Lloyd Sparnon
President



.....

Dr Greg Edwin Witherow
Treasurer

MELBOURNE
26 MARCH 2021

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 2020, 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, 26 March 2021



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 2020 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 2020 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 annual report 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 – Reduced Disclosure Requirements 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 director's 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 entities or business 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, 26 March 2021



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*.

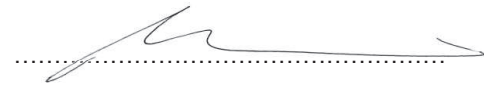
Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

On behalf of the Directors.



.....

Dr Anthony Lloyd Sparnon
President



.....

Dr Greg Edwin Witherow
Treasurer

MELBOURNE
26 MARCH 2021

**STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$	2019 \$
Revenue from operations	5(a)	59,223,407	68,818,123
JobKeeper wage subsidy	5(b)	4,401,600	-
Total revenue – from operations		63,625,007	68,818,123
Personnel costs	5(c)	27,981,054	26,229,391
Outsourced service providers	5(d)	4,076,127	4,988,282
Telephone, teleconference and audio-visual costs		280,750	706,441
Printing, stationery and photocopying		896,634	996,483
Postage and courier costs		262,749	439,843
Information system costs		2,542,732	2,075,929
Travel and accommodation		2,259,878	7,732,412
Associations and library publications		1,460,486	1,297,627
Audit, legal and professional fees		1,030,954	1,259,079
Bank fees and merchant charges		419,267	355,709
Interest on lease liabilities		321,708	339,449
Utilities and other property costs		1,039,762	638,140
Insurance		797,430	863,429
Project equipment purchases, hire and repairs		176,778	635,024
Training manuals and consumables used in education and field projects		601,535	784,148
Scholarships, fellowships and research grants		1,859,516	1,768,688
Awards, other grants, gifts and prizes		339,865	1,224,158
Grants – funded from external sources		8,317,776	7,837,952
Facilities hire and catering costs		1,877,254	3,614,924
Depreciation and amortisation expense	12 & 13	2,615,762	2,373,583
Depreciation of right-of-use asset	14(a)	1,548,457	1,576,701
Specialty societies funding costs		4,928,046	4,457,169
Other expenses from operating activities		300,545	774,500
Total expenditure – from operations		65,935,065	72,969,061
(Deficit) for the year – from operations		(2,310,058)	(4,150,938)
Other income			
Financial asset income		2,819,030	4,336,063
Gain / (loss) on sale of financial assets		(890,355)	557,701
Gain / (loss) on disposal of other assets		2,664,090	(997)
Changes in the fair value of financial assets at FVTPL		180,393	2,120,516
Total other income		4,773,158	7,013,283
Surplus for the year		2,463,100	2,862,345

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>2020</u>	<u>2019</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 at FVOCI	454,253	7,360,862
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(145,481)	67,876
Changes in the fair value of debt instruments at FVOCI	(52,578)	132,413
Other comprehensive income for the year	256,194	7,561,151
Total comprehensive income for the year	2,719,294	10,423,496

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 2020

	Notes	2020	2019
CURRENT ASSETS			
Cash and short-term deposits	6	35,217,440	31,681,510
Trade and other receivables	7	20,562,088	20,781,552
Contract assets	8	561,703	458,148
Inventories		58,151	122,008
Other assets	9	2,939,318	3,153,303
Total current assets		59,338,700	56,196,521
NON-CURRENT ASSETS			
Trade and other receivables	10	578,483	603,819
Other financial assets	11	79,372,795	79,381,303
Property, plant and equipment	12	17,431,247	17,307,524
Intangible assets	13	3,848,596	2,138,800
Right-of-use assets	14(a)	16,651,228	7,343,493
Total non-current assets		117,882,349	106,774,939
TOTAL ASSETS		177,221,049	162,971,460
CURRENT LIABILITIES			
Trade and other payables	15	4,065,493	4,107,427
Contract liabilities and other revenue received in advance	16	47,104,389	46,423,009
Lease liabilities	14(b)	1,251,567	1,299,334
Employee benefits	17	3,849,066	3,628,156
Funds held on behalf of others	18	13,081,058	11,840,642
Total current liabilities		69,351,573	67,298,568
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	15,753,237	6,256,782
Employee benefits	19	322,766	365,851
Provisions	20	104,300	80,380
Total non-current liabilities		16,180,303	6,703,013
TOTAL LIABILITIES		85,531,876	74,001,581
NET ASSETS		91,689,173	88,969,879
MEMBERS FUNDS AND RESERVES			
Reserves		6,974,726	6,718,532
Retained surplus		84,714,447	82,251,347
TOTAL MEMBERS FUNDS AND RESERVES		91,689,173	88,969,879

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 2020

	Retained Earnings	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2019	79,389,002	(774,199)	(68,420)	78,546,383
Surplus for the year	2,862,345	-	-	2,862,345
Other comprehensive income	-	7,493,275	67,876	7,561,151
Balance at 31 December 2019	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

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 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		64,327,645	73,828,297
Payments to suppliers and employees		(60,497,005)	(67,229,121)
Interest on leases	14(b)	(321,708)	(339,449)
Net cash inflows from operating activities	6	3,508,932	6,259,727
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	12 & 13	(6,151,014)	(1,730,029)
Net proceeds from sale of property, plant and equipment		3,603,816	55
Proceeds from sale of investments		7,535,602	9,401,384
Purchase of investments		(5,959,791)	(12,699,922)
Investment dividends, interest and franking credits received		2,752,092	4,700,805
Net cash inflows/(outflows) from investing activities		1,780,705	(327,707)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	14(b)	(1,674,932)	(1,284,859)
Net cash outflows from financing activities		(1,674,932)	(1,284,859)
Net increase/(decrease) in cash and short-term deposits		3,614,705	4,647,161
Cash and short-term at the beginning of the financial year		31,681,510	27,017,461
Effects of exchange rate changes in the balance of cash held in foreign currencies		(78,775)	16,888
Cash and short-term deposits at the end of the financial year		35,217,440	31,681,510

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 2020

1. CORPORATE INFORMATION

The financial report of RACS for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Board of Council on 26 March 2021.

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 – Reduced Disclosure Requirements 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 2020 RACS' current liabilities exceeded current assets by \$10 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 26 March 2021.

(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.

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 January and the provision is written down for any unused entitlement accrued up to the 31st 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) Expense recognition

Expenses are recognised based on the timing of when RACS consumes the economic benefit of a service and the value of that consumption can be measured reliably. All expenses are accounted for on an accruals basis and therefore are recognised at the time that consumption has occurred irrespective of any timing of payment to an external party.

(k) 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.

(l) 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

(m) Trade Creditors and Other Payables

Trade creditors and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid. These amounts are usually settled in 30 days.

(n) 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.

(o) 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 \$91,689,173 represents an allocation between the Foundation for Surgery funds of \$67,204,309 and General funds of \$24,484,864.

5. REVENUES AND EXPENSES

	<u>2020</u>	<u>2019</u>
	\$	\$
A. REVENUE FROM OPERATIONS		
Subscriptions and entrance fees	18,615,066	18,277,597
Training, examination and assessment fees	20,025,330	25,212,190
Sponsorship and donations	2,130,290	2,869,756
Conference registrations	115,938	2,089,844
Property rental and recoveries	407,584	900,086
Project income and management fees	17,123,765	18,282,714
Advertising, royalties and rebates	445,952	459,431
Other	359,482	726,505
	<u>59,223,407</u>	<u>68,818,123</u>
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	24,108,761	22,255,547
Workers' compensation costs	76,811	81,499
Superannuation costs	2,111,484	1,907,504
Other staffing costs	1,683,998	1,984,841
	<u>27,981,054</u>	<u>26,229,391</u>
D. EXPENDITURE – OUTSOURCED SERVICE PROVIDERS		
Clinical - professional services		
- Specialist international medical graduate assessments	51,224	50,115
- International aid and development programs	305,965	851,863
- Audits of surgical mortality programs	82,176	145,418
- Other	112,619	222,200
	<u>551,984</u>	<u>1,269,596</u>
Other – professional services		
- Digital services - business support and development	1,537,606	1,480,187
- Corporate services – governance, communications and strategic programs	548,966	1,400,320
- Externally funded programs – customer contracts	449,007	307,874
- Foundation for surgery programs	464,619	124,759
- Other	523,945	405,546
	<u>3,524,143</u>	<u>3,718,686</u>
	<u>4,076,127</u>	<u>4,988,282</u>

6. CASH AND SHORT-TERM DEPOSITS

	2020	2019
	\$	\$
CASH AND SHORT-TERM DEPOSITS		
Cash at bank and in hand	17,766,854	20,681,510
Deposits at call	17,450,586	11,000,000
	<u>35,217,440</u>	<u>31,681,510</u>

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	2,463,100	2,862,345
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Plus/(minus) non-operating items:

Interest and dividend income received	(2,819,030)	(4,336,063)
Net (gain)/loss on sale of property, plant and equipment	(2,664,090)	942
Write off - property, plant and equipment and intangible assets	387,592	10,165
Writeback – operating leases	-	(388,407)
Net (gain)/loss on sale of financial assets	890,355	(557,701)
Make-good expense/(gain)	30,820	(85,013)

Plus/(minus) non-cash items:

Depreciation and amortisation	4,164,219	3,950,284
Foreign exchange translation	145,481	95,634
Add back loss allowance on trade receivables	35,622	148,484
(Gain)/loss on revaluation of financial assets at FVTPL	(180,393)	(2,120,516)

Changes in assets and liabilities:

(Increase) / decrease in receivables	209,178	2,203,632
(Increase) / decrease in contract assets	(103,555)	(153,610)
(Increase) / decrease in inventories and other assets	277,842	(502,696)
Increase / (decrease) in trade & other payables	(187,414)	1,010,198
Increase / (decrease) in contract liabilities and other revenue received in advance	681,380	3,668,282
Increase / (decrease) in employee benefits	177,825	453,767
Net cash inflow from operating activities	<u>3,508,932</u>	<u>6,259,727</u>

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Subscription, fees and levies	11,143,944	11,862,955
Training, examination and assessment fees	6,199,394	6,375,822
Conference registrations	96,030	259,150
RACS projects – work in progress	1,062,844	1,347,476
Other sundry debtors	2,095,498	1,084,633
	<u>20,597,710</u>	<u>20,930,036</u>
Provision for doubtful debts	(35,622)	(148,484)
Trade and other receivables (current)	<u>20,562,088</u>	<u>20,781,552</u>

PROVISION FOR DOUBTFUL DEBTS MOVEMENT

Provision balance as at beginning of year	148,484	3,600
Amount provided for during the year	35,622	148,484
Amount written off during the year	(148,484)	(3,600)
Provision balance as at end of year	<u>35,622</u>	<u>148,484</u>

8. CONTRACT ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
Work performed on programs not yet able to be invoiced		
- ASERNIP-S – externally contracted work	461,703	358,148
- ANZ Journal of Surgery - royalty income agreement	100,000	100,000
	<u>561,703</u>	<u>458,148</u>

9. OTHER CURRENT ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
PREPAID EXPENDITURE		
Library – publications and journals	634,127	729,795
Software annual licence fees	858,638	695,475
Events – venue deposit and other advanced payments	656,921	979,933
Insurance	410,414	427,344
Other	379,218	320,757
	<u>2,939,318</u>	<u>3,153,303</u>

10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	518,483	543,819
Loans to Fellows	60,000	60,000
	<u>578,483</u>	<u>603,819</u>

11. OTHER FINANCIAL ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
ANZ bank – term deposit - banking facility cash security	1,878,000	-
Financial assets at fair value through profit or loss (FVTPL)	16,114,635	11,611,400
Financial assets at fair value through other comprehensive income (FVOCI)	61,380,160	67,769,903
	<u>79,372,795</u>	<u>79,381,303</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
GROSS CARRYING AMOUNT						
Balance at 1 January 2020	4,200,000	18,262,768	10,068,646	326,807	4,364,132	37,222,353
Additions	-	-	2,751,637	-	462,495	3,214,132
Disposals	(550,000)	(755,513)	(660,092)	-	(79,670)	(2,045,275)
Exchange differences	-	-	(15,845)	-	(541)	(16,386)
Balance at 31 December 2020	3,650,000	17,507,255	12,144,346	326,807	4,746,416	38,374,824
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2020	-	7,172,998	8,377,699	-	4,364,132	19,914,829
Depreciation charge for the year	-	456,657	857,117	-	462,495	1,776,269
Disposals	-	(380,608)	(273,764)	-	(79,670)	(734,042)
Exchange differences	-	-	(12,938)	-	(541)	(13,479)
Balance at 31 December 2020	-	7,249,047	8,948,114	-	4,746,416	20,943,577
NET BOOK VALUE	3,650,000	10,258,208	3,196,231	326,807	-	17,431,247
Balance as at 31 December 2019	4,200,000	11,089,770	1,690,947	326,807	-	17,307,524
Balance as at 31 December 2020	3,650,000	10,258,208	3,196,232	326,807	-	17,431,247

13. INTANGIBLE ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
Net balance at the beginning of the year	2,138,800	2,119,010
Acquisitions	2,936,882	951,397
Write-offs	(387,592)	(9,720)
Amortisation expense	(839,493)	(921,887)
Net balance at the end of the year	<u>3,848,596</u>	<u>2,138,800</u>

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 had a 3-year lease for photocopiers which expired on 30 June 2020. Execution of a new lease agreement with Ricoh is under negotiation and at as reporting date the photocopiers are subject to a recurring monthly charge.

The total cash outflow for leases during the year to 31 December 2020 is \$1,674,932.

14 (a) RIGHT OF USE ASSETS

	Property	Office Equipment	TOTAL
	\$	\$	\$
Position at 31 December 2020			
Balance at 1 January 2020	7,287,584	55,909	7,343,493
Additions	10,830,655	-	10,830,655
Additions - CPI	83,376	-	83,376
Depreciation	(1,492,548)	(55,909)	(1,548,457)
Foreign exchange movement	(57,839)	-	(57,839)
Balance as at 31 December 2020	<u>16,651,228</u>	<u>-</u>	<u>16,651,228</u>

14 (b) LEASE LIABILITIES

	<u>2020</u>	<u>2019</u>
		\$
Current	1,251,567	1,299,334
Non-current	15,753,237	6,256,785
	<u>17,004,804</u>	<u>7,556,119</u>
		<u>2020</u>
		\$
Reconciliation of lease liability		
Balance at 1 January 2020		7,556,119
Additions / modifications		10,779,488
Interest expense		321,708
Lease payments		(1,674,932)
Foreign exchange movements		22,421
Balance as at 31 December 2020		<u>17,004,804</u>

15. TRADE AND OTHER PAYABLES (CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade payables	2,040,822	2,015,616
Other payables	2,024,671	1,210,767
Net external conferences – monies held	-	881,045
	<u>4,065,493</u>	<u>4,107,427</u>

16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	<u>2020</u>	<u>2019</u>
	\$	\$
CONTRACTS WITH CUSTOMERS		
Specialist Training Program	11,565,119	13,774,702
RACS Global Health Projects	3,878,393	2,731,174
Audits of Surgical Mortality	924,496	959,043
Other	141,936	13,576
	<u>16,509,944</u>	<u>17,478,495</u>
OTHER REVENUE RECEIVED IN ADVANCE		
Subscriptions billed in advance	17,649,379	17,225,042
Examination entry and annual training fees billed in advance	9,637,869	9,695,922
Skills training courses billed in advance	2,858,104	1,318,122
Annual scientific conference fees billed in advance	210,376	636,143
Other fees billed in advance	238,717	69,285
	<u>30,594,445</u>	<u>28,944,514</u>
	<u>47,104,389</u>	<u>46,423,009</u>

17. EMPLOYEE BENEFITS (CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Annual leave	1,829,495	1,569,954
Leave in lieu	-	152,597
Long service leave	2,019,571	1,905,605
	<u>3,849,066</u>	<u>3,628,156</u>

18. FUNDS HELD ON BEHALF OF OTHERS

	<u>2020</u>	<u>2019</u>
	\$	\$
Funds held on behalf of other surgical societies and groups	13,081,058	11,840,642
	<u>13,081,058</u>	<u>11,840,642</u>

19. EMPLOYEE BENEFITS (NON-CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Long service leave	322,766	365,851
	<u>322,766</u>	<u>365,851</u>

20. PROVISIONS (NON-CURRENT)

	<u>2020</u>	<u>2019</u>
	\$	\$
Make good provision under leases	104,300	80,380
	<u>104,300</u>	<u>80,380</u>

21. EVENTS AFTER BALANCE SHEET DATE

Coronavirus (COVID-19) - Outbreak

The outbreak 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 outbreak will be 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 2020.

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 noted below provided services to RACS. Payments disclosed comprise of payments made to Councillors and key management personnel during the 2020 financial year. These services were provided below commercial rates.

	<u>2020</u>	<u>2019</u>
	\$	\$
SPECIALIST INTERNATIONAL MEDICAL GRADUATE - ASSESSMENTS		
- Associate Professor Kerin Fielding	3,255	4,800
- Professor Raymond Sacks	660	-
	<u>3,915</u>	<u>4,800</u>
AUDIT OF SURGICAL MORTALITY - ASSESSMENTS		
- Dr John Quinn	300	-
	<u>4,215</u>	<u>4,800</u>

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.

	<u>2020</u>	<u>2019</u>
	\$	\$
Compensation to key management personnel	2,547,208	2,674,071
	<u>2,547,208</u>	<u>2,674,071</u>

ACFID CODE OF CONDUCT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2020 - INTERNATIONAL AID AND DEVELOPMENT PROGRAMS

	<u>2020</u>	<u>2019</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	249,310	475,083
Donations and gifts – non-monetary	-	-
Bequests and legacies	-	-
Grants		
- Department of Foreign Affairs and Trade	1,976,681	5,481,115
- Other Australian Grants	134,744	262,357
- Other Overseas	-	-
Investment Income	573,255	953,600
Other income – International programs	222,608	265,064
Other income – all other RACS activities	65,241,567	68,394,187
Revenue for international political or religious adherence promotion program	-	-
Total Revenue	68,398,165	75,831,406
EXPENDITURE		
International Aid and Development Programs		
International Programs		
- Funds to international programs	3,438,552	4,706,111
- Program support costs	1,096,131	1,198,807
Community education	-	-
Fundraising costs		
- Public	-	-
- Government, multilateral and private	-	-
Accountability and administration	150,540	299,515
Non-monetary expenditure	-	-
Total International Aid and Development Programs Expenditure	4,685,223	6,204,433
Expenses for international political or religious adherence promotion program	-	-
Other expenditure – all other RACS activities	61,249,842	66,764,628
Total Expenditure	65,935,065	72,969,061
Surplus / (Deficit)	2,463,100	2,862,345
Other Comprehensive Income	256,194	7,561,151
TOTAL COMPREHENSIVE INCOME	2,719,294	10,423,496