

Classroom of Hope Limited

ABN 30 607 164 198

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Classroom of Hope Limited

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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Classroom of Hope Limited

DIRECTORS' REPORT 30 JUNE 2019

The Directors present their report on Classroom of Hope Limited for the financial year ended 30 June 2019.

Classroom of Hope Limited was incorporated on 13 August 2015.

Directors

The names and particulars of directors at the date of this report and at any time during the year ended 30 June 2019 are as follows:

Warren Salamone (Chairman) – Appointed in July 2017

Warren is our Chairman and values the opportunities that education provides to children to help them maximise their potential. Perth born and bred, Warren is co-founder of a management consulting business that provides organisational change management and transformation services. Warren has also held senior leadership roles for numerous enterprise wide projects involving the delivery of large-scale business transformation and information systems oriented initiatives for blue chip organisations in Australia and internationally throughout Europe. Outside of work, Warren is married with three children and enjoys surfing, swimming and playing guitar when time permits. In joining Classroom of Hope, Warren is keen to make a difference to the lives of children in developing countries through education and the lifelong and generational change it can provide.

Sean Edwards – Appointed 11 September 2017

Sean is an experienced executive currently working as a management consultant specialising in mining technology. He brings a wealth of business and technology experience to our board. He previously worked as the Chief Information Officer for a major mining company, having spent more than 20 years in a wide range of senior leadership and transformational roles within the mining industry.

Alexis Guillot – Appointed 18 December 2017

Alexis is an experienced not-for-profit company director and currently a partner with a leading consultancy that provides advisory services to take care of compliance, resolve issues and deliver outstanding performance. He previously served as a governance and risk advisor to some of Western Australia's largest companies and statutory authorities, contributed to the development of Western Australia's public sector governance framework and assisted a number of leading energy and resources companies with their risk and continuity readiness. Alexis has served as a non-executive Director on a number of local and international Boards in the property investment, disability, aged care, mental health and youth services sectors and contemporary theatre.

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Sue Budalich – Appointed 23 October 2018

Sue's entire career has revolved around empowering people and enabling organisations to develop, drive and deliver the transformation that maximises their performance. This ethos - Develop, Drive, Deliver - has become Sue's personal mission statement. Mastering the strategic, management, leadership and collaborative skills to do this has taken more than 25 years of professional practise in effective and efficient community development policy and program design, implementation and evaluation; and service delivery at the highest levels including: State and federal governments; private industry and in urban and regional operating areas. Notable roles include: Executive Director Department of Communities; Chief of Staff to Commonwealth Minister for Aged Care and Indigenous Health; Associate Director KPMG working in People and Change and Health and Human Services Advisory; and Manager Students and Educational Risk.

Sue feels privileged to be a Classroom of Hope Board member as it completely aligns with her sense of purpose to help empower people; particularly young people and through education. Classroom of Hope asks what can we do better to make sure that children everywhere can access education; particularly when confronted by the perils of natural disaster. In building schools and helping improve access to education, Classroom of Hope helps turn dreams into reality.

Lee Harrison – Appointed 23 October 2018

Lee has established a successful career in Corporate Finance and Investment Banking. He manages investor relations in capital raising. One of Lee's best traits is his natural ability to build relationships and the team at Classroom of Hope has seen this first hand. Lee has joined our team as a Board Director because he believes that education gives people the confidence to think critically and freedom for independence. With education, people have more opportunity to find work that they love and that they are passionate about. With passion and purpose, people are driven to work hard and to achieve more than they have ever accomplished before.

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Duncan Ward (Chief Executive Officer and Founder)

For Duncan, every classroom we create is hope for positive change. It's hard to keep track of all the hats Duncan has worn during his 17 years working as a Network Engineer and Management Consultant in the private sector. Duncan has also worked in senior executive roles in the NFP sector. Now, he is the chief executive officer at Classroom of Hope. Duncan was the recipient of the Australian Talent Unleashed Impact award from Sir Richard Branson in 2013 and also a 40under40 award winner in 2016 for his work with Classroom of Hope.

Directors who resigned during the year and up to the date of this report:

Karen Wellington – Resigned 13 August 2018

Principal Activities and Our Results

Classroom of Hope's programs are focused on creating child-friendly schools, building schools and distributing scholarships to students in developing countries. Our purpose is to provide access to quality education. We do this by partnering with best practice local NGOs to implement these programs. For the year ended 30 June 2019, the entity raised \$809,648 in revenue. \$109,409 of funds are held for program services in the new financial year to build more schools.

Our 'Child-Friendly Schools' program in rural Battambang Cambodia has come to an end with the last five schools completed and child-friendly in 2019. In the last seven years our local NGO partners in Cambodia have developed 27 schools serving 9,114 students. The Classroom of Hope team will now consolidate all resources towards our 'Building Schools' and 'Scholarships' programs.

Our 'Building Schools' program built five brand new schools in rural Cambodia and one in rural Myanmar serving 1,889 students.

In August 2018 we started a disaster relief program after the major earthquakes in Lombok, Indonesia. With over 400 schools destroyed by the earthquakes we partnered with a local NGO in Lombok to build temporary earthquake resistant pop-up schools in rural parts of North Lombok where schools were destroyed. The pop-up schools provide children and teachers with a safe and secure place to learn and continue with education for five years until the permanent structures are rebuilt by the Indonesian Government. By the end of FY19 the program built 16 pop-up schools made up of 87 classrooms serving 2,379 students.

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Our 'STEM4Women' program saw another 5 young women graduate from their tertiary studies in the areas of STEM (Science, Technology, Engineering and Mathematics) in institutions across Cambodia.

Our 'Wise Owls' program are a group of like-minded investors who recognise that, like any start-up business, we need investors who believe in the work we do. Wise Owls invest in our operating costs to fuel our mission and enable us to send a much higher percentage of donations towards education projects. Our intention is to grow our Wise Owls program to build further capacity and sustainability in our organisation. Every quarter we report to our investors via video covering all our operating areas to showcase the return on investment along with financial efficiencies.

Together with our incredible in-country partners we focus on education because it is the building block of every society. By providing a child with an education, you give them the tools to change their life, the power to unleash their potential, the ability to give back to their community and the opportunity to improve the livelihoods of future generations. The past year has been another record breaking year with further program outputs and outcomes delivered across our education programs and a significant increase in our revenue.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	No. of meetings eligible to attend	No. of meetings attended
Warren Salamone - appointed 18 July 2017	5	4
Karen Wellington - resigned 13 August 2018	1	1
Alexis Guilliot - appointed 18 December 2017	5	5
Sean Edwards - appointed 11 September 2017	5	5
Lee Harrison – appointed 23 October 2018	3	3
Suzanne Budalich – appointed 23 October 2018	3	3

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year other than as disclosed in this financial report.

Classroom of Hope Limited

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 16 and forms part of this directors' report.

This directors' report is signed in accordance with a resolution of the Board of Directors:



Warren Salamone
Chairman

Date: 28 October 2019

Classroom of Hope Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue	2	809,648	435,756
<i>Less: Expenses</i>			
Management and general	3	(34,869)	(12,584)
Fundraising	4	(48,275)	(36,391)
Program services (indirect & direct)	5	(797,118)	(204,545)
Net Profit /(Loss)		(70,614)	182,236

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Classroom of Hope Limited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash	6	117,770	170,538
Receivables	7	6,896	27,586
Prepayments		-	1,554
Total Current Assets		124,666	199,678
Total Assets		124,666	199,678
Current Liabilities			
Trade payable		-	2,805
Annual leave liability		10,069	11,121
Superannuation liability		1,311	2,161
ATO Liabilities		309	-
Total Current Liabilities		11,689	16,087
Total Liabilities		11,689	16,087
Net Assets		112,977	183,591
Total Equity		112,977	183,591

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Classroom of Hope Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
Balance at 1 July	183,591	1,355
Net profit/(loss) for the year	(70,614)	182,236
Balance at 30 June	<u>112,977</u>	<u>183,591</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Classroom of Hope Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Donations received		830,648	408,170
Payments to supplier and employees		(66,294)	(38,185)
Payments for education program services		(817,122)	(206,099)
<i>Net cash flows from/(used in) operating activities</i>	6(a)	<u>(52,768)</u>	<u>163,886</u>
Net increase/(decrease) in cash and cash equivalents		(52,768)	163,886
Cash at the beginning of the year		170,538	6,652
Cash at the end of the year		<u>117,770</u>	<u>170,538</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Statement of Accounting Policies

The period of reporting is from 1 July 2018 to 30 June 2019. These financial statements are a special purpose financial report prepared specifically to meet the reporting requirements of the Company's Constitution and the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and related regulations. In the Directors' opinion, the Company is not a reporting entity and therefore there is no requirement to apply Accounting Standards and other mandatory professional reporting requirements. The financial statements have been prepared in accordance with the requirements of applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS") and other mandatory professional reporting requirements (Accounting Interpretations), except for the following:

AASB 124 "Related Party Disclosures"

AASB 7 "Financial Instruments – Presentation"

No other applicable Australian Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on a cash basis and is based on historical costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report:

Classroom of Hope Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Statement of Accounting Policies (continued)

a) *Revenue*

i) **Donations**

Donations are recorded as revenue when received. Due to the Company's Fundraising activities, it is impracticable for the Company to establish adequate controls over the collection of donations prior to entry in the financial records. As a result, the donation revenue disclosed in Note 2 represents amounts banked by the Company.

ii) **Grants**

Grants received for specific purposes are brought to account as income in the year in which they are expended, in order to properly match income with expenditure. Unexpended grants at year end are recorded in the Statement of Financial Position under current liabilities.

Grants received for general purposes are brought to account as income in the year in which those grants are received.

iii) **Interest Received**

As interest revenue is received it is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

b) **Income Tax**

Classroom of Hope Limited is a registered charity and as such is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

c) **Employee Benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date, including recognition for wages, salaries and annual leave.

Long service leave is measured at the present value of expected future payments to be made in respect of services by employees up to balance date.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
2. Revenue		
Donations received	809,648	435,756
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3. Management & General Expenses		
Computer expense	9,164	913
Insurance expense	7,810	5,402
Telecommunications expense	2,038	458
Labour costs (including on costs)	9,437	4,882
Other	6,420	929
	<hr/>	<hr/>
	34,869	12,584
	<hr/> <hr/>	<hr/> <hr/>
4. Fundraising Expenses		
Advertising, branding & promotion	2,224	4,552
Fundraising Events	18,027	14,873
Subscriptions	5,621	-
Labour Costs (including on costs)	21,903	14,191
Travel & accommodation	500	2,775
	<hr/>	<hr/>
	48,275	36,391
	<hr/> <hr/>	<hr/> <hr/>
5. Program Services (Indirect and Direct) Expenses		
Travel & accommodation (indirect)	11,783	1,943
Labour Costs (indirect and including on costs)	37,297	27,472
Education programs (direct)	748,038	175,130
	<hr/>	<hr/>
	797,118	204,545
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
6. Cash at Bank		
Cash held for operations (i)	8,361	17,224
Cash held for programs (ii)	109,409	153,314
	<u>117,770</u>	<u>170,538</u>

- (i) Cash held for operations represents amount that are unrestricted for use.
(ii) Cash held for programs represents amount that are committed to programs.

6(a). Reconciliation of cash flows from operating activities

Net profit/(loss) for the year	(70,614)	182,236
Net (increase)/decrease in receivables	22,244	(29,140)
Net increase/(decrease) in payables	(3,346)	4,102
Net increase/(decrease) in leave provisions & wages adjustment	(1,052)	6,688
	<u>(52,768)</u>	<u>163,886</u>

7. Receivables

Donations receivable (i)	6,896	27,586
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- (i) Donations raised to 30 June 2019 through donation platform, Everyday Hero but not yet cleared by the Company's bank account.

Classroom of Hope Limited

DIRECTORS' DECLARATION

In the opinion of the Board of Classroom of Hope Limited:

- a The financial statements and notes of Classroom of Hope Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013* to the extent detailed in Note 1; and;
- b There are reasonable grounds to believe that Classroom of Hope Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board.



Warren Salamone
Chairman

Date: 28 October 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Classroom of Hope Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 October 2019



L Di Giallonardo
Partner

INDEPENDENT AUDITOR'S REPORT

To the members of Classroom of Hope Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Classroom of Hope Limited ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of 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 of the Company is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the Division 60 of the *Australian Charities and Not-for-profits Commission Act*.

Basis for Qualified opinion

Fundraising revenue is a significant source of revenue for the Company. The Company has determined that it is impracticable to establish control over the collection of fundraising revenue prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to fundraising revenue had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the fundraising revenue the Company obtained is complete.

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 auditor independence 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities under the *Australian Charities and Not for profits Commission Act 2012* and the *Association Incorporation Act 2015*.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's special purpose financial report for the year ended 30 June 2019, 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 accordingly 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial report

Management is responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the relevant Australian Accounting Standards in accordance with the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 October 2019



L Di Giallonardo
Partner