

ENDEAVOUR

FOUNDATION

Opportunities for people with a disability

Summary Financial Report

For the year ended
30 June 2014

Summary Financial Report

For the year ended 30 June 2014

The attached summary financial statements and other specific disclosures are an extract of, and have been derived from the full Annual Financial Report of Endeavour Foundation ("the Company"), being the Company and its controlled entities ("the Group"), for the financial year ended 30 June 2014. Other information included in the Summary Financial Report is consistent with the full Annual Financial Report.

The Summary Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full Annual Financial Report.

A printed copy of Endeavour Foundation's 30 June 2014 Annual Financial Report, including the Independent Audit Report, is available to all members, and will be sent to members without charge upon request. The 30 June 2014 Annual Financial Report can be requested by telephone 07 3908 7100 or may also be downloaded from www.endeavour.com.au

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Directors' Report

For the year ended 30 June 2014

The Directors present their report together with the consolidated financial report of Endeavour Foundation ("the Company"), being the Company and its controlled entities ("the Group"), for the year ended 30 June 2014 and the Auditor's Report thereon.

Directors

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

Name	Qualifications and Special Responsibilities	Experience (in years)	
		Board of Directors	Area Committee
Current at 30 June 2014			
Grant Bruce Murdoch (Independent Director)	M Com (Hons), FAICD, FCA Chair Chair of Nominations & Remuneration Committee Member of Audit Committee Chair of Risk Committee (appointed 20/03/14)	7	-
Anthony George Bellas (Independent Director)	B Econ, Dip Ed, MBA, MAICD, ASA, FAIM Deputy Chair (appointed 22/11/13) Chair of Audit Committee (appointed 20/03/14) Member of Risk Committee Member of Nominations & Remuneration Committee	4	-
Yvonne Dianne Keane (Independent Director)	Appointed 26/05/14	1 month	-
Katherine Jean Swindon (Independent Director)	B Com, FCA Member of Risk Committee Member of Client Services Committee	4	-
David Booth de Villiers (Elected Director)	MA, HED, AdvDipEd, MAICD, PSM Chair of Client Services Committee Member of Audit Committee	9	17
Scott Robinson Elton Ellis (Elected Director)	BBus, ASA, AAICD (elected 22/11/13) Member of Audit Committee (appointed 20/03/14) Member of Risk Committee (appointed 20/03/14)	7 months	14
Pedro Mendiola (Elected Director)	BE (Hons), GDMgt, MIEAust, RPEQ, CPEng (elected 22/11/13) Member of Audit Committee (appointed 20/03/14)	7 months	3
Alison Jean Semple (Elected Director)	LTCL, BA, Grad Dip Ed(rsc), Grad Cert Theol, MAICD Member of Client Services Committee	2	14
Suzanne Evelyn Thorpe (Elected Director)	AAICD, Dip Marketing Member of Client Services Committee	2	6

Directors Report **Continued**

For the year ended 30 June 2014

Name	Qualifications and Special Responsibilities	Experience (in years)	
		Board of Directors	Area Committee
Past Directors who served during year			
Sally Herman (Independent Director) (ceased 22/07/13)	BA, GAICD Chair of Risk Committee	3	-
Shane Paul Charles (Elected Director) (ceased 22/11/13)	LLB, FAIM, MAICD Deputy Chair Member of Nominations & Remuneration Committee Chair of Audit Committee	9.5	10.5
Edward Terence Mason (Elected Director) (ceased 22/11/13)	MAICD Member of Risk Committee	3.5	3.5
Resignations since the end of the financial year			
None			

Company Secretary

The Company Secretaries of Endeavour Foundation at any time during or since the end of the financial year are:

Current Joint Company Secretaries

Patrick Stephen Burke	B Bus., Grad Dip. Mgt, Grad Dip Fin Planning, FCPA, FAICD	Appointed 26/08/2013
Eric Duncan Campbell	B Acc.,CA, Grad Dip Project Mgt, GAICD	Appointed 28/11/2013

Past Company Secretary

Svend Erik Kling	B Bus, Grad Dip Mgt, MBA, GAICD	Resigned 26/08/2013
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Directors Report **Continued**

For the year ended 30 June 2014

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of Endeavour Foundation during the financial year are:

	Board Meetings		Nominations & Remuneration Committee Meetings		Audit Committee Meetings		Client Services Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
G B Murdoch	13	13	1	1	4	3	-	-	-	-
A G Bellas	12	11	1	1	2	3	-	-	2	1
S P Charles	6	3	-	-	2	2	-	-	-	-
D B de Villiers	13	10	-	-	4	2	4	4	-	-
S R E Ellis	7	7	-	-	2	2	-	-	-	-
S Herman	1	1	-	-	-	1	-	-	1	1
Y D Keane	2	2	-	-	-	-	-	-	-	-
E T Mason	6	5	-	-	-	-	-	-	1	-
P Mendiolea	7	7	-	-	2	2	-	-	-	-
A J Semple	13	11	-	-	-	-	4	2	-	-
K J Swindon	13	11	-	-	-	-	4	4	2	2
S E Thorpe	13	11	-	-	-	-	4	3	-	-

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

Directors Report **Continued**

For the year ended 30 June 2014

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nominations & Remuneration Committee, an Audit Committee, a Client Services Committee and a Risk Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

Details of each board committee are as follows:

Nominations & Remuneration Committee

The Nominations & Remuneration Committee oversees the appointment and induction process for directors and committee members in accordance with the principles laid out in Endeavour's constitution. It is also responsible for making recommendations to the board regarding the selection, appointment and succession planning process for the Chief Executive Officer (CEO), including conducting an annual review of the CEO's performance and remuneration. The Nominations & Remuneration Committee comprised the following members during or since the end of the financial year:

- Mr G B Murdoch (Chair)
- Mr A G Bellas
- Mr S P Charles (ceased 21/11/13)

Audit Committee

The Audit Committee oversees the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of Endeavour Foundation, including assessing and directing the performance of the internal audit function. The Audit Committee also reviews the performance of the external auditors and normally meets with them twice a year to discuss the external and internal audit plans, and to review the results and findings of the external auditor, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

The committee reviews the draft annual financial report, including approving new accounting policies to ensure compliance with Australian Accounting Standards, and recommends board approval of the annual financial report.

The Audit Committee comprised the following members during or since the end of the financial year:

- Mr A G Bellas (Chair) (appointed 20/03/14)
- Mr G B Murdoch
- Mr D B de Villiers
- Mr P Mendiolea (appointed 20/03/14)
- Mr S R E Ellis (appointed 20/03/14)
- Mr S P Charles (Previous Chair) (ceased 21/11/13)

Client Services Committee

The Client Services Committee is responsible for overseeing the continued development and provision of quality services to meet the needs of people with a disability. It is also responsible for the oversight and monitoring of the External Complaints Advisory sub-committee and the Abuse Prevention & Response sub-committee.

The Client Services Committee comprised the following members during or since the end of the financial year:

- Mr D B de Villiers (Chair)
- Ms K J Swindon
- Ms A Semple
- Ms S E Thorpe
- Mr G M Crotty (retired as a director on 30/11/2012 but remained a committee member)

Risk Committee

The Risk Committee provides assistance to the board in its responsibilities of managing risk within the organisation. It is the main body responsible for overseeing the implementation of management's Risk Management System and ensures the maintenance of a robust and effective risk management process and related practises. The committee oversees the implementation of risk management across the organisation, integrates all risk related activities, facilitates and monitors business unit level risk management processes and is responsible for overseeing the strategic risk management process.

The Risk Committee comprised the following members during or since the end of the financial year:

- Mr G B Murdoch (Chair) (appointed 20/03/14)
- Ms K J Swindon
- Mr A G Bellas
- Mr E T Mason (ceased 26/8/13)
- Ms S Herman (Previous Chair) (ceased 22/7/13)

Directors Report **Continued**

For the year ended 30 June 2014

Principal Activity and Objectives

The principal activity of Endeavour Foundation during the year was the provision of support services to people with a disability, with a particular focus on people with an intellectual disability, including Community Advocacy & Support Services, Residential Accommodation & Support Services, Learning & Lifestyle Support Services, Post School Services and Supported Employment Services. In the opinion of the Directors no significant changes have occurred in the nature of these activities during the financial year.

Endeavour Foundation's short and long term focus is to provide opportunities for people with a disability so they may participate in the every day life of the community.

Operating under the core values of *respect, inclusion, integrity and accountability*, the vision of Endeavour Foundation is to:

- be a full service provider in the community services sector with a focus on the individual needs of vulnerable people especially those with an intellectual disability;
- advocate for people with a disability;
- deliver leading services to ensure people have choice in the services they acquire;
- be a sustainable and influential organisation.

In practical terms in order to achieve this focus, projects undertaken by Endeavour are assessed and progressed to achieve outcomes in seven key strategy areas:

1. The employment, development and retention of the best possible human resources, including volunteers.
2. The delivery of world best practice support for people with a disability through the application of evidence based research.
3. National expansion as a single united organisation to increase commercial and brokerage opportunities for services and products and enhance employment outcomes for employees.
4. New and improved business and service models together with better risk and asset management to deliver financial sustainability and a safe work environment.
5. The development of a customer focus and quality culture in the organisation to improve adaptability to changing environments and ensure long term viability.
6. Improved stakeholder relations with the wider community and corporate sector through better communications, brand development and management.
7. Increased and better use of technology and digital media systems to enable best practice and innovation.

Endeavour Foundation measures its performance through an independently conducted periodic Family Satisfaction

Survey and a suite of key performance indicators, set at the Governance, Executive Management and Organisational Management levels.

Preparation of Consolidated Financial Statements

The consolidated annual financial statements comprise Endeavour Foundation ("the Company") and its controlled entities ("the Group").

Results

The Group recorded an operating surplus for the current financial year of \$2,041,000 compared to an operating surplus of \$868,000 in the previous year. This improvement in the operating result was due primarily to the following factors :

- A significant improvement in the total contribution made by the Supporter Enterprises division of \$2,071,000 compared to a deficit of (\$997,000) in the previous period, driven by a significant increase in the contribution made by the Endeavour Foundation Lotteries and an improvement in the result from the Endeavour Foundation Recycled Clothing Stores. The improved lotteries result has been assisted by the introduction of the three special "gold bullion" lotteries in the current financial year. The Supporter Enterprises division provides a much needed boost to help close the funding gap between government funding received and the cost of providing services. This division also includes costs associated with brand development in relation to all visual mediums and internal and external promotional publications.
- A small reduction in the operating results of the Disability and Community Services division, due to increased operating costs at 7.6 percent outstripping the 6.9 percent increase in operating revenues.
- A further reduction in the operating results from Endeavour's Business Services, down to a deficit of (\$1,746,000) for the current year, compared to a surplus of \$620,000 in the previous period, driven largely by the flow-on effect of the downturn in the mining sector and the negative contribution made by the inclusion of VATMI Industries Ltd operations for the first time.
- Non-recurrent corporate project costs associated with the implementation of a new payroll system and improved IT systems.

Operating surpluses are necessary to help fund capital expenditure, which is typically not funded from recurrent government subsidies, and to build a buffer for future unexpected business shocks. The current year's operating surplus represents less than 1.10 percent of operating

Directors Report **Continued**

For the year ended 30 June 2014

revenue (2013: 0.52 percent), providing a marginal operational buffer.

The Group's net surplus for the current financial year, after recognising significant non-operating revenues of \$11,597,000 was \$13,638,000. In the year 2012-13 the Group recorded a comparative net surplus for the year of \$3,485,000 after recognising non-operating revenues of \$2,617,000. In the current period, non-operating revenues included significant net gains on the acquisition of subsidiaries of \$8,203,000 (as detailed further in Note 29 to the full Annual Financial Report), gains on property sales of \$1,234,000 and non-recurrent government capital grants and other capital donations of \$2,160,000 (2013: \$2,617,000).

Dividends

The Company and its controlled entities are prohibited by their Constitutions from paying dividends.

Events Subsequent to Balance Date

Since 30 June 2014 and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than already disclosed in the Notes to the Financial Statements.

Environmental Regulations

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Group has an established risk management system which identifies environmental hazards and ensures appropriate controls are adopted. The appropriate licences and consents are in place at each site in accordance with various environmental regulations.

The Directors are not aware of any breaches of the legislation which are material in nature.

Review of Operations

Operations of the Group during the year are reviewed in the Chair's and CEO's report in the separately issued Annual Report.

Directors' Benefits

Information on Directors' benefits is set out in the following notes to the full Annual Financial Report:

- a. No Directors' Fees are payable
- b. No Related Party Transactions with Directors exist (Note 23)

Directors' Interests in Contracts

No contracts involving Directors' interests were entered into since the end of the previous financial year, or existed at the end of the financial year (Note 23 of the full Annual Financial Report).

Indemnification and Insurance of Officers

Indemnification

The Endeavour Foundation Constitution requires Endeavour Foundation to indemnify any person who is an officer of Endeavour Foundation, including the Directors, the Secretary and other executive officers, against a liability incurred as such an officer, unless the liability arises out of conduct involving a lack of good faith. Officers of Endeavour Foundation are also indemnified against a liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers, if judgement is given in their favour or if they are acquitted or granted relief.

Insurance

Endeavour Foundation has paid a premium in respect of a contract insuring Directors and Officers of Endeavour Foundation, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions.

The external auditors of Endeavour Foundation are not included in this policy.

Directors Report **Continued**

For the year ended 30 June 2014

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* for the following reason:

- All non-audit services are subject to the corporate governance procedures adopted by Endeavour Foundation and are reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

Details of amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 3 to the Annual Financial Report.

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 10 of the full Annual Financial Report and forms part of the Directors' Report.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Signed on behalf of the Board in accordance with a resolution of Directors.



G B Murdoch – Chairman
Brisbane
15th October 2014



A G Bellas - Director
Brisbane
15th October 2014

Consolidated Balance Sheet

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents			
– Untied cash		1,210	1,587
– Quarantined cash		10,695	9,527
	4	11,905	11,114
Trade and other receivables		9,236	7,077
Inventories		12,787	9,027
Other current assets		1,706	1,619
Assets classified as held-for-sale		615	258
Total current assets		36,249	29,095
Non-current assets			
Investments		880	817
Net defined benefit plan asset		1,952	130
Other intangible assets		713	147
Property, plant & equipment		81,142	66,165
Total non-current assets		84,687	67,259
Total assets		120,936	96,354
Current liabilities			
Bank overdraft		530	-
Interest bearing loans		579	-
Trade and other payables		9,650	7,551
Employee entitlements		12,607	11,306
Revenue received in advance		5,741	5,308
Total current liabilities		29,107	24,165
Non-current liabilities			
Interest bearing loans		3,581	-
Employee entitlements		3,843	3,284
Total non-current liabilities		7,424	3,284
Total liabilities		36,531	27,449
Net assets		84,405	68,905
Equity			
Reserves		1,003	852
Retained earnings		83,402	68,053
Total equity		84,405	68,905

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Income Statement

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue			
Sale of goods and services		44,363	36,586
Fundraising activities		22,934	19,061
Service user contributions		12,348	11,797
Government subsidies		104,965	99,047
Interest income		594	595
Other revenue		895	636
	3 (a)	186,099	167,722
Expenses			
Cost of goods sold & commercial fundraising activities		(28,721)	(25,224)
Employee expenses		(99,453)	(91,972)
Supported employee expenses		(14,006)	(12,519)
Utilities & leased property expenses		(9,791)	(8,975)
Transport expenses		(5,999)	(4,660)
Maintenance expenses		(6,973)	(6,628)
Household consumables		(1,794)	(1,777)
Depreciation & amortisation expenses		(7,771)	(6,981)
Interest expense		(234)	-
Other expenses		(9,316)	(8,118)
		(184,058)	(166,854)
Operating surplus		2,041	868
Government capital expenditure grants and other capital donations	3 (a)	2,160	1,112
Gain on sale of properties	3 (a)	1,234	1,505
Net gain on business acquisitions	6	8,203	-
Net surplus for the year		13,638	3,485

Divisional Results	Disability Services		Endeavour Industries		Consumer Business		Corporate & Infrastructure		Total Foundation	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Operating revenue	89,490	83,693	60,897	53,512	30,830	26,836	4,882	3,681	186,099	167,722
Operating expenses	(87,962)	(81,777)	(62,643)	(52,892)	(28,759)	(27,833)	(4,694)	(4,352)	(184,058)	(166,854)
Operating surplus/ (deficit)	1,528	1,916	(1,746)	620	2,071	(997)	188	(671)	2,041	868
Non-operating revenue	64	54	85	24	-	206	11,448	2,333	11,597	2,617
Net surplus/(deficit) for the year	1,592	1,970	(1,661)	644	2,071	(791)	11,636	1,662	13,638	3,485

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Net surplus for the year	13,638	3,485
Other comprehensive income (Items that will not be reclassified to profit or loss)		
Net increase in fair value of investments	151	7
Realised (losses)/gains on disposal of investments	(62)	7
Actuarial adjustment to defined benefit superannuation plan	1,773	2,014
Other comprehensive income for the year	1,862	2,028
Total comprehensive income for the year	15,500	5,513

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

	Fair value reserve \$'000	Subsidies reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total Equity \$'000
Total equity at 30 June 2012	449	396	845	62,547	63,392
Total comprehensive expense for the year	7	-	7	5,506	5,513
Total equity at 30 June 2013	456	396	852	68,053	68,905
Total comprehensive income for the year	151	-	151	15,349	15,500
Total equity at 30 June 2014	607	396	1,003	83,402	84,405

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	2014 \$'000 Inflows (Outflows)	2013 \$'000 Inflows (Outflows)
Cash flows from operating activities		
Cash receipts in the course of operations	198,150	181,198
Cash payments to suppliers & employees	(192,899)	(173,313)
Dividends received	51	38
Interest received	595	630
Interest paid	(213)	-
Legacies & bequests received	433	231
Net cash provided by operating activities	6,117	8,784
Cash flows from investing activities		
Acquisition of property, plant & equipment	(9,000)	(12,320)
Acquisition of intangible assets	(628)	(60)
Acquisition of investments	(467)	(450)
Proceeds from disposal of property, plant & equipment	2,013	2,829
Proceeds from sale of investments	493	410
Proceeds from non-operational capital grants and donations	1,647	979
Cash acquired through business combinations	432	-
Net cash utilised in investing activities	(5,510)	(8,612)
Cash flows from financing activities		
Proceeds from interest bearing loans	-	-
Repayment of interest bearing loans	(346)	-
Net cash utilised by financing activities	(346)	-
Net increase/(decrease) in cash held	261	172
Cash at the beginning of the financial year	11,114	10,942
Cash at the end of the financial year	11,375	11,114
Comprised of:		
Untied cash	1,210	1,587
Quarantined cash	10,695	9,527
Bank overdraft	(530)	-
	11,375	11,114

The Consolidated Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1. Reporting Entity

Endeavour Foundation (“the Company”) is a not-for-profit organisation, incorporated as a public company limited by guarantee and is domiciled in Australia. The address of the Company’s registered office is 50 Southgate Avenue, Cannon Hill, QLD 4170.

The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprise the Company and its controlled entities (together referred to as “the Group”).

The principal activities of the Group are to provide support to people with disabilities and their families through a range of flexible services, including residential accommodation, in-home support, adult education, life style support and supported employment services.

2. Basis of preparation of Summary Financial Report

(a) Basis of Preparation

The financial statements and specific disclosures included in this Summary Financial Report have been derived from the Group’s full Annual Financial Report for the financial year. Other information included in the Summary Financial Report is consistent with the full Annual Financial Report. The Summary Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full Annual Financial Report.

A full description of the accounting policies adopted by the Group may be found in the full Annual Financial Report, which was approved by the Directors on 15th October 2014.

(b) Basis of Measurement

The financial statements have been prepared on an accruals basis and are based on historical costs, except for:

- Investments measured at fair value through an equity fair value reserve; and
- The defined benefit plan asset/(liability) is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

- Revenue is recognised on an accruals basis with the exception of dividends, donations, bequests and legacies which are accounted for on a cash basis.

Except as noted above, the financial report does not take into account changing money values or fair values of non-current assets.

A full description of the accounting policies adopted by the Group may be found in the full Annual Financial Report. These accounting policies have been applied consistently to all periods presented in the financial statements, except where otherwise noted.

In the opinion of the Directors, having regard to the not-for-profit nature of the Group’s business, the terms “Profit” or “Loss” are not appropriate. Accordingly, the words “Surplus/(Deficit)” have been substituted for the terms “Profit/(Loss)”.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(c) Functional Currency

The financial statements are presented in Australian Dollars rounded to the nearest thousand unless otherwise stated (ASIC Class order 98/100).

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes of the full Annual Financial Report:

- Note 9 – Non-current Assets – Investments;
- Note 10 – Non-current Assets – Defined Benefit Plan Asset;
- Note 12 – Non-current Assets – Property, Plant & Equipment

Notes to the Financial Statements **Continued**

For the Year Ended 30 June 2014

	2014	2013
	\$'000	\$'000
3 (a) OPERATING REVENUE AND OTHER INCOME		
Sale of goods and services	44,363	36,586
Fundraising activities		
– Commercial fundraising activities	21,319	17,273
– Donations & appeals	647	878
– Special functions	433	515
– Bequests & legacies	433	231
– Community grants	102	164
	22,934	19,061
Service user contributions		
– Accommodation	9,248	8,726
– Learning & Lifestyle	1,612	1,570
– Transport	1,488	1,501
	12,348	11,797
State Government subsidies	77,644	72,607
Federal Government subsidies	27,321	26,440
Dividend income	51	38
Interest income	594	595
Other revenue	844	598
Total operating revenue	186,099	167,722
Non-operating revenue		
– Government capital expenditure grants & other capital donations		
Other non-recurrent Government capital grants	1,523	609
Gambling Community Benefit Fund capital grants	637	230
Other capital donations	-	273
	2,160	1,112
– Gain on sale of property	1,234	1,505
– Net gains on business acquisitions	8,203	-
	11,597	2,617
Total revenue and other income for the period	197,696	170,339

Notes to the Financial Statements *Continued* For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
3 (b) CHARITABLE FUNDRAISING ACTIVITIES		
Details of income and expenditure from specific fundraising activities, all of which have been recognised in these financial statements are as follows :		
Gross fundraising revenues (per income statement)	22,934	19,061
Community grants in non-operating income	637	230
Capital donations in non-operating income	-	273
Direct costs of commercial fundraising activities	(16,197)	(15,028)
Net Fundraising Revenue	7,374	4,536
Indirect fundraising expenses	(1,887)	(1,768)
Net Fundraising Contribution	5,487	2,768
Fundraising Efficiency Ratio (Net Fundraising Contribution / Net Fundraising Revenue)	74.41%	61.02%

4. CASH AND CASH EQUIVALENTS		
Untied cash	1,210	1,587
Quarantined cash	10,695	9,527
Cash and cash equivalents in the balance sheet	11,905	11,114
Bank overdraft	(530)	-
Cash and cash equivalents in the cash flow statement	11,375	11,114

For cash management purposes, the Group operates a treasury function that notionally distinguishes between Untied cash and Quarantined cash.

Quarantined cash represents revenue received in advance of \$5,741,000

(2013: \$5,308,000) which is available for draw down only once the services they are meant to fund have actually been delivered and other cash reserves of \$4,954,000

(2013: \$4,219,000) that have been designated internally for a specific purpose, mainly to fund the establishment of a Capital Future Fund that will finance proposed infrastructure projects over the next five to ten years.

5. ECONOMIC DEPENDENCY

The Company receives a significant portion of its operating revenue in the form of grants from the Queensland State Government and the Commonwealth Government of Australia.

Notes to the Financial Statements **Continued** For the Year Ended 30 June 2014

6. BUSINESS COMBINATIONS

VATMI Industries Limited (VATMI)

On 27 November 2013, Endeavour Foundation acquired 100% control of VATMI Industries Ltd, for no consideration, via a mutual agreement to amalgamate the operations of the two entities. VATMI Industries Ltd was established in 1958 and is a registered provider of 270 supported employment service placements for people with a disability, from sites situated in Melbourne, Bendigo and Wangaratta.

The amalgamation secures the continued employment of 270 supported employees and ensures the long term commercial viability of VATMI Industries Ltd in readiness for the introduction of the National Disability Insurance Scheme. The amalgamation also expands Endeavour Foundation's' presence across the entire Eastern seaboard, expands it's customer base, introduces new commercial opportunities in the Victorian market and leverages VATMI's experience and skill set in key markets.

The amalgamation was settled for no consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed

	\$'000
Property, plant and equipment	13,195
Intangible assets	14
Inventories	256
Trade and other receivables	1,184
Cash and cash equivalents	3
Bank overdraft	(556)
Interest bearing liabilities	(4,474)
Employee entitlements	(1,077)
Trade and other payables	(1,312)
Net identifiable assets and liabilities acquired	7,233
Acquisition consideration paid	-
Gain on acquisition of subsidiary for no consideration	7,233

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable transaction costs were incurred in relation to this acquisition.

In the seven months to 30 June 2014, the acquired operations contributed revenues of \$6,672,000 and a net deficit of (\$481,000). If the acquisition had occurred on 1 July 2013, management estimates that the Group's consolidated total revenue would have been \$190,862,000 and the consolidated net surplus would have been \$12,823,000. In determining these amounts, management has assumed that any fair value adjustments recognised on the acquisition date would have been the same and that revenue and operating surpluses would have accrued at a consistent rate throughout the 12 month period.

Notes to the Financial Statements **Continued** For the Year Ended 30 June 2014

6. BUSINESS COMBINATIONS (continued)

National Disability Living Solutions Limited (NDLS)

On 1 July 2013, Endeavour Foundation acquired 100% control of National Disability Living Solutions Ltd, for no consideration, via a mutual agreement with Kyabra Community Association Inc. National Disability Living Solutions Ltd was established on 19 January 2012 as a collaboration between Endeavour Foundation and Kyabra Community Association Inc. as a charitable institution to assist with providing and managing built environment solutions for people with a disability or other disadvantaged groups.

The acquisition was settled for no consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed

	\$'000
Property, plant and equipment	1,516
Trade and other receivables	43
Cash and cash equivalents	985
Interest bearing liabilities	(32)
Trade and other payables	(1,101)
Net identifiable assets and liabilities acquired	1,411
Acquisition consideration paid	-
Gain on acquisition of subsidiary for no consideration	1,411

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable transaction costs were incurred in relation to this acquisition.

In the twelve months to 30 June 2014, the acquired operations contributed revenues of \$2,067,681 and a net surplus of \$510,512. These full year revenues and net surplus have been included in Endeavour Foundation's consolidated results for the year ended 30 June 2014.

Down Under Safety (DUS)

On 15 May 2014, Endeavour Foundation acquired the business undertaking of Down Under Safety, from Downunder Distribution Group Pty Ltd.

The acquisition was settled for a cash consideration of \$1,871,548, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed

	\$'000
Inventories	1,390
Plant & equipment	59
Annual leave liabilities	(18)
Goodwill	441
Acquisition consideration paid	1,872

The values of assets and liabilities recognised on acquisition are their estimated fair values. Management has determined that the goodwill on acquisition is not recoverable and has been written off on acquisition. No material separately identifiable and quantifiable transaction costs were incurred in relation to this acquisition.

Notes to the Financial Statements **Continued** For the Year Ended 30 June 2014

6. BUSINESS COMBINATIONS (continued)

Net gain arising from business combinations

A net gain on business combinations arising from the above transactions has been recognised as non-operating income in the Consolidated Income Statement of the Group for the year ended 30 June 2014, as follows:

	\$'000
Gain on acquisition of control of VATMI	7,233
Gain on acquisition of control of NDLS	1,411
Goodwill on acquisition of DUS, written off	(441)
Net gain arising from business combinations	8,203

7. GROUP ENTITIES

	2014	2013
	%	%
Particulars in relation to controlled entities, all of which are incorporated in Australia		
Endeavour Foundation Endowment Challenge Fund Limited	100%	100%
Endeavour Foundation Endowment Challenge Fund Trust	100%	100%
VATMI Industries Limited	100%	-%
National Disability Living Solutions Limited	100%	-%

Endeavour Foundation Endowment Challenge Fund

Endeavour Foundation is the founding and sole member of Endeavour Foundation Endowment Challenge Fund Limited, a company limited by guarantee and the corporate trustee for the Endeavour Foundation Endowment Challenge Fund Trust (the Challenge Fund), both of which were established on 3 December 2009.

The Challenge Fund was established to fund activities which are outside the scope of Endeavour Foundation's normal activities. The Challenge Fund is a health promoting charity and public benevolent institution and seeks to benefit the wider Australian disability sector as a whole, with an emphasis on people with an intellectual disability, through the provision of grants to fund research, scholarships and other education opportunities in the academic and research arenas relevant to the Australian disability sector. Grants are also made to support the engagement and broader participation by persons with a disability in the world in which we live, so that they can lead ordinary lives.

VATMI Industries Limited, a company limited by guarantee is a provider of supported employment services in Melbourne, Bendigo and Wangaratta. The entity was acquired through a business combination on 27 November 2013.

National Disability Living Solutions Limited, a company limited by guarantee, provides and manages built environment solutions for people with a disability or other disadvantaged groups. The entity was acquired through a business combination on 1 July 2013.

Notes to the Financial Statements **Continued** For the Year Ended 30 June 2014

8. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Group was Endeavour Foundation.

	2014	2013
	\$'000	\$'000
Results of the parent entity		
Net surplus for the year	4,981	3,499
Other comprehensive income/(expense)	1,773	2,014
Total comprehensive income/(expense) for the year	<u>6,754</u>	<u>5,513</u>
Financial position of the parent entity at year end		
Current assets	35,312	29,013
Total assets	104,091	95,456
Current liabilities	25,521	24,095
Total liabilities	29,260	27,379
Total equity of the parent entity comprising of		
Subsidies reserve	396	396
Retained earnings	74,435	67,681
Total equity	<u>74,831</u>	<u>68,077</u>

9. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the balance date, Endeavour Foundation on 30 September 2014 acquired control of Community Solutions Group Limited, Community Assets Australia Limited and Acclaim Apprentices and Trainees Limited, for no consideration, via agreement between the respective Boards to merge the operations and net assets with those of Endeavour Foundation. The merged entities will be better positioned to take advantage of opportunities and respond to threats arising from the implementation of the National Disability Insurance Scheme. The value of the net assets that these mergers would add to the Group at the acquisition date had not been reliably determined at the date of this financial report.

The Directors are not aware of any material events occurring after balance date and the date of this report that would require further disclosure in these financial statements.

Directors' Declaration

For the year ended 30 June 2014

In the opinion of the Directors of Endeavour Foundation ("the Company"):

- (a) the Company is not publicly accountable;
- (b) the summary consolidated financial statements and notes set out on pages 10 to 20 are derived from the full annual financial report of Endeavour Foundation for the year ended 30 June 2014. The full annual financial report is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



G B Murdoch – Chairman



A G Bellas – Director

Brisbane
15th October 2014

Independent Auditor's Report

For the year ended 30 June 2014



To the Members of Endeavour Foundation

Report on the summary financial statements

The accompanying summary financial statements of the Group comprising Endeavour Foundation (the Foundation) and the entities it controlled at the year's end or from time to time during the financial year which comprise the consolidated balance sheet as at 30 June 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, related notes 1 to 9 and the directors' declaration, are derived from the audited financial report of the Group for the year ended 30 June 2014.

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Act 2012* applied in the preparation of the audited financial report of Endeavour Foundation. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Endeavour Foundation.

Directors' responsibility for the summary financial report

The Directors are responsible for the preparation of a summary of the audited financial report on the basis described in Note 2 and for such internal control as the directors determine necessary to enable the preparation of the summary financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Endeavour Foundation for the year ended 30 June 2014. We expressed an unmodified audit opinion on the financial report in our report dated 15 October 2014. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the summary financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the summary financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the summary financial report in order to design procedures, that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our procedures included testing that the information in the summary financial report is derived from, and is consistent with, the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the summary financial report complies with Australian Accounting Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion, the summary financial statements derived from the audited financial report of Endeavour Foundation for the year ended 30 June 2014 are a fair summary, in all material respects, of the audited financial report, on the basis described in Note 2.

KPMG

Scott Guse
Partner
Brisbane
15th October 2014

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