

Financial Report

For the financial year ended
31 December 2019

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REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2019 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

In 2019, RACS delivered a surplus result of \$2.9m (2018: \$0.9m) and an overall comprehensive income of \$10.5m (2018: (\$2.2m)) while progressing a number of important initiatives including the 'One College Transformation' program, staging a highly successful Annual Scientific Congress (ASC) in Bangkok, funding significant endeavours in surgical research and continuing the commitment to the *Building Respect, Improving Patient Safety* (BRIPS) action plan.

Revenue

Overall revenues increased by \$8.6m or 13 per cent over the 2019 financial year to \$75.8m (2018: \$67.2m). This was primarily due to increased revenue recognised under the Specialist Training Program (STP), funded by the Australian Commonwealth Government and designed to extend vocational training for specialist registrars to a range of settings beyond traditional metropolitan teaching hospitals. RACS also achieved strong performance from the investment portfolio which primarily funds our strategic Foundation for Surgery programs.

Key Revenue Streams

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

- Subscriptions and entrance fees of \$18.3m, being higher than \$17.4m in 2018 as a result of a net increase in Fellows in 2019
- Training, examination and assessment fees of \$25.2m, which was 3% higher than 2018 at \$24.5m, primarily due to increased numbers of Generic Surgical Science Examination candidates;
- Project income and management fees from external parties of \$18.3m, which is materially higher than 2018 at \$13.8m mainly due to increased revenue recognised in line with higher hospital payments under the STP contract;
- Lower revenue from conference registrations at \$2.1m (2018: \$2.9m) from the ASC being offset by lower staging expenses for the event held in Bangkok compared to Sydney in 2018.

Expenditure

Expenditure increased by \$6.6m or 10% over 2018 at \$72.9m (2018: \$66.3m). The increase was primarily attributable to higher hospital grant payments under the STP funded contract, an increase in awarded scholarships, fellowships and surgical research grants and initiation of the 'One College Transformation' program to deliver better value for our members.

Key Expenses

Key expenses for the year can be broken down into:

- Personnel costs of \$26.2m (2018: \$25m) representing an increase of 4.8%;
- Externally funded grants of \$7.8m mainly related to hospital training post payments funded under STP (2018: \$5.8m);
- Travel and accommodation of \$7.7m (2018: \$7.1m), with the increase primarily due to expanded international program activities funded by the Australian Government;
- Specialist Society funding costs of \$4.5m in line with the training partnership agreements.

Balance Sheet

RACS balance sheet reflects net assets increasing \$10.5m or 13.4% which is largely attributable to strong investment performance with increase in the market value in the financial assets.

Cash and short-term deposits increased by \$4.6m compared to 2018 mainly due to increased cash inflows from operations with higher grants monies received from government funded programs.

Trade and other receivables have decreased by \$2.3m to \$21.4m in 2019 (2018: \$23.7m) mainly due to net increase in grants monies received and earlier cash receipt from investment franking credits.

Other current assets are \$0.7m higher than the prior year due to higher prepaid expenses.

REPORT FROM THE TREASURER TO FELLOWS - CONTINUED

Non-current other financial assets are higher than 2018 by \$15m and is mainly due to the increase in the market value of the underpinning financial assets with the investment portfolio achieving a positive return performance of 22.5%.

Property, plant and equipment has decreased by \$0.7m to \$17.3m (2018: \$18m) which is directly attributable to the depreciation charged during the year offset by additions of assets of \$0.8m.

Intangible assets are unchanged compared to the prior year with amortisation of \$0.9m charged during the year offset by additions from technology investments from the 'One College Transformation' program.

Trade and other payables were higher by \$1.1m compared to the previous year. This is due to a timing difference in payments to trade creditors.

Contract liabilities and other revenue received in advance were \$3.7m higher than 2018 which is higher due to subscriptions and training fees received in advance and a net increase in government grants.

Current employee benefits increased \$0.5m from the prior year with a net increase in annual leave and long service leave staff entitlements.

Cash Flow

RACS cash flow and liquidity improved in 2019 with net cash inflows from operating activities of \$6.3m (2018: \$5.3m). Due to the adoption of AASB 16 Leases, rental payments on leased properties which would have previously been disclosed under cash flows from operating activities are now disclosed as cash flows from financing activities.

The net increase in cash and short-term deposits of \$4.6m (2018: increase of \$6.6m) during the year was primarily due to increase in cash flow from operations.

Foundation for Surgery

The Foundation activities encompass scholarships, fellowships and research grants as well as direct oversight of our philanthropic endeavours. Scholarship commitments of \$1.8m were paid in 2019 (2018: \$1.2m). 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 market performed strongly for the year with the investment portfolio achieving a positive return of 22.5% (2018: 0.52%). The ongoing performance of the investment portfolio is underpinned by strong cash income 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 Mr Anthony Lewis (Audit, Investment, Finance & IT) - Retired, Ms Siobhan Blewitt (Investment), Ms Penny Heard (Investment), Mr Chesley Taylor (Investment), Mr Ian Taylor (Investment), Mr Michael Randall OAM (Investment), and Mr John Craven (Information Technology) for their generous and valued support during the year. RACS remains extremely grateful to all our Honorary Advisers for their wise counsel and support.

It is also with immense gratitude that we extend our best wishes to Mr Anthony Lewis in retirement who after many years as an honorary adviser has provided invaluable support and astute advice across a broad array of RACS business affairs and was formally recognised for his contributions at the October Council meeting.

I would also like to thank the RACS staff for their ongoing hard work and commitment in 2019.

RACS continues to maintain a strong Balance Sheet and is financially well positioned to meet its ongoing commitments and I recommend these accounts to the Fellows.

Associate Professor Julie Mundy
Treasurer

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR

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 2019. 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. Three Council Meetings and six Board of Council Meetings were held in 2019. The number of meetings attended by each Councillor is noted below.

		<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					
Mr Anthony Lloyd Sparnon	President	3	6	3	6
Mr Richard Edward Perry	Vice President	3	6	3	6
A/Prof Julie Ann Mundy	Treasurer	3	6	3	6
A/Prof Phillip James Carson	Censor in Chief	3	4	3	4
	Chair, Professional Development & Standards Board				
Dr Sally Jane Langley		3	6	3	6
Elected Members of Council:					
Mr Adrian Anand Anthony		3		3	
Ms Ruth Caroline Bollard		3		3	
Dr Jennifer Lee Chambers OAM		3		3	
Dr Sarah Helen Coll	Appointed 9 May 2019	2		2	
Mr John Anthony Crozier AM CSM		3		3	
A/Prof Kerin Ann Fielding		3		3	
Prof David Rowley Fletcher AM		3		3	
Prof Mark Frydenberg AM		3		3	
Mr Bruce Ian Hall		3		3	
Prof Andrew Graham Hill		2	5	3	6
Dr Annette Coralie Holian		3		3	
Dr Christine Su-Li Lai		3	6	3	6
Dr Geoffrey Blake Lyons		2		3	
Dr Lawrence Pietro Malisano	Appointed 9 May 2019	1		2	
Mr Christopher Francis Perry OAM		3		3	
A/Prof Christopher Martin Pyke		3		3	
Dr Maxine Mariri Ronald		2		3	
Prof Owen Allan Ung		3		3	
Prof Henry Hyunshik Woo	Appointed 9 May 2019	2		2	
Dr Gregory Edwin Witherow		3	3	3	4
Co-Opted Members of Council					
The Hon Rob Knowles AO		3	3	3	6
Prof Richard Clive Turner	Appointed 9 May 2019	2		2	
Retired Members of Council					
Dr Rachel Care	Retired 1 March 2019	1		1	
Mr John Charles Batten	Retired 9 May 2019	1	2	1	2
Dr Catherine Mary Ferguson	Appointed 2 March 2019				
	Retired 9 May 2019	1	1	1	2
Dr Imogen Ibbett	Retired 31 Dec 2019	2		2	
Mr Garry Wilson KStJ	Retired 31 Dec 2019	3		3	

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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; Deputy Presiding Member, Health Advisory Council, SA Medical Education & Training; Trustee, Anthony Superannuation Fund

Mr John Charles Batten MBBS, FRACS, FAOrthA, GAICD

Orthopaedic surgeon; Visiting Medical Officer Launceston General Hospital; Senior Lecturer University of Tasmania; Director J C Batten Pty Ltd and Batten/Rooney Services

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

Dr Rachel Care BMedSci BMBS(hons) PGDipClinEd

Honorary Clinical Lecturer Otago University; Locum Otolaryngologist Christchurch Hospital; RACS Trainee Association Chair and representative on Council

A/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

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 Sarah Helen Coll MBBS, FRACS, FAOA, GAICD

Orthopaedic Surgeon; James Cook University Clinical Educator; President Qld Medical Women's Society; President Far North Medical & Legal Society; Committee member Far North Lady Doctors Association; AMA Qld Councillor & Board member; Director Breadcrumbs 241 Pty Ltd; Director Coll Nominees Family Trust

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

Dr Catherine Mary Ferguson, MBChB, FRACS, GAICD

Otolaryngology Head and Neck Surgeon; Trustee Bowen Hospital Trust Board; Member NZ Medical Association Specialist Council; Trustee, St Michael's Vicarage Trust Board

A/Professor Kerin Ann Fielding, MBBS(Syd), FRACS(Orth), FAOA

Senior visiting Orthopaedic Surgeon Calvary Hospital, Wagga Wagga Rural referral Hospital; 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

Professor David Rowley Fletcher AM, MBBS, MD, FRACS, GAICD

General Surgeon and Head of Department Fiona Stanley and Fremantle Hospitals, University West Australia; Member Medical Services Advisory Committee and Clinical Casemix Committee

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Councillors' and Chief Executive Officer's Qualifications and Current Experience (continued)

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

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

Ms Annette Coralie Holian MBBS, FRACS, FAOrthA MSurgEd

Orthopaedic Surgeon Monash Children's hospital; Clinical Director Surgery and Perioperative Services, RAAF; Governor, Shrine of Remembrance, Melbourne; Patron, Catalina Flying Boat section, RAAFA; 2nd Vice President Australian Orthopaedic Association

Dr Imogen Mary Ibbett MBBS, BSc

Neurosurgery SET Trainee Royal Brisbane & Women's Hospital

Hon 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

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 Standards Review (Federal Health Portfolio); 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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Councillors' and Chief Executive Officer's Qualifications and Current Experience (continued)

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; Director CM Pyke Pty Ltd.

Dr Maxine Mariri Ronald MBChB, FRACS
General Surgeon, Whangarei Hospital, New Zealand; Member Perioperative Mortality Review Committee (NZ).

Mr Anthony Lloyd Sparnon MBBS, FRACS, GAICD
Paediatric Surgeon; Senior Consulting 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

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

Mr Garry Wilson KStJ, BA, BSc, DPA
Chair, Precision Seafood Harvesting and SPATnz; Chair, Governance Oversight Group, Canterbury University Rebuild; Member, Risk and Audit Committee NZ Ministry of Health; Board Member Anglican Insurance Board (NZ); Business and governance consultant

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****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 \$10,423,496 compared to 2018 total comprehensive income of (\$2,241,833). 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 existence of COVID-19 was identified in mainland China in December 2019 and subsequently declared a 'Public Health Emergency of International Concern' by the World Health Organisation ('WHO') in January 2020. Consequent to the spread of the outbreak globally, causing disruption to businesses and economic activity, COVID-19 was characterised as a pandemic by the WHO on 11 March 2020.

Since early March 2020, RACS has acted responsibly and proactively to limit the COVID-19 exposure risk by cancelling a broad range of educational activities. RACS will continue to monitor the impact of COVID-19 on all budgeted revenue and expenditure.

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 financial impact on RACS operations are under active assessment and that for cancelled events up to June 2020 a decline in operational revenues of up to 20% for the year is estimated.

The outbreak will be expected to have significant future economic impact which may in turn affect RACS' operations, the results thereof, and RACS' state of affairs in years subsequent to 31 December 2019.

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.

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 2019, the number of members was 8,179 (31 December 2018 – 7,871).

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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*.

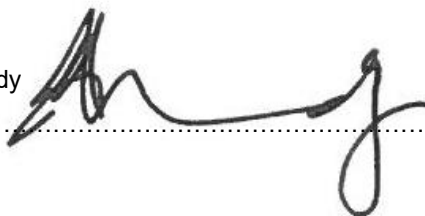
On behalf of the Directors.

Mr Anthony Lloyd Sparnon



.....
President

Associate Professor Julie Ann Mundy



.....
Treasurer

MELBOURNE
8 MAY 2020

Auditor's Independence Declaration to the Members 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 2019, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF

Melbourne, 8 May 2020



Steven Bradby

Partner

Independent Auditor's Report to the Members 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 2019 and the statements of profit or loss and other comprehensive income, changes in equity, 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 2019 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* (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, 8 May 2020



Steven Bradby

Partner

DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

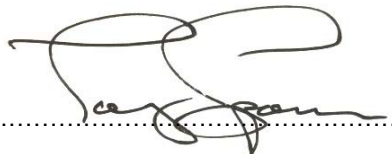
The directors declare that in the directors' opinion:

- (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*.

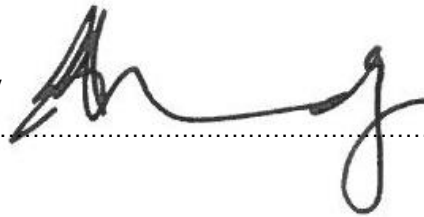
On behalf of the Directors

Mr Anthony Lloyd Sparnon



.....
President

Associate Professor Julie Ann Mundy



.....
Treasurer

MELBOURNE
8 MAY 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
Revenue from operations	5(a)	68,818,123	63,781,574
Total revenue – from operations		68,818,123	63,781,574
Personnel costs	5(c)	26,229,391	25,031,403
Consultants fees - clinical		1,269,596	1,147,066
Consultants fees - management		3,718,686	2,224,873
Telephone, teleconference and audio-visual costs		706,441	805,333
Printing, stationery and photocopying		996,483	1,161,321
Postage and courier costs		439,843	566,179
Information system costs		2,075,929	1,506,113
Travel and accommodation	5(c)	7,732,412	7,076,829
Associations and library publications		1,297,627	1,278,212
Audit, legal and professional fees		1,259,079	755,354
Bank fees and merchant charges		355,709	527,835
Interest on lease liabilities	14(c)	339,449	-
Utilities and other property costs		638,140	2,914,670
Insurance		863,429	623,969
Project equipment purchases, hire and repairs		635,024	560,633
Training manuals and consumables used in education and field projects		784,148	890,563
Scholarships, fellowships and research grants		1,768,688	1,170,019
Awards, other grants, gifts and prizes		1,224,158	999,899
Grants – funded from external sources		7,837,952	5,821,546
Facilities hire and catering costs	5(c)	3,614,924	4,073,168
Depreciation and amortisation expense	12 & 13	2,373,583	2,205,234
Depreciation of right-of-use asset	14(a)	1,576,701	-
Specialty societies funding costs		4,457,169	4,727,982
Other expenses from operating activities		774,500	248,177
Total expenditure – from operations		72,969,061	66,316,378
(Deficit) for the year – from operations		(4,150,938)	(2,534,804)
Other income			
Financial asset income	5(b)	4,336,063	6,416,611
Gain / (loss) on sale of financial assets		557,701	(1,591,734)
Gain / (loss) on disposal of other assets		(997)	(10,351)
Changes in the fair value of financial assets at FVTPL		2,120,516	(1,388,869)
Total other income		7,013,283	3,425,657
Surplus for the year		2,862,345	890,853
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		7,360,862	(3,059,213)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		67,876	29,760
Changes in the fair value of debt instruments at FVOCI		132,413	(103,233)
Other comprehensive income for the year		7,561,151	(3,132,686)
Total comprehensive income for the year		10,423,496	(2,241,833)

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 18.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Cash and short-term deposits	6	31,681,510	27,017,461
Trade and other receivables	7	20,781,552	23,125,876
Contract assets	8	458,148	304,538
Inventories		122,008	324,480
Other assets	9	3,153,303	2,448,135
Total current assets		56,196,521	53,220,490
NON-CURRENT ASSETS			
Trade and other receivables	10	603,819	611,611
Other financial assets	11	79,381,303	64,327,601
Property, plant and equipment	12	17,307,524	17,980,055
Intangible assets	13	2,138,800	2,119,010
Right-of-use assets	14(a)	7,343,493	-
Total non-current assets		106,774,939	85,038,277
Total assets		162,971,460	138,258,767
CURRENT LIABILITIES			
Trade and other payables	15	4,107,427	3,051,605
Contract liabilities and other revenue received in advance	16	46,423,009	42,754,727
Lease liabilities	14(b)	1,299,334	-
Employee benefits	17	3,628,156	3,165,425
Funds held on behalf of others	18	11,840,642	9,891,231
Provisions		-	388,407
Total current liabilities		67,298,568	59,251,395
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	6,256,782	-
Employee benefits	19	365,851	374,815
Provisions	20	80,380	86,174
Total non-current liabilities		6,703,013	460,989
Total liabilities		74,001,581	59,712,384
Net assets		88,969,879	78,546,383
MEMBERS' FUNDS			
Reserves		6,718,532	(842,619)
Retained surplus		82,251,347	79,389,002
TOTAL MEMBERS' FUNDS	4	88,969,879	78,546,383

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out from page 18.

STATEMENT OF CHANGES IN MEMBERS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Retained Earnings	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2018	78,498,149	2,388,247	(98,180)	80,788,216
Surplus for the year	890,853	-	-	890,853
Other comprehensive income	-	(3,162,446)	29,760	(3,132,686)
Balance at 31 December 2018	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

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to the financial statements set out from page 18.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		73,828,297	71,017,431
Payments to suppliers and employees		(67,229,121)	(65,751,420)
Interest on leases	14(b)	(339,449)	-
Net cash inflows from operating activities	7	6,259,727	5,266,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	12 & 13	(1,730,029)	(1,011,621)
Net proceeds from sale of property, plant and equipment		55	636
Proceeds from sale of investments		9,401,384	18,014,607
Purchase of investments		(12,699,922)	(22,022,337)
Investment dividends, interest and franking credits received		4,700,805	6,019,645
Net cash (outflows)/inflows from investing activities		(327,707)	1,000,930
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	14(b)	(1,284,859)	-
Net cash outflows from financing activities		(1,284,859)	-
Net increase/(decrease) in cash and short-term deposits		4,647,161	6,266,941
Cash and short-term at the beginning of the financial year		27,017,461	20,435,179
Effects of exchange rate changes in the balance of cash held in foreign currencies		16,888	315,341
Cash and short-term deposits at the end of the financial year		31,681,510	27,017,461

Notes to and forming part of the financial statements can be found from page 18.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

The financial report of RACS for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Board of Council on 8 May 2020.

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 2019 RACS' current liabilities exceeded current assets by \$11.1 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 8 May 2020.

(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 Standards and Interpretations are most relevant to the company:

AASB 15 Revenue from Contracts with Customers

RACS adopted AASB 15 from 1 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 16 Leases

RACS adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

AASB 1058 Income of Not-for-Profit Entities

RACS adopted AASB 1058 from 1 January 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Reclassification in 2019 of FVTPL investments previously classified as FVOCI investments

During the preparation of the 2019 financial report the application of AASB 9 was reviewed and it was ascertained that the historic presentation of changes in the fair value of securities such as hybrid investments should not have been included in the FVOCI classification. Changes in fair value have accordingly been reclassified in the comparatives to reflect the revised 2019 classification. The presentation impact is reflected as a movement of such changes in fair value from other comprehensive income to within the surplus for the year.

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.

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\$).

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(ii) 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:

- a) Assets and liabilities are translated at the closing rate prevailing at the reporting date;
- b) Income and expenses are translated at average exchange rates for the year;
- c) 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.

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 and the website are capitalised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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
Other – branding	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.

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

(i) 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.

(ii) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

RACS currently adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* with a date of initial application of 1 January 2019. RACS applied the modified retrospective method which means the comparative information has not been restated and continues to be reported under AASB 118 *Revenue*, AASB 1004 *Contributions* and related interpretations. The key changes did not have a material impact on RACS' financial report for the financial year. However, the key changes to RACS' accounting policies and the impact on the financial report from applying AASB 15 and AASB 1058 are described below.

Subscriptions & fees

Prior to adopting AASB 15, RACS recognised subscription fees on 1 January each year. Under AASB 15, the fees relate to services transferred to customers and therefore they are now spread over the expected life of the contract with the fellows. 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.

Prior to adopting AASB 1058 and AASB 15, revenue from projects was recognised by reference to the stage of completion of the transaction being measured reliably and the costs incurred on and costs to complete the transaction being measured reliably. Under AASB 1058 and AASB 15, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

(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**

RACS elected to adopt AASB 16 *Leases* using the modified retrospective method from 1 January 2019 and therefore the comparative information for the year ended 31 December 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Nature of change in accounting policy from adoption of AASB 16

Under AASB 117, RACS assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the lessee or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except where an exemption election is used). The leases identified by RACS (including property leases across its Australia and New Zealand operations and office equipment) have been recognised as a right of use asset with a corresponding lease liability in the Statement of Financial Position. The company has elected to use the exception to lease accounting for leases of low value assets and the lease expense relating to these leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis. The company has also elected to record concessionary leases at cost rather than fair value.

Practical expedients used on transition

AASB 16 includes several practical expedients which can be used on transition, of which RACS has used the following:

- contracts which had previously been assessed as not containing leases under AASB 117 and associated Accounting Interpretations were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the company's incremental borrowing rate at 1 January 2019;
- right of use assets at 1 January 2019 have been measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments;
- leases with an expiry date prior to 31 December 2019 were excluded from the statement of financial position and the lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- hindsight was used when determining the lease term where the contract contains options to extend or terminate the lease.

Financial report impact of adoption of AASB 16

RACS has recognised right of use assets of \$8,923,332 and lease liabilities of \$8,839,547 as at 1 January 2019 for leases previously classified as operating leases.

Accounting policy

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

(q) 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 \$88,969,879 represents an allocation between the Foundation for Surgery funds of \$64,790,392 and General funds of \$24,179,487.

5. REVENUES AND EXPENSES

	<u>2019</u> \$	<u>2018</u> \$
A. REVENUE FROM OPERATIONS		
Subscriptions and entrance fees	18,277,597	17,394,449
Training, examination and assessment fees	25,212,190	24,517,424
Sponsorship and donations	2,869,756	3,073,857
Conference registrations	2,089,844	2,912,606
Property rental and recoveries	900,086	939,878
Project income and management fees	18,282,714	13,812,359
Advertising, royalties and rebates	459,431	470,849
Other	726,505	660,152
	<u>68,818,123</u>	<u>63,781,574</u>
B. FINANCIAL ASSET INCOME		
Dividends, interest and franking credits	4,336,063	6,416,611
C. EXPENDITURE		
TRAVEL AND ACCOMMODATION EXPENSE		
- Skills training courses	1,393,755	1,375,364
- Examinations	1,525,404	1,542,994
- Externally funded projects – domestic & international	1,951,021	1,030,571
- Other	2,862,232	3,127,900
	<u>7,732,412</u>	<u>7,076,829</u>
FACILITIES HIRE AND CATERING EXPENSE		
- Skills training courses	1,145,945	1,104,566
- Annual scientific congress	1,123,048	1,288,669
- Other	1,345,931	1,679,933
	<u>3,614,924</u>	<u>4,073,168</u>
AUDIT – PROFESSIONAL SERVICES		
- Annual accounts audit – Ernst & Young	-	4,654
- Annual accounts audit – PKF	67,150	67,000
- Project audits – Ernst & Young	-	4,320
- Project audits – PKF	7,200	5,750
- Internal audits – Protiviti	-	37,230
- Internal audits – KPMG	98,656	-
	<u>173,006</u>	<u>118,954</u>
EMPLOYEE BENEFITS		
Wages and salaries expense	22,255,547	21,115,138
Workers' compensation costs	81,499	87,939
Superannuation costs	1,907,504	1,853,100
Other staffing costs	1,984,841	1,975,226
	<u>26,229,391</u>	<u>25,031,403</u>

6. CASH AND SHORT-TERM DEPOSITS

	2019 \$	2018 \$
CASH AND SHORT-TERM DEPOSITS		
Cash at bank and in hand	20,681,510	15,987,947
Deposits at call	11,000,000	11,029,514
	31,681,510	27,017,461

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

	2019 \$	2018 \$
RECONCILIATION OF SURPLUS TO THE NET CASH		
INFLOW FROM OPERATING ACTIVITIES		
Surplus for the year	2,862,345	890,853
Plus/(minus) non-operating items:		
Interest and dividend income received	(4,336,063)	(6,416,611)
Net (gain)/loss on sale of property, plant and equipment	(55)	(636)
Write off - property, plant and equipment and intangible assets	10,165	23,171
Writeback – operating leases	(388,407)	73,659
Net (gain)/loss on sale of financial assets	(557,701)	1,591,734
Net (gain)/loss on disposal of investments	997	10,351
Plus/(minus) non-cash items:		
Depreciation and amortisation	3,950,284	2,205,234
Foreign exchange translation	95,634	(165,357)
Addback loss allowance on trade receivables	148,484	6,821
Make-good expense/(gain)	(79,219)	-
(Gain)/loss on revaluation of financial assets at FVTPL	(2,120,516)	1,388,869
Changes in assets and liabilities:		
(Increase) / decrease in receivables	2,203,632	(1,295,734)
(Increase) / decrease in contract assets	(153,610)	-
(Increase) / decrease in inventories and other assets	(502,696)	(6,927)
Increase / (decrease) in trade & other payables	1,010,198	(770,572)
Increase / (decrease) in contract liabilities and other revenue received in advance	3,668,282	8,104,716
Increase / (decrease) in employee benefits	453,767	(552,980)
Increase / (decrease) in provisions	(5,794)	179,420
Net cash inflow from operating activities	6,259,727	5,266,011

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	<u>2019</u> \$	<u>2018</u> \$
Subscriptions, fees and levies	11,862,955	11,966,178
Training, examination and assessment fees	6,375,822	6,211,700
Conference registrations	259,150	116,155
RACS projects – work in progress	1,347,476	1,691,028
Other sundry debtors	1,084,633	3,144,415
	<u>20,930,036</u>	<u>23,129,476</u>
Provision for doubtful debts	(148,484)	(3,600)
Trade and other receivables (current)	<u>20,781,552</u>	<u>23,125,876</u>

PROVISION FOR DOUBTFUL DEBTS MOVEMENT

Provision balance as at beginning of year	3,600	-
Amount provided for during the year	148,484	6,821
Amount written off during the year	(3,600)	(3,221)
Provision balance as at end of year	<u>148,484</u>	<u>3,600</u>

8. CONTRACT ASSETS

RACS has recognised the following contract assets

	<u>2019</u> \$	<u>2018</u> \$
Work performed on programs not yet able to be invoiced		
- ASERNIP-S – externally contracted work	358,148	184,538
- ANZ Journal of Surgery - royalty income agreement	100,000	120,000
	<u>458,148</u>	<u>304,538</u>

9. OTHER CURRENT ASSETS

	<u>2019</u> \$	<u>2018</u> \$
PREPAID EXPENDITURE		
Library – publications and journals	729,795	549,986
Software annual licence fees	695,475	375,831
Events – venue deposit and other advanced payments	979,933	775,293
Insurance	427,344	448,188
Other	320,757	298,837
	<u>3,153,303</u>	<u>2,448,135</u>

10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	<u>2019</u> \$	<u>2018</u> \$
Fellowship entrance fees (due 2 to 5 years)	543,819	531,611
Loans to Fellows	60,000	80,000
	<u>603,819</u>	<u>611,611</u>

11. OTHER FINANCIAL ASSETS

	<u>2019</u> \$	<u>2018</u> \$
Financial assets at fair value through profit or loss (FVTPL)	11,611,400	13,998,612
Financial assets at fair value through other comprehensive income (FVOCI)	67,769,903	50,328,989
	<u>79,381,303</u>	<u>64,327,601</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 2019	4,200,000	18,262,768	9,598,313	326,807	4,189,450	36,577,338
Additions	-	-	600,639	-	177,993	778,632
Disposals	-	-	(136,977)	-	(3,542)	(140,519)
Exchange differences	-	-	6,671	-	232	6,903
Balance at 31 December 2019	4,200,000	18,262,768	10,068,646	326,807	4,364,132	37,222,354
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2019	-	6,716,341	7,691,492	-	4,189,450	18,597,283
Depreciation charge for the year	-	456,657	817,046	-	177,993	1,451,696
Disposals	-	-	(136,532)	-	(3,542)	(140,074)
Exchange differences	-	-	5,693	-	232	5,925
Balance at 31 December 2019	-	7,172,998	8,377,699	-	4,364,132	19,914,830
NET BOOK VALUE						
Balance as at 31 December 2018	4,200,000	11,546,427	1,906,821	326,807	-	17,980,055
Balance as at 31 December 2019	4,200,000	11,089,770	1,690,947	326,807	-	17,307,524

13. INTANGIBLE ASSETS

	<u>2019</u> \$	<u>2018</u> \$
Net balance at the beginning of the year	2,119,010	2,622,456
Acquisitions	951,397	444,543
Write-offs	(9,720)	(16,569)
Amortisation expense	(921,887)	(931,420)
Net balance at the end of the year	<u>2,138,800</u>	<u>2,119,010</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.

Other costs incurred in developing RACS branding used by members, promotion of business identity and use in various information tools such as publications and the website are capitalised.

14 LEASES

RACS has leases over property and office equipment.

1. 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.

2. OFFICE EQUIPMENT

RACS has a 3-year lease for photocopiers with the current contract due to expire on 30 June 2020.

The total cash outflow for leases during the year to 31 December 2019 is \$1,284,859.

14(a) RIGHT OF USE ASSETS	Property \$	Office Equipment \$	TOTAL \$
Position at 31 December 2019			
Balance at 1 January 2019	8,755,606	167,726	8,923,332
Depreciation	(1,464,884)	(111,817)	(1,576,701)
Foreign exchange movements	(3,138)	-	(3,138)
Balance at 31 December 2019	7,287,584	55,909	7,343,493
Reconciliation of Right of Use Assets			
Opening Balance at 1 January 2019	8,755,606	167,726	8,923,332
Additions	-	-	-
Depreciation charge	(1,464,884)	(111,817)	(1,576,701)
Foreign exchange movements	(3,138)	-	(3,138)
Balance at 31 December 2019	7,287,584	55,909	7,343,493
14(b) LEASE LIABILITIES			2019 \$
Current			1,299,334
Non-current			6,256,782
			7,556,116
Reconciliation of lease liability			
Balance at 1 January 2019			8,812,145
Additions/modifications			
Interest expense			339,449
Lease payments			(1,624,308)
Foreign exchange movements			28,830
Balance at 31 December 2019			7,556,116

14(b) LEASE LIABILITIES - CONTINUED

Reconciliation of lease liability – as at 1 January 2019

Non-cancellable lease commitments at 31 December 2018 (undiscounted)	10,029,997
Reduction from discounting, undiscounted lease payments to their net present value at RACS incremental borrowing rate	(1,803,316)
Additions/modifications	
Add: finance lease liabilities	-
Add: further terms reasonably certain to exercise	1,441,040
Less: removal of CPI increases from undiscounted future lease payment	(865,104)
Foreign exchange movements	9,528
Lease liabilities at 1 January 2019	8,812,145

The maturity analysis of lease liabilities based on contractual discounted cash flows is shown in the table below

	< 1 year	1 – 5 years	>5 years	Total	Less – interest expense	Lease liabilities included in the Statement of Financial Position
	\$	\$	\$	\$	\$	\$
2019	1,617,431	4,070,221	3,338,868	9,026,520	(1,470,404)	7,556,116

14(c) LEASE IMPACT IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where RACS is a lessee is shown below

	2019 \$	2018 \$
Interest on lease liabilities	339,449	-
	339,449	-

15. TRADE AND OTHER PAYABLES (CURRENT)

	2019 \$	2018 \$
Trade payables	2,015,616	1,249,391
Other payables	1,210,767	1,104,348
Net external conferences - monies held	881,045	697,866
	4,107,427	3,051,605

16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	2019 \$	2018 \$
CONTRACTS WITH CUSTOMERS		
Specialist Training Program	13,774,702	11,973,528
RACS Global Health Projects	2,731,174	2,830,450
Audits of Surgical Mortality	959,043	194,975
Other	13,576	18,448
	17,478,495	15,017,401

16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE - CONTINUED

	<u>2019</u> \$	<u>2018</u> \$
OTHER REVENUE RECEIVED IN ADVANCE		
Subscriptions billed in advance	17,225,042	16,644,552
Examination entry and annual training fees billed in advance	11,014,043	10,495,552
Annual scientific conference fees billed in advance	636,143	465,472
Other fees billed in advance	69,285	131,750
	<u>28,944,514</u>	<u>27,737,326</u>
	<u>46,423,009</u>	<u>42,754,727</u>

17. EMPLOYEE BENEFITS (CURRENT)

	<u>2019</u> \$	<u>2018</u> \$
Annual leave	1,569,954	1,307,386
Leave in lieu	152,597	134,060
Long service leave	1,905,605	1,723,979
	<u>3,628,156</u>	<u>3,165,425</u>

18. FUNDS HELD ON BEHALF OF OTHERS

	<u>2019</u> \$	<u>2018</u> \$
Funds held on behalf of other surgical societies and groups	11,840,642	9,891,231
	<u>11,840,642</u>	<u>9,891,231</u>

These funds have been deposited with RACS to enable surgical societies and groups to have their funds managed within RACS investment portfolio.

Funds deposited with RACS and held on a “long-term” basis are distributed investment income consisting of cash investment income and any unrealised gains or losses from all underlining financial assets held by RACS within the main investment account.

Funds deposited with RACS and held on an “at call” basis are credited with investment income at the bank bill rate.

19. EMPLOYEE BENEFITS (NON-CURRENT)

	<u>2019</u> \$	<u>2018</u> \$
Long service leave	365,851	374,815
	<u>365,851</u>	<u>374,815</u>

20. PROVISIONS (NON-CURRENT)

	<u>2019</u> \$	<u>2018</u> \$
Make good provision under leases	80,380	86,174
	<u>80,380</u>	<u>86,174</u>

21. EVENTS AFTER BALANCE SHEET DATE

Coronavirus (COVID-19) outbreak

The existence of COVID-19 was identified in mainland China in December 2019 and was subsequently declared a 'Public Health Emergency of International Concern' by the World Health Organisation ('WHO') in January 2020. Consequent to the spread of the outbreak globally, causing disruption to businesses and economic activity, COVID-19 was characterised as a pandemic by the WHO on 11 March 2020.

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.

RACS' management developed a response plan in early March 2020 that was consistent with Government guidelines, focusing on the health and well-being of all our members, healthcare workers and staff, and ensuring the company is prepared for business continuity in an evolving environment.

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 financial impact on RACS operations are under active assessment. In respect of events cancelled up to June 2020 a decline in operational revenues of up to 20% for the year is estimated.

The outbreak will be expected to have significant future economic impact which may in turn affect RACS' operations, the results thereof, and RACS' state of affairs in years subsequent to 31 December 2019.

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 a Councillor during the period they were a member of Council. These services were provided below commercial rates.

	<u>2019</u> \$	<u>2018</u> \$
INTERNATIONAL MEDICAL GRADUATE ASSESSMENTS		
- Mr Adrian Anthony	-	1,280
- Associate Professor Kerin Fielding	4,800	4,144
	<u>4,800</u>	<u>5,424</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>2019</u> \$	<u>2018</u> \$
Compensation to key management personnel	2,674,071	3,523,275
	<u>2,674,071</u>	<u>3,523,275</u>

ACFID CODE OF CONDUCT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019

International Aid and Development Programs

	<u>2019</u>	<u>2018</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	475,083	329,400
Donations and gifts – non-monetary	-	-
Bequests and legacies	-	-
Grants		
– Department of Foreign Affairs and Trade	5,481,115	3,152,142
– Other Australian Grants	262,357	-
– Other Overseas	-	22,501
Investment income	953,600	1,024,876
Other income – International programs	265,064	312,320
Other income – all other RACS activities	68,394,187	62,365,992
Revenue for international political or religious adherence promotion programs	-	-
Total Revenue	75,831,406	67,207,231
EXPENDITURE		
International Aid and Development Programs		
International Programs		
– Funds to international programs	4,706,111	3,345,916
– Program support costs	1,198,807	732,796
Community education	-	-
Fundraising costs		
– Public	-	-
– Government, multilateral and private	-	-
Accountability and administration	299,515	177,028
Non-monetary expenditure	-	-
Total International Aid and Development Programs Expenditure	6,204,433	4,255,740
Expenses for international political or religious adherence promotion programs	-	-
Other expenditure – all other RACS activities	66,764,628	62,060,638
Total Expenditure	72,969,061	66,316,378
Surplus / (Deficit)	2,862,345	890,853
Other Comprehensive Income	7,561,151	(3,132,686)
TOTAL COMPREHENSIVE INCOME	10,423,496	(2,241,833)