

AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE
ABN 16 006 296 647

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020



Australian Education Union

Federal Office

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This financial report covers the Australian Education Union - Federal Office as an individual entity. The financial report is presented in the Australian currency.

The Australian Education Union - Federal Office is a registered body under the *Fair Work (Registered Organisations) Act 2009* and is domiciled in Australia.

The principal place of business is:
Australian Education Union – Federal Office
G/F, 120 Clarendon Street
SOUTH BANK VIC 3006

The financial report was authorised for issue by the Committee of Management on 3 March 2021.

AUSTRALIAN EDUCATION UNION - FEDERAL OFFICE
ABN 16 006 296 647

OPERATING REPORT

The Federal Executive presents their report on the Australian Education Union - Federal Office (The AEU-Federal Office) for the financial year ended 31 December 2020.

Members of executive

The Federal Executive is elected for a two-year term commencing on 1 March and ending two years later at the end of February. The name of each person who has been a member of the Federal Executive at any time during or since the end of the financial year is as follows:

<i>Name</i>	<i>Position</i>	<i>Name</i>	<i>Position</i>
Correna Haythorpe **	Federal President	Susan Hopgood **	Federal Secretary
Maurie Mulheron (until 1/2/20)	Deputy Federal President	Roz Madsen** (resigned 16/3/20)	Deputy Federal Secretary
Meredith Peace (from 1/2/20)	Deputy Federal President	Nicole Calnan (from 11/8/20)	Deputy Federal Secretary
Meredith Peace (until 1/2/20)	General Division	Nicole Calnan	General Division
Erin Aulich**	General Division	Michelle Purdy	Federal TAFE President
Marino D'Ortenzio (from 1/3/20)	General Division	Jarvis Ryan **	General Division
Briley Stokes	General Division	Kevin Bates **	General Division
Justin Mullaly	General Division	Cresta Richardson	General Division
Pat Byrne**	General Division	Jenny Swadling	General Division
Glenn Fowler	General Division	Helen Richardson	General Division
John Dixon **	General Division	Shane Gorman	Principals Representative
Henry Rajendra	General Division	Martel Menz (resigned 20/11/20)	Early Childhood Representative
Amber Flohm (from 1/3/20)	General Division	Cassandra Brown (until 29/2/20)	Aboriginal & Torres Strait Islander Representative
Joan Lemaire (until 29/2/20)	General Division	Charline Emzin-Boyd (from 1/3/2020)	Aboriginal & Torres Strait Islander Representative
Howard Spreadbury (until 29/2/20)	General Division	Lara Golding (from 1/3/20)	General Division

** members of Finance Committee

Significant changes in state of financial affairs

There have been no significant changes in the state of financial affairs of the AEU-Federal Office that occurred during the financial year.

OPERATING REPORT (Continued)

Review of principal activities and results of operations

The AEU is a professional and industrial organisation, registered under the Fair Work (Registered Organisations Act) 2009, representing teachers and other education workers in public early childhood education centres, schools and TAFE colleges across Australia. The AEU is a democratic, federated structure, with a Federal Office, based in Melbourne, and branches in every state and territory of Australia.

The primary object of the AEU is to represent the professional and industrial interests of its members and to promote and defend Australia's high quality public education system and the right of every child to a quality public education. We do this by enacting campaigns and strategies which enhance the working conditions, living standards, trade union and professional rights of members and the learning environment of students attending public early childhood education centres, schools and TAFE institutes.

The AEU is a democratic, membership-focused organisation, always aiming to act in the best interests of members and the public education system. The union at all levels operates on principles of effective transparent governance and strong leadership, providing an effective voice for the education profession in Australia and internationally.

The AEU Federal Executive has set the following strategic objectives:

- To achieve equitable, sustainable, recurrent Government funding of public education across early childhood, schools and TAFE.
- To protect and promote quality teaching and learning.
- To protect and promote quality teaching and learning environments.
- To ensure that the AEU is a growing, active campaigning, democratic union.
- To promote, defend and advocate for human rights and social justice.

The principal activities of the AEU-Federal Office during the financial year have focussed on the achievement of these strategic objectives.

The major activities of the AEU during the period were the continuation of the national public education campaigns in schools, early childhood and TAFE; responding to the impact of the COVID-19 pandemic on public education and the teachers and education support personnel who work within it and national assessment and reporting issues.

The Federal Government abandoned needs-based funding for public schools with its changes to the Education Act in 2017. The changes resulted in public schools missing out on \$1.9 billion of promised funding in 2018 and 2019 and a shortfall against the minimum Schooling Resource Standard (SRS) of \$19 billion from 2020 through to 2023. In addition, agreements between state/territory and federal governments (with the exception of the ACT) mean that jurisdictions can use up to 4% of their SRS contribution as an allowance to deduct expenses such as capital depreciation, the cost of educational standards authorities and even school transport in the total recurrent funding of public schools. This allowance applies to public school systems only and reduces the effective recurrent funding available to public schools by an additional \$ 8 billion through to 2023. Further the government introduced a cap of 20% on the federal SRS contribution to public schools.

The impact of these changes is that 99% of public schools will be funded below the Schooling Resource Standard by 2023 while all private schools will be at or above the SRS. The SRS is recognised as the minimum requirement to give every child, regardless of their background, the greatest opportunity to achieve their full potential regardless of their background or circumstances.

These changes result in total underfunding of public schools by a minimum of \$6.5 billion every year to 2023, and total underfunding from 2020 to 2023 of \$27 billion. Instead of ensuring every school across the country has the resources needed to close the education gap for students, the Federal Government's school funding agenda continue to entrench disadvantage and inequality between school sectors.

OPERATING REPORT (Continued)

Review of principal activities and results of operations (Continued)

The Federal Government also cut at least \$31 million in funding for students with disability in 2018. Changes to the way that levels of disability adjustment are calculated have resulted in a total increase of around 26,000 public school students who are categorised as having disability and requiring adjustments but who are deemed not to require any additional funds. These changes significantly impact on resources for schools to educate children with disability who face challenges that other children do not.

Against this backdrop, in 2020 the Fair Funding Now! Campaign continued to highlight the failure of the Federal Government to provide fair recurrent and capital funding to public schools.

The Fair Funding Now! Campaign, launched in 2018, built on the achievements of the AEU's I Give a Gonski Campaign. The policy priorities of the campaign are to ensure all schools are resourced to at least 100 per cent of the Schooling Resource Standard (SRS); establishing a capital fund for public schools to upgrade classrooms and facilities; and providing more support for students with disability.

Following the last federal election the AEU undertook a thorough review of our campaigning over the past few years and, in particular, our Federal election campaign.

The review found that the school funding campaign is hugely important to AEU members and education is a major issue of concern to both members and supporters. School funding was influential on member and supporter voting intentions and there was a high level of activism and engagement in the campaign. We won strong policy commitments from progressive parties in the lead up to the election. However, there were some areas of improvement identified, and those reflections are being taken into consideration in terms of creating the next phase of the campaign.

The COVID-19 crisis has made campaigning outside of COVID-19 challenging, while at the same time has resulted in increased respect and appreciation from parents for what our members and schools do. However, the union continued its focus on media and social media presence, including producing research and reports that produced strong media interest.

- The results from union's State of our Schools Survey of members generated media around several different issues including COVID-19, disability issues, Initial Teacher Education, NAPLAN, teacher workload, and the need for additional resources. This included the story of teachers dipping into their own pocket for resources because schools are not adequately resourced.
- External research commissioned by the AEU on recurrent school funding and capital school funding identified the \$19 billion gap over the next four years between current levels of public school funding and what ought to be provided if schools were funded to 100% of the SRS. As well releasing this to media we used this research as part of a series of webinars around school funding.
- Commissioned external research identified the digital divide in Australia in terms of public school students and their families and access to the internet and ICT. This was timely research given COVID-19, lockdowns and students learning from home.
- Submissions to government and education council meetings were also used to generate media stories and social media.

OPERATING REPORT (Continued)

Review of principal activities and results of operations (Continued)

The AEU implemented supporter based campaigning actions around key dates, such as Public Education Day 2020, where prominent people provided videos and blogs that were shared by thousands of people. Their participation in a full day of social media had a potential reach on Twitter and Facebook in the millions. As well as the public presence online and in the media, we have also continued to lobby federal politicians on a regular basis.

Post Public Education Day, the AEU organised a series of webinars on school funding issues with a range of speakers, including prominent Australians, teachers and principals. Topics included recurrent funding, capital funding and how the broader political and economic environment is shaping the education debate. The webinars were well attended and were subsequently posted online.

The AEU is in the process of implementing the recommendations from the school funding campaign review, including launching a new school funding campaign brand in preparation for the next federal election and beyond. A key campaign priority will be to secure school funding policy commitments from political parties. To inform the creative direction of the new campaign brand, a creative agency was engaged to conduct extensive research in 2020.

The **Stop TAFE Cuts campaign** continued to be set against the backdrop of cuts to TAFE funding, ongoing privatisation of the VET sector and the impact this has on the quality of the provision of vocational education in this country.

During 2020 research was undertaken to inform the next phase of the TAFE funding campaign in the lead up to the next federal election. That research included focus groups with the TAFE Executive, TAFE members and the general public, as well as online research. The major focus of the TAFE campaign going forward will be to secure a guarantee from all major political parties of a minimum of 70 per cent of all government funding for vocational education for TAFE, increase infrastructure and workforce investment and to abolish the government policy settings of contestable funding, marketisation and privatisation.

The AEU conducted the State of our TAFEs survey of over 1,400 of AEU members in late 2019 and early 2020. The survey found that TAFE teachers are working above their contracted hours, the pace or intensity of their work has increased in the last three years and their current workload is unmanageable. The results of the survey were used to generate media around issues of teacher workload, course closure and the impact of funding shortfalls on TAFE provision.

National TAFE Day was celebrated on 13 August 2020 with union members and supporters celebrating the achievements of TAFE. Videos and blogs in support of TAFE were provided by prominent people and widely shared across social media.

Despite face to face activities being impacted due to COVID-19, National TAFE Day 2020 had the best reach in terms of media and social media, when compared to previous years. The AEU's activities were directed towards securing investment in TAFE as a critical component of Australia's economic recovery post COVID-19, with actions adapted towards online engagement with the broader community and targeted politicians.

On National TAFE Day, the Centre for Future Work released their national report 'An Investment in Productivity and Inclusion: The Economic and Social Benefits of the TAFE System'. The study found that Australia's historical investment in TAFE yields total economic benefits of \$92.5 billion per year, 16 times the current annual cost of \$5.7 billion per year, and concluded that these benefits are likely to be lost without significant investment in TAFE. This was profiled widely in the media and provided the content for much of the AEU's activities on the day.

A joint AEU and Centre for Future Work briefing on the research was held for the Federal Parliamentary Friends of Education (Cross-party) to provide a briefing about the TAFE research. The AEU facilitated a webinar on TAFE with the Australia Institute which was attended by a broad audience (over 500) with AEU members, Stop TAFE Cuts supporters and the Australia Institute's networks.

Political lobbying of Federal MPs by union leadership and members showed there was significant interest in the issues raised by the report and COVID-19 economic stimulus needs.

OPERATING REPORT (Continued)

Review of principal activities and results of operations (Continued)

The AEU continues to campaign for the Commonwealth Government to take the following steps to guide Australia, and particularly young Australians, through the crisis:

- Recognise and fund TAFE as the valued public education institution that provides public vocational education for all
- Prioritise rebuilding with TAFE at the forefront of national recovery efforts through immediate increased federal funding support and investment in infrastructure, equipment, staffing and programs;
- Restore the more than \$3 billion funding cut from TAFE and training since 2013, including the nearly half a billion cut in 2018 and 2019 alone;
- Implement targeted support for the public VET provider, guaranteeing a minimum of 70% of all government VET funding to TAFE.

The AEU continued to campaign for the Federal Government to commit to ongoing funding for Universal Access to fifteen hours of pre-school delivered by a qualified teacher for all four year olds and the introduction of federal funding for preschool education for all 3 year olds.

The Preschool Funding Now campaign was active early in the year in securing a funding commitment from the Morrison government for the National Partnership Agreement for Universal Access to Early Childhood Education for four year olds in the 2020 budget, providing funding to early childhood education for another year, 2021. However, there continues to be no commitment to ongoing funding certainty by the Commonwealth, despite significant community support for this issue.

The AEU has joined the Thrive by Five campaign which brings together a broad range of community organisations and unions working together to achieve the objective of ensuring that early childhood development is on the national political agenda and the agenda of every state and territory government in Australia.

The AEU has worked with members, Branches and employing authorities to improve the professional status of teaching and other education workers in all sectors. It has campaigned for these objectives through advocacy and support for high standards of entry to, and rigorous courses of, Initial Teacher Education, professional standards for school teachers and principals, professional autonomy for teachers, the introduction of professional teaching qualifications for TAFE teachers as well as for further recognition through improved remuneration, enhanced career structures and addressing workload for teachers and education workers generally.

Results of activities

The Post-2019 election review of our campaigning over the past three years found that the school funding campaign is hugely important to AEU members and education is a very major issue of concern to both members and supporters. During 2020 the AEU has successfully raised the awareness of members, politicians and the public of the impact on public schools and students of the unfair and inequitable school funding policies of the federal government through campaigning, commissioning research and lobbying political parties. Public polling continually shows the public is concerned about fair funding for schools.

The work undertaken during the year has informed the planning for the next phase of the campaign including the launching of a new school funding campaign brand and preparing for the federal election campaign period. A first high priority is securing policy commitments from political parties.

The TAFE funding campaign has successfully achieved a broad understanding of the economic and social benefits of the TAFE and the role VET and TAFE needs to play as the economy rebuilds post COVID. Support for increased funding for TAFE and recognition of its critical role as the public provider is building, with community and industry trust for TAFE being high.

OPERATING REPORT (Continued)

Results of activities (Continued)

The campaign for universal pre-school education for all four old year and three year old children has resulted in greater awareness of the funding shortfall for Universal Access and increased engagement of the pre-school community in the campaign. The importance of pre-school education is now widely understood and supported and the number of community organisations calling for on-going funding has increased. The Federal Government committed to funding Universal Access for four year old children for a further year in 2021.

Throughout the financial year the AEU has successfully enhanced and supported the professional status of AEU members in public education through professional development and training and conferences, representation of members on professional bodies and to employers; submissions and appearances before Commonwealth of Australia Parliamentary Committees and various federal Inquiries. AEU advocacy for improved entry standards into university initial teacher education courses has resulted in greater public discussion and awareness that we need to attract the top 30% of students into teaching.

The AEU Federal Office has coordinated, researched and informed Branches on industrial matters including support for salaries and conditions which have resulted in increased salaries and improved conditions across the country.

Analysis of results for the year:

The expenditure on campaigning is impacted by the three year federal election cycle and the 2020 financial year was the first year of the cycle. Much of the campaigning expenditure was used to build the foundations of the campaigns which will have a natural focus on the next federal election. In addition in 2020 the COVID-19 pandemic has severely curtailed our ability to travel, hold national meetings and activities and generally bring people together so our expenditure has been lower than planned. Even so, the campaigns have impacted on the knowledge and awareness of the community on the issues of schools, TAFE and Pre-school funding as well as issues around national assessment and reporting. Different ways of campaigning have been trialled successfully including webinars, on-line meetings and conferences and lobbying on-line.

	General Operations	Public Education Campaign	Total
	\$	\$	\$
Revenue	9,293,089	758,028	10,051,117
Expenses	(5,910,116)	(126,535)	(6,036,651)
Funds transferred	(1,600,000)	1,600,000	-
Surplus for the year	1,782,973	2,231,493	4,014,466

OPERATING REPORT (Continued)

Right of members to resign

Members may resign from the union in accordance with rule 17, which reads as follows:

"17 - Resignation from membership and termination of eligibility

- (1) Subject to sub-rule 17(1A) a member becomes ineligible for membership of the Union when he/she no longer meets the conditions of eligibility for membership of the Union.
- (1A) The following persons shall after the date referred to in sub-rule 5(12) be eligible to retain membership of the Union notwithstanding the fact that they are no longer eligible for membership within the conditions of eligibility for membership set out in rule 5:
 - (a) members who are eligible for membership pursuant to paragraphs 5(3)(a), (b) or (c) and are -
 - (i) seconded by their employer to non-teaching duties, or
 - (ii) appointed by the Minister for Education to any Board, Committee or statutory authority;
 - (b) members who were formerly eligible for membership pursuant to paragraph 5(4)(a), (b) or (c) and have commenced to be employed elsewhere in the Victorian Education Department or in a technical and further education institution or by the Technical and Further Education Board or are seconded by their employer to perform professional duties requiring teacher qualifications;
 - (c) persons who become members of the Union prior to the date referred to in sub-rule 5(12) pursuant to paragraphs 5(3)(d) or 5(4)(d);provided that persons who are entitled to retain membership pursuant to this sub-rule should not be entitled to retain membership after the expiration of the secondment or appointment.
- (2) A member who becomes ineligible for membership of the Union shall within seven days thereof give written notice of the fact and the reason therefore to the Secretary of the Branch to which he/she is attached.
- (3) A member may resign from membership of the Union by written notice addressed to and delivered to the Secretary of the Branch to which the member is attached.
- (4) A notice of resignation from membership takes effect:-
 - (a) here the member ceases to be eligible to become a member of the Union -
 - (i) on the day on which the notice is received at the office of the relevant Branch Secretary; or
 - (ii) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;whichever is later; or
 - (b) in any other case -
 - (i) at the end of 2 weeks after the notice is received at the office of the relevant Branch Secretary; or
 - (ii) on the day specified in the notice;whichever is later.
- (5) Any subscriptions, levies or fines which are due and payable but have not been paid by a former member in relation to a year before the member's resignation took effect, may be sued for and recovered in the name of the Union, in a court of competent jurisdiction, as a debt due to the Union.
- (6) A notice delivered to the relevant Branch Secretary shall be taken to have been received by the Union when it was delivered.
- (7) A notice of resignation that has been received at the office of the relevant Branch Secretary is not invalid because it was not addressed and delivered in accordance with sub-rule (1).
- (8) A resignation from membership is valid even if it is not effected in accordance with this section if the member is informed in writing by or on behalf of the Union that the resignation has been accepted.
- (9) A relevant Branch Secretary may accept a resignation from membership which is not effected in accordance with this Rule.
- (10) Where the relevant Branch Secretary accepts a resignation in accordance with the previous sub-rule the relevant Branch Secretary shall inform the member in writing that his/her resignation has been accepted.
- (11) On receipt of a written notice from a member that he/she has become ineligible for membership of the Union or a notice of resignation or on acceptance of a resignation which is not effected in accordance with this Rule, the Branch Secretary shall, as soon as possible notify the Federal Secretary that the member has become ineligible for membership or that the member has resigned."

OPERATING REPORT (Continued)

Membership and employee numbers

The number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis at 31 December 2020 was 18.1 (2019: 16.1)

The number of members across 8 branches at 31 December 2020 was 193,915 Financial and 1,494 Unfinancial (2019: 190,850 Financial and 3,545 Unfinancial).

Superannuation trustees

To the best of the Federal Executive's belief and knowledge, no officer or member of the organisation, by virtue of their office or membership of the Australian Education Union is:

- (i) a trustee of a superannuation entity or exempt public sector superannuation scheme: or
- (ii) a director of a company that is a trustee of a superannuation entity or exempt public sector superannuation scheme: and
- (iii) where the criterion for the officer or member being a trustee or director is that the officer or member is an officer or member of a registered organisation.

Signed in accordance with a resolution of the Federal Executive:

Signature of designated officer: 

Name of designated officer: Susan Hopgood

Title of designated officer: Federal Secretary

Date: 3/03/2021

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	4	9,551,190	9,351,249
Other revenue	4	499,927	513,701
Expenses			
Administrative and other expenses	5	(350,466)	(398,642)
Capitation, affiliation fees and levies	6	(1,730,314)	(1,746,428)
Campaign and project expenses	7	(133,742)	(3,619,730)
Depreciation and amortisation	8	(19,963)	(18,753)
Employee expenses	9	(2,760,130)	(2,588,649)
ITF allocation		(88,000)	(88,000)
Legal and professional fees	10	(32,500)	(31,500)
Meeting and conference expenses	11	(97,171)	(387,431)
Publications	12	(824,365)	(761,276)
		<u>(6,036,651)</u>	<u>(9,640,409)</u>
Surplus for the year		4,014,466	224,541
Surplus attributable to the members		4,014,466	224,541
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the members		<u>4,014,466</u>	<u>224,541</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

AUSTRALIAN EDUCATION UNION - FEDERAL OFFICE
ABN 16 006 296 647

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	21,464,467	17,077,467
Trade and other receivables	14	112,586	278,689
Other assets	15	162,002	103,890
Total current assets		21,739,055	17,460,046
Non-current assets			
Other financial assets	16	4,990,039	4,383,937
Property, plant and equipment	17	42,712	59,904
Total non-current assets		5,032,751	4,443,841
Total assets		26,771,806	21,903,887
LIABILITIES			
Current liabilities			
Trade and other payables	18	110,200	138,750
Borrowings	19	12,991	22,953
Provisions	20	1,615,219	1,326,705
Total current liabilities		1,738,410	1,488,408
Non-current liabilities			
Borrowings	19	9,962	12,613
Total non-current liabilities		9,962	12,613
Total liabilities		1,748,372	1,501,021
Net assets		25,023,434	20,402,866
FUNDS			
Reserves	21	9,617,009	6,863,614
General fund	22	15,406,425	13,539,252
Total funds		25,023,434	20,402,866

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020

	General Fund \$	Reserves \$	Total \$
Balance at 1 January 2019	12,100,109	8,080,067	20,180,176
Adoption of AASB16	(1,851)	-	(1,851)
Total comprehensive income for the year	224,541	-	224,541
Transfer to (from) general fund	<u>1,216,453</u>	<u>(1,216,453)</u>	<u>-</u>
Balance at 31 December 2019	<u><u>13,539,252</u></u>	<u><u>6,863,614</u></u>	<u><u>20,402,866</u></u>
 Balance at 1 January 2020	 13,539,252	 6,863,614	 20,402,866
Total comprehensive income for the year	4,014,466	-	4,014,466
Revaluation of financial assets	-	606,102	606,102
Transfer to (from) general fund	<u>(2,147,293)</u>	<u>2,147,293</u>	<u>-</u>
Balance at 31 December 2020	<u><u>15,406,425</u></u>	<u><u>9,617,009</u></u>	<u><u>25,023,434</u></u>

The above statement of changes in funds should be read in conjunction with the accompanying notes.

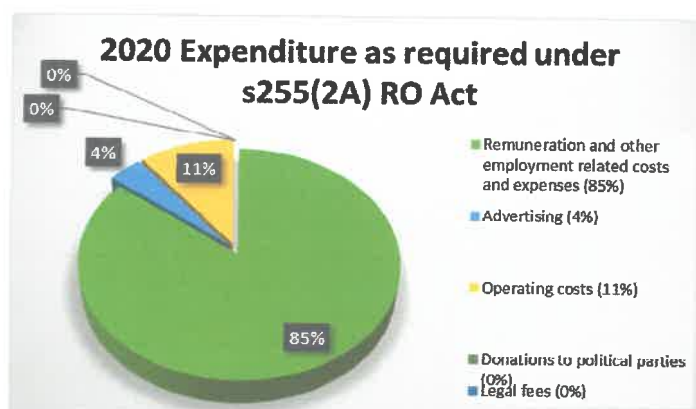
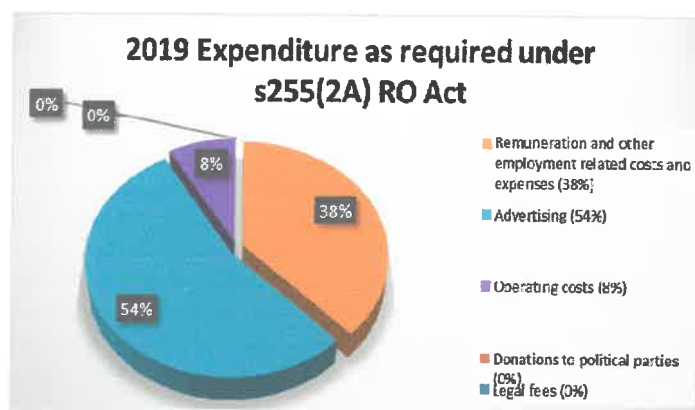
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts of capitation fees and levies (inclusive of GST)	27(a)	9,477,057	9,809,875
Receipts from controlled entities		-	-
Receipts of campaign contributions from branches (inclusive of GST)	27(b)	833,831	826,342
Receipts of other income from branches & other reporting units (inclusive of GST)	27(c)	320,920	738,221
Sundry receipts		346,916	497,124
Payments to suppliers and employees (inclusive of GST)		(6,806,688)	(11,269,740)
Payments to controlled entities		-	-
Payments to another reporting units		-	-
Interest received		163,411	70,089
Interest paid		(1,067)	-
Net cash inflow from operating activities	27(d)	<u>4,334,380</u>	<u>671,911</u>
Cash flows from investing activities			
Payment for property, plant and equipment		<u>(2,771)</u>	<u>(13,005)</u>
Net cash (outflow) from investing activities		<u>(2,771)</u>	<u>(13,005)</u>
Cash flows from financing activities			
Lease repayment		(12,613)	(13,680)
Loan repayment (advanced) received		68,004	50,535
Net cash inflow from financing activities		<u>55,391</u>	<u>36,855</u>
Net increase in cash and cash equivalents		4,387,000	695,761
Cash and cash equivalents at beginning of financial year		<u>17,077,467</u>	<u>16,381,706</u>
Cash and cash equivalents at end of financial year	13(a)	<u>21,464,467</u>	<u>17,077,467</u>

The above report should be read in conjunction with the accompanying notes.

REPORT REQUIRED UNDER SUBSECTION 255(2A)
FOR THE YEAR ENDED 31 DECEMBER 2020

The Committee of Management presents the expenditure report as required under subsection 255(2A) of the *Fair Work (Registered Organisations) Act 2009* on the Reporting Unit for the year ended 31 December 2020.



Due to the specific requirements under subsection 255(2A) of the *Fair Work (Registered Organisations) Act 2009*, there will likely be some other costs incurred by the reporting unit which do not fall within the above categories. Accordingly the expenditure reported in this report may not represent 100% of the expenditure actually incurred by the reporting unit.

Signature of designated officer:

Name of designated officer: Susan Hopgood

Title of designated officer: Federal Secretary

Date:

3/03/2021

The above report should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are general purpose financial statements and have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period, and the Fair Work (Registered Organisation) Act 2009 (RO Act). For the purpose of preparing the general purpose financial statements, The AEU-Federal Office is a not-for-profit entity.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost, except for certain assets and liabilities measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Compliance with Australian Accounting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). A statement of compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the AEU-Federal Office applying not-for-profit specific requirements contained in the Australian Accounting Standards.

Early adoption of standards

No accounting standard has been adopted earlier than the application date stated in the standard.

New and amended standards adopted by the AEU-Federal Office

The AEU-Federal Office has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(b) Taxation

AEU-Federal Office is exempt from income tax under section 50.1 of the Income Tax Assessment Act 1997 however still has obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified within operating cash flows.

(c) Revenue recognition

The AEU-Federal Office enters into various arrangements where it receives consideration from another party. These arrangements include consideration in the form of capitation fees, levies, grants, and donations.

The timing of recognition of these amounts as either revenue or income depends on the rights and obligations in those arrangements.

Revenue from contracts with customers

Where the AEU-Federal Office has a contract with a customer, the AEU-Federal Office recognises revenue when or as it transfers control of goods or services to the customer. The AEU-Federal Office accounts for an arrangement as a contract with a customer if the following criteria are met:

- the arrangement is enforceable; and
- the arrangement contains promises (that are also known as performance obligations) to transfer goods or services to the customer (or to other parties on behalf of the customer) that are sufficiently specific so that it can be determined when the performance obligation has been satisfied

Affiliation and capitation fees and levies

Where the entity arrangement with a branch or another reporting unit meets the criteria to be a contract with a customer, the entity recognises the capitation fees promised under that arrangement when or as it transfers the entity to specify the goods or services that will transfer as part of its sufficiently specific promise to the branch/other reporting unit.

In circumstances where the criteria for a contract with a customer are not met, the entity will recognise capitation fees as income upon receipt.

Campaign contributions from branches

Campaign contributions from branches are recognised on an accruals basis when the right to receive the fee or levy has been established.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1: Summary of significant accounting policies (Continued)

(c) Revenue recognition (Continued)

Interest income

Interest revenue is recognised on an accrual basis using the effective interest method.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(d) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(e) Financial assets

Contract assets and receivables

A contract asset is recognised when the entity's right to consideration in exchange goods or services that has transferred to the customer when that right is conditioned on the entity's future performance or some other condition.

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets and receivables are subject to impairment assessment. Refer to accounting policies on impairment of financial assets below.

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the entity commits to purchase or sell the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1: Summary of significant accounting policies (Continued)

(e) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

- (Other) financial assets at amortised cost
- (Other) financial assets at fair value through other comprehensive income
- Investments in equity instruments designated at fair value through other comprehensive income
- (Other) financial assets at fair value through profit or loss
- (Other) financial assets designated at fair value through profit or loss

The entity only has the following financial assets: Financial assets at amortised cost and FVTPL.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the entity has transferred substantially all the risks and rewards of the asset, or
 - b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the entity continues to recognise the transferred asset to the extent of its continuing involvement together with associated liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(e) Financial assets (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment

(i) Trade receivables

For trade receivables that do not have a significant financing component, the entity applies a simplified approach in calculating expected credit losses (ECLs) which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Therefore, the entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Debt instruments other than trade receivables

For all debt instruments other than trade receivables and debt instruments not held at fair value through profit or loss, the entity recognises an allowance for expected credit losses using the general approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the entity expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages:

- Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses from possible default events within the next 12-months (a 12-month ECL).
- Where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the debt, irrespective of the timing of the default (a lifetime ECL).

The entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(f) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost unless or at fair value through profit or loss. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs. The entity's financial liabilities include trade and other payables and borrowing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(f) Financial liabilities (Continued)

Financial liabilities at amortised cost

After initial recognition, trade payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(g) Liabilities relating to contracts with customers

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the entity transfers the related goods or services. Contract liabilities include deferred income. Contract liabilities are recognised as revenue when the entity performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The entity's refund liabilities arise from customers' right of return. The liability is measured at the amount the entity's ultimately expects it will have to return to the customer. The entity updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

(h) Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation

The depreciable amount of all fixed assets including buildings are depreciated over their estimated useful lives to the AEU-Federal Office commencing from the time the asset is held ready for use.

Class of fixed asset	Depreciation rate	Depreciation basis
Office and computer equipment	20 -33%	diminishing value
Furniture and fittings	10%	straight line
Right-of-use assets	Over lease term	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(j) Impairment of assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Fair value measurements

The entity measures financial instruments, such as, financial assets as at fair value through the profit and loss, financial assets at fair value through OCI, and non-financial assets such as land and buildings and investment properties, at fair value at each balance sheet date

. Also, fair values of financial instruments measured at amortised cost are disclosed in Note.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(k) Fair value measurements (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(l) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1: Summary of significant accounting policies (Continued)

(l) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the entity before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(m) Functional and presentation currency

Items included in the financial report are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial report is presented in Australian dollars, which is the AEU-Federal Office's functional and presentation currency.

(n) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(o) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the entity under residual value guarantees
- the exercise price of a purchase option if the entity is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the entity is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the entity revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1: Summary of significant accounting policies (Continued)

(p) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	AASB 2020-1 – Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
Nature of change	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.
Application date	This Standard applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Estimation of useful lives of assets

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets, that have been abandoned or sold will be written off or written down.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee entitlements

Management judgements are applied in determining the following key assumptions in the calculation of long service leave at balance date:

- future increase in wages and salaries;
- future on-costs rates; and
- experience of employees departures and year of service.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3: Section 272 Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009* the attention of members is drawn to the provisions of subsection (1) to (3) of sections 272, which read as follows:

Information to be provided to members or Commissioner:

- (1) a member of a reporting unit, or the Commissioner, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.
- (2) the application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.
- (3) a reporting unit must comply with an application made under subsection (1).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4: Revenue

	Notes	2020 \$	2019 \$
The table below also sets out a disaggregation of revenue by type of customer and funding source			
Affiliation fees & other levies	a	1,686,613	1,632,025
Campaign contributions from branches	b	758,028	751,220
Capitation fees	c	6,266,997	6,118,687
Periodic or membership subscriptions		-	-
Library income		71,192	80,363
Publication income	d	61,499	81,587
Publication levy	e	706,861	687,367
		<u>9,551,190</u>	<u>9,351,249</u>
Other revenue			
Distribution received		28,801	108,766
Donations		-	-
Financial support from another reporting unit		-	-
Revenue from undertaking recovery of wages activity		-	-
Other revenue from another reporting unit		-	-
Grants		-	-
Interest		109,838	194,537
ITF reimbursements		62,593	62,593
Rent		129,166	137,216
Government COVID-19 assistance		160,292	-
Other revenue		9,237	10,589
		<u>499,927</u>	<u>513,701</u>

(a) Affiliation fees & other levies

	2020 \$	2019 \$
ACT Branch	32,619	30,598
NSWTF Branch	528,206	515,308
NT Branch	17,195	16,963
QLD Branch	381,249	359,688
SA Branch	122,313	114,760
TAS Branch	47,286	46,352
VIC Branch	425,705	420,752
SSTUWA for the WA Branch	132,040	127,604
	<u>1,686,613</u>	<u>1,632,025</u>

The affiliation fees income represents the funding received or receivable from the branches for the ACTU and Education International Affiliations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4: Revenue (Continued)

(b) Campaign contributions from branches

	2020	2019
	\$	\$
ACT Branch	14,660	14,084
NSWTF Branch	237,396	237,196
NT Branch	7,728	7,808
QLD Branch	171,348	165,564
SA Branch	54,972	52,824
TAS Branch	21,252	21,336
VIC Branch	191,328	193,672
SSTUWA for the WA Branch	59,344	58,736
	<u>758,028</u>	<u>751,220</u>

These contribution from branches are for the campaigns run by the Federal Office.

(c) Capitation fees

	2020	2019
	\$	\$
ACT Branch	121,202	114,714
NSWTF Branch	1,962,671	1,931,961
NT Branch	63,891	63,596
QLD Branch	1,416,620	1,348,519
SA Branch	454,481	430,252
TAS Branch	175,701	173,782
VIC Branch	1,581,804	1,577,458
SSTUWA for the WA Branch	490,627	478,405
	<u>6,266,997</u>	<u>6,118,687</u>

(d) Publication income

	2020	2019
	\$	\$
Australian Educator	59,569	76,597
TAFE Teacher	1,930	4,990
	<u>61,499</u>	<u>81,587</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4: Revenue (Continued)

(e) Publication levy

	2020	2019
	\$	\$
ACT Branch	13,671	12,887
NSWTF Branch	221,372	217,034
NT Branch	7,206	7,144
QLD Branch	159,782	151,491
SA Branch	51,261	48,334
TAS Branch	19,818	19,522
VIC Branch	178,413	177,210
SSTUWA for the WA Branch	55,338	53,745
	706,861	687,367

This compulsory levy is for the publication of Australian Educator and TAFE Teacher.

5: Administration and other expenses

	2020	2019
	\$	\$
Communication	25,813	27,131
Consideration to employers for payroll deductions	-	-
Donations:		
Total paid that were \$1,000 or less	2,291	2,984
Total paid that exceeded \$1,000	63,500	58,500
Grants:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Insurance	18,709	24,953
Library	32,277	28,602
Occupancy costs	155,799	107,263
Penalty imposed under the RO Act or the Fair Work Act 2009	-	-
Other expenses to another reporting unit	-	-
Postage, printing and stationary	11,806	19,768
Overseas travel	-	56,422
Media support	-	12,600
IT support	17,980	31,120
Website	4,218	3,893
Interest – leased assets	1,067	1,434
Other expenses	17,006	23,972
	350,466	398,642

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

6: Capitation, affiliation fees & levies

	Note	2020 \$	2019 \$
<i>Capitation fees</i>		-	-
<i>Affiliation fees</i>			
ACOSS		1,041	1,018
ACSA		232	218
Aust Council on Children & Media		254	254
ACTU		1,218,354	1,258,147
APHEDA		7,651	7,428
ATEA		155	155
AFTINET		300	240
ACFID		330	-
Australian Institute Employment Right		3,000	3,000
Education International		494,969	472,968
First Nations Workers Alliance		-	500
International Peace Bureau		273	-
Welcome to Australia		2,500	2,500
The Refugee Council of Australia		1,255	-
		<u>1,730,314</u>	<u>1,746,428</u>
<i>Compulsory levies</i>		-	-
<i>Total capitation, affiliation fees and levies</i>		<u>1,730,314</u>	<u>1,746,428</u>

7: Campaign and project expenses

	2020 \$	2019 \$
Public education campaign	126,535	3,617,673
Research projects	<u>7,207</u>	<u>2,057</u>
	<u>133,742</u>	<u>3,619,730</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8: Depreciation and amortisation

	2020 \$	2019 \$
<i>Depreciation of non-current assets</i>		
Office equipment	6,055	4,976
Furniture, fixtures and fittings	<u>1,652</u>	<u>1,521</u>
	7,707	6,497
<i>Depreciation of right-of-use assets</i>	<u>12,256</u>	<u>12,256</u>
	<u>19,963</u>	<u>18,753</u>

9: Employee expenses

	2020 \$	2019 \$
Holders of office:		
Wages and salaries	449,324	386,336
Superannuation	68,746	58,730
Leave and other entitlements	127,409	72,056
Separation and redundancies	-	-
Other employee expenses	-	-
	<u>645,479</u>	<u>517,122</u>
Employees other than holders of office:		
Wages and salaries	1,748,800	1,819,379
Salaries reimbursement received (seconded staff)	(23,653)	(246,900)
Casual wages	-	8,039
Superannuation	253,211	259,449
Leave and other entitlements	26,735	(9,252)
Separation and redundancies	-	-
Other employee expenses	322	10,304
	<u>2,005,415</u>	<u>1,841,019</u>
Other :		
Payroll tax	74,547	126,069
Workcover	11,734	19,092
Staff recruitment	-	68,327
Fringe benefit tax	20,628	14,682
Staff training	<u>2,327</u>	<u>2,338</u>
	<u>109,236</u>	<u>230,508</u>
Total employee expenses	<u>2,760,130</u>	<u>2,588,649</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10: Legal and professional fees

	2020	2019
	\$	\$
Audit of the financial report	32,500	31,500
Legal fees		
- litigation	-	-
- other legal matters	-	-
	<u>32,500</u>	<u>31,500</u>

11: Meeting and conference expenses

	2020	2019
	\$	\$
Allowances - meeting and conferences	42,873	120,815
Meetings - travel and other expenses	<u>54,298</u>	<u>266,616</u>
	<u>97,171</u>	<u>387,431</u>

12: Publications

	2020	2019
	\$	\$
Australian Educator	770,893	681,330
TAFE Teacher	<u>53,472</u>	<u>79,946</u>
	<u>824,365</u>	<u>761,276</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13: Current assets – Cash and cash equivalents

	2020 \$	2019 \$
Cash on hand	4,294	4,294
Cash at bank	14,240,211	10,013,340
Term deposits	7,219,962	7,059,833
	<u>21,464,467</u>	<u>17,077,467</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>21,464,467</u>	<u>17,077,467</u>
Balances per statement of cash flows	<u>21,464,467</u>	<u>17,077,467</u>

14: Current assets – Trade and other receivables

	2020 \$	2019 \$
<i>Receivable from other reporting units</i>		
ACT Branch	-	638
TAS Branch	-	150
NSWTF Branch	-	686
NT Branch	-	200
QTU	-	600
VIC Branch	-	9,673
SA Branch	-	350
SSTUWA for the WA Branch	-	550
	-	12,847
Less provision for impairment of receivables	-	-
	-	12,847
<i>Others</i>		
Amount due from ITF	-	67,732
Other receivables	<u>112,586</u>	<u>198,110</u>
	<u>112,586</u>	<u>278,689</u>

Classification as trade and other receivables

(i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(ii) Other receivables

These amounts generally arise from transactions during the usual operating activities of the entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(iii) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15: Current assets – other assets

	2020 \$	2019 \$
Prepayments	<u>162,002</u>	<u>103,890</u>

16: Non-current assets – financial assets

	2020 \$	2019 \$
Unlisted investments in unit trusts	<u>4,990,039</u>	<u>4,383,937</u>

These financial assets are carried at fair value.

These investments include the following surplus transferred to equity at reporting date:

Opening balance	4,383,937	4,383,937
Distribution capitalised	-	-
Increase in investment revaluation reserve	<u>606,102</u>	<u>-</u>
Closing balance	<u>4,990,039</u>	<u>4,383,937</u>

(a) The unit trust investment represents a 21.9% investment in the FEU Unit Trust which owns the building partly occupied by the AEU Federal Office and units in ACTU Member Connect Unit Trust.

17: Non-current assets – Property, plant and equipment

	2020 \$	2019 \$
Plant and equipment		
Office equipment		
At cost	60,046	57,275
Less accumulated depreciation	<u>(45,762)</u>	<u>(39,707)</u>
	<u>14,284</u>	<u>17,568</u>
 Furniture, fixtures and fittings		
At cost	62,101	62,101
Less accumulated depreciation	<u>(55,122)</u>	<u>(53,470)</u>
	<u>6,979</u>	<u>8,631</u>
 Right-of-use assets		
At cost	61,282	61,282
Less accumulated depreciation	<u>(39,833)</u>	<u>(27,577)</u>
	<u>21,449</u>	<u>33,705</u>
 Total property, plant and equipment	<u>42,712</u>	<u>59,904</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17: Non-current assets – Property, plant and equipment (Continued)

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year:

2019	Right-of-use assets \$	Office equipment \$	Furniture, fittings and fixtures \$	Total \$
Opening net book amount	-	11,417	8,274	19,691
Adoption of AASB16	45,961	-	-	45,961
Additions	-	11,128	1,877	13,005
Depreciation	(12,256)	(4,976)	(1,521)	(18,753)
Closing net book amount	<u>33,705</u>	<u>17,568</u>	<u>8,631</u>	<u>59,904</u>

2020	Right-of-use assets \$	Office equipment \$	Furniture, fittings and fixtures \$	Total \$
Opening net book amount	33,705	17,568	8,631	59,904
Additions	-	2,771	-	2,771
Depreciation	(12,256)	(6,055)	(1,652)	(19,963)
Closing net book amount	<u>21,449</u>	<u>14,284</u>	<u>6,979</u>	<u>42,712</u>

(a) Non-current assets pledged as security

None of the non-current assets are pledged as security.

(c) Right-of-use assets

The entity leases equipment. Rental contracts are typically made for fixed periods of 5 years. Contracts may contain both lease and non-lease components. The entity allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the entity under residual value guarantees
- the exercise price of a purchase option if the entity is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising that option.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17: Non-current assets – Property, plant and equipment (Continued)

(c) Right-of-use assets

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the entity:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the entity uses that rate as a starting point to determine the incremental borrowing rate.

The entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the entity is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18: Current liabilities – Trade and other payables

	2020 \$	2019 \$
<i>Unsecured:</i>		
Trade creditors	49,116	61,160
Legal cost		
- other legal matters	-	-
- litigation	-	-
Amount payables to other reporting units	-	-
Payable to an employer for that employer making payroll deductions of membership subscriptions	-	-
Amount due to ATO	24,746	39,914
Amount due to ITF	273	-
Other payables and accruals	36,065	37,676
	<u>110,200</u>	<u>138,750</u>

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

19: Borrowings

	2020 \$	2019 \$
Lease liabilities (See note 17(c))		
Current	12,991	22,953
Non-current	9,962	12,613
	<u>22,953</u>	<u>35,566</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20: Current liabilities – Provisions

	2020	2019
	\$	\$
Employee benefit obligations		
<i>Holders of office:</i>		
Annual leave	461,390	366,997
Long service leave	513,572	346,186
Separations and redundancies	-	-
Other	-	-
	<u>974,962</u>	<u>713,183</u>
<i>Employees other than holders of office:</i>		
Annual leave	192,250	207,558
Long service leave	381,355	339,312
Separations and redundancies	-	-
Other	-	-
	<u>573,605</u>	<u>546,870</u>
Other provision	<u>66,652</u>	<u>66,652</u>
Total provision	<u>1,615,219</u>	<u>1,326,705</u>

(a) Employee benefits - long service leave

Included in the employee benefits provision is a provision that has been recognised for future employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on an assessment of the individual employee's circumstances. The measurement and recognition criteria for employee benefits have been included in Note 1.

	Employee benefit obligations	Other provisions	Total
	\$	\$	\$
Balance at 1 January 2019	1,197,249	66,652	1,263,901
Charged to income statement	62,804	-	62,804
Balance at 31 December 2019	<u>1,260,053</u>	<u>66,652</u>	<u>1,326,705</u>
Charged to income statement	288,514	-	288,514
Balance at 31 December 2020	<u>1,548,567</u>	<u>66,652</u>	<u>1,615,219</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21: Reserves

		2020 \$	2019 \$
Public education campaign reserve	(a)	6,119,134	3,887,641
Workers' rights campaign reserve	(b)	100,000	50,000
Revaluation reserve	(c)	3,397,875	2,791,773
Allocated funds reserve	(d)	-	134,200
		<u>9,617,009</u>	<u>6,863,614</u>

(a) Public education campaign reserve

	2020 \$	2019 \$
Movements during the financial year:		
<i>Opening balance</i>	3,887,641	5,154,094
Funds received	758,028	751,220
Funds allocated from general fund	<u>1,600,000</u>	<u>1,600,000</u>
	6,245,669	7,505,314
Funds spent (note 7)	<u>(126,535)</u>	<u>(3,617,673)</u>
<i>Closing balance</i>	<u>6,119,134</u>	<u>3,887,641</u>

The public education campaign fund reserve records funds set aside from the surplus for the purpose of funding future public education campaigns. Funds raised in a financial year that are not expended in that year are set aside in the reserve to be spent in future years.

(b) Workers rights campaign reserve

	2020 \$	2019 \$
Movements during the financial year:		
<i>Opening balance</i>	50,000	-
Funds received	-	-
Funds allocated from general fund	<u>50,000</u>	<u>50,000</u>
	100,000	50,000
Funds spent	<u>-</u>	<u>-</u>
<i>Closing balance</i>	<u>100,000</u>	<u>50,000</u>

The worker rights campaign reserve records funds set aside from the surplus for the purpose of funding future worker rights campaigns.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21: Reserves (Continued)

(c) Revaluation reserve

	2020	2019
	\$	\$
<i>Movements during the financial year:</i>		
Opening balance	2,791,773	2,791,773
Revaluation	606,102	-
Closing balance	<u>3,397,875</u>	<u>2,791,773</u>

Changes in fair value arising on translation of investments such as equities, classified as financial assets, are taken to the revaluation reserve, as described in note 1. Amounts are recognised in the income statement when the associated assets are disposed of or impaired.

(d) Allocated funds reserve

	2020	2019
	\$	\$
<i>Movements during the financial year:</i>		
Opening balance	134,200	134,200
Funds allocated	-	-
Funds transferred	-	-
	<u>134,200</u>	<u>134,200</u>
Funds spent	-	-
Funds transferred	<u>(134,200)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>134,200</u>

The allocated funds reserve records funds allocated from the surplus for the purpose of funding future projects.

22: General funds

	2020	2019
	\$	\$
<i>Movements in the general funds were as follows:</i>		
Opening balance	13,539,252	12,100,109
Adoption of AASB 16	-	(1,851)
Net surplus for the year	4,014,466	224,541
Transfer from (to) reserves	<u>(2,147,293)</u>	<u>1,216,453</u>
Ending balance	<u>15,406,425</u>	<u>13,539,252</u>

Apart from those recorded in the financial statements, no specific funds or accounts have been operated as part of the Federal Fund in respect of compulsory levies or voluntary contributions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

23: Contingencies

There are no other known contingent assets or liabilities at 31 December 2020.

24: Commitments

There are no commitments at 31 December 2020

25: Events occurring after reporting date

As a result of the evolving nature of the COVID-19 outbreak and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the entity is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the entity. Other than the current disclosures, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in subsequent financial periods

26: Related party transactions

(a) Key management personnel

Members of executive

The Federal Executive is elected for a two-year term commencing on 1 March and ending two years later at the end of February. The name of each person who has been a member of the Federal Executive at any time during or since the end of the financial year is as follows:

<i>Name</i>	<i>Position</i>	<i>Name</i>	<i>Position</i>
Correna Haythorpe **	Federal President	Susan Hopgood **	Federal Secretary
Maurie Mulheron (until 1/2/20)	Deputy Federal President	Roz Madsen** (resigned 16/3/20)	Deputy Federal Secretary
Meredith Peace (from 1/2/20)	Deputy Federal President	Nicole Calnan (from 11/8/20)	Deputy Federal Secretary
Meredith Peace (until 1/2/20)	General Division	Nicole Calnan	General Division
Erin Aulich**	General Division	Michelle Purdy	Federal TAFE President
Marino D'Ortenzio (from 1/3/20)	General Division	Jarvis Ryan **	General Division
Briley Stokes	General Division	Kevin Bates **	General Division
Justin Mullaly	General Division	Cresta Richardson	General Division
Pat Byrne**	General Division	Jenny Swadling	General Division
Glenn Fowler	General Division	Helen Richardson	General Division
John Dixon **	General Division	Shane Gorman	Principals Representative
Henry Rajendra	General Division	Martel Menz (resigned 20/11/20)	Early Childhood Representative
Amber Flohm (from 1/3/20)	General Division	Cassandra Brown (until 29/2/20)	Aboriginal & Torres Strait Islander Representative
Joan Lemaire (until 29/2/20)	General Division	Charline Emzin-Boyd (from 1/3/2020)	Aboriginal & Torres Strait Islander Representative
Howard Spreadbury (until 29/2/20)	General Division	Lara Golding (from 1/3/20)	General Division

** members of Finance Committee

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26: Related party transactions (Continued)

(a) Key management personnel (Continued)

(ii) Key management personnel remuneration

	2020	2019
	\$	\$
Short-term employee benefits		
Salary (including annual leave taken)	363,389	384,072
Annual leave	45,958	36,890
Accommodation benefit	24,199	25,308
Total short-term employee benefits	433,546	446,270
Post-employment benefits:		
Superannuation	68,746	58,730
Total post-employment benefits	68,746	58,730
Other long-term benefits:		
Long-service leave	167,386	37,430
Total other long-term benefits	167,386	37,430
Termination benefits	-	-
	-	-
Total	669,678	542,430

(iii) There were no loans between the key management personnel or the committee of management and the AEU-Federal Office.

(iv) There were no transactions between key management personnel or the committee of management and the AEU-Federal Office other than those relating to their membership of the AEU-Federal Office and reimbursement by the AEU-Federal Office in respect of expenses incurred by them in the performance of their duties. Such transactions have been on conditions no more favourable than those which is reasonable to expect would have been adopted by parties at arm's length.

(v) There were no payments made to a former related party of the reporting unit.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26: Related party transactions (Continued)

(b) Transactions with related parties

Sales of goods and services:

Capitation fees and levies received

Some capitation fee and levies are paid by associated entities of the affiliated branches as allowed by rule 11(7).

	2020	2019
	\$	\$
<i>Administration fees received</i>		
From the Australian Education Union International Trust Fund	62,593	62,593
<i>Rent received</i>		
From the Federation of Education Unions Unit trust	129,166	137,216
<i>Purchases of goods and services:</i>		
<i>Outgoings paid</i>		
To the Federation of Education Unions Unit trust	155,799	107,263
<i>Superannuation contributions</i>		
Defined contribution superannuation contributions on behalf of employees	321,957	318,179

(c) Outstanding balances arising from sales and purchases of goods and services:

These balances are disclosed in the "Trade receivables" and "Trade payables" notes to the accounts. No provision for impairment has been raised in relation to any of these outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the entity has not recorded any impairment of receivables relating to : owed by related parties and declared person or body (2019: \$Nil). This assessment is undertaken each financial year examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

27: Cash flow information

(a) Receipts of affiliation, capitation fees and levies (inclusive of GST)

	2020	2019
	\$	\$
ACT Branch	183,283	174,018
NSWTF Branch	2,967,984	2,930,741
NT Branch	96,617	96,474
QLD Branch	2,142,236	2,045,667
SA Branch	687,274	652,680
TAS Branch	265,698	316,347
VIC Branch	2,392,031	2,868,221
SSTUWA for the WA Branch	741,934	725,727
	<u>9,477,057</u>	<u>9,809,875</u>

(b) Receipts of campaign contributions from branches (inclusive of GST)

	2020	2019
	\$	\$
ACT Branch	16,126	15,492
NSWTF Branch	261,136	260,916
NT Branch	8,501	8,589
QLD Branch	188,483	182,120
SA Branch	60,469	58,106
TAS Branch	23,377	23,470
VIC Branch	210,461	213,039
SSTUWA for the WA Branch	65,278	64,610
	<u>833,831</u>	<u>826,342</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

27: Cash flow information (Continued)

(c) Receipts of other income from branches & other reporting units (inclusive of GST)

	2020	2019
	\$	\$
ACT Branch	3,504	6,396
NSWTF Branch	157,027	156,539
NT Branch	1,783	4,266
QLD Branch	11,900	221,872
SA Branch	6,800	16,132
TAS Branch	3,287	34,949
VIC Branch	27,366	158,255
SSTUWA for the WA Branch	7,102	28,061
IEU ACT/NSW	78	-
IEU QLD and NT	386	-
IEU SA Branch	259	359
IEU Vic & Tas Branch	24,150	27,535
IEU WA Branch	1,351	2,131
NTEU	70,269	81,726
Queensland Teachers Union	5,658	-
	<u>320,920</u>	<u>738,221</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

27: Cash flow information (Continued)

(d) Reconciliation of cash flow from operations with the surplus for the year

	2020 \$	2019 \$
Surplus for the year	4,014,466	224,541
<i>Non-cash flows in surplus</i>		
Depreciation	19,963	18,753
Bad debts	1,000	-
Lease interest	-	1,434
<i>Changes in assets and liabilities</i>		
Decrease in trade and other receivables	39,258	452,499
(Decrease) in payables	(28,821)	(88,120)
Increase in provisions	288,514	62,804
Cash flows from operations	<u>4,334,380</u>	<u>671,911</u>

(e) Liabilities from Financing Activities

The AEU-Federal Office does not have any liabilities from financing activities.

28: Other information

(i) Going Concern

The AEU-Federal Office's ability to continue as a going concern is not reliant on financial support from another reporting unit.

(ii) Financial Support

No financial support has been provided to another reporting unit to ensure that it continues as a going concern.

(iii) Acquisition of assets and liability under specific sections:

The entity did not acquire any asset or a liability during the financial year as a result of:

- an amalgamation under part 2 of Chapter 3, of the RO Act;
- a restructure of the branches of the organisation;
- a determination or revocation by the General Manager of the Fair Work Commission under subsections 245(1) or 249(1) of the RO Act;

(iv) Administration of financial affairs by a third party

No other entity administers the financial affairs of the reporting unit.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29: Other Funds

In addition to the Federal Fund established under Rule 61 and to which these financial statements relate, the following separate funds have been established by the Rules:

1. Branch Funds established by Rule 62
(each branch prepares and lodges its own financial statements with FWC)
2. International Trust Fund (ITF) established by Rule 67
(the ITF, being a fund separate from the Federal Fund prepares its own financial statements which are published on the AEU website)

In terms of Rule 67 (3), the objects of the International Trust Fund shall be:-

- a) To promote the exchange of information and understanding between teachers and their organisations in Australia and in other countries;
- b) To promote the development of united and effective teachers' organisations throughout the world and to assist them in times of crisis;
- c) To further the development of education and the professional development of teachers;
- d) To seek the extension of educational opportunities to all children in the world; and
- e) To promote peace, international co-operation and understanding and respect of human rights

A summary of the financial statements of the ITF is presented below:

	Note	2020 \$	2019 \$
Summarised balance sheet			
Current assets		3,344,659	3,160,117
Non-current assets		-	-
Total assets		3,344,659	3,160,117
Current liabilities		112,775	188,486
Total liabilities		112,775	188,486
Net assets		3,231,884	2,971,631
Summarised income and expenditure statement			
		2020 \$	2019 \$
REVENUE			
Contributions	29a	770,261	751,370
Investment income		36,197	57,311
Other income		108,000	-
TOTAL REVENUE		914,458	808,681
TOTAL EXPENDITURE		654,205	763,901
EXCESS OF REVENUE OVER EXPENDITURE		260,253	44,780

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29: Other Funds (Continued)

Summarised cash flows	2020 \$	2019 \$
Net cash inflow from operating activities	293,896	83,526
Net cash (outflow) from financing activities	<u>(68,005)</u>	<u>(113,122)</u>
Net increase (decrease) in cash and cash equivalents	<u>225,891</u>	<u>(29,596)</u>

(a) Contributions

	2020 \$	2019 \$
ACT Branch	20,027	17,566
NSWTF Branch	220,000	200,000
Federal Fund	88,000	88,000
NT Branch	9,549	8,902
QLD Branch	100,000	100,000
SA Branch	60,000	53,850
TAS Branch	23,000	22,000
VIC Branch	164,000	174,000
SSTUWA for the WA Branch	<u>85,685</u>	<u>87,052</u>
	<u>770,261</u>	<u>751,370</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30: Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and aging analysis for credit risk. Risk management is carried out by management under policies approved by Committee of Management. The Committee of Management identifies, evaluates and hedges financial risks as part of regular meetings. This identification and analysis includes an analysis of interest rate exposure and the evaluation of strategies in the context of most recent economic conditions.

(a) Market risk

(i) Foreign exchange risk

The entity is not exposed to foreign exchange risk.

(ii) Price risk

The entity is exposed to equity securities price and commodity price risk.

(iii) Cash flow and fair value interest rate risk

The AEU-Federal Office has no borrowings and is therefore not exposed to interest rate risk on liabilities. The AEU-Federal Office has investments in a variety of interest-bearing assets and the AEU-Federal Office's income and operating cash flows are exposed to changes in market interest rates for assets.

Sensitivity analysis

As at 31 December 2020 the effect on the surplus as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2020	2019
<i>Effect on results:</i>	\$	\$
Increase of interest rates by 2%	429,203	341,463
Decrease of interest rates by 2%	(429,203)	(341,463)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Cash transactions are limited to high credit quality financial institutions. Currently the investments are held in Australian banks. The AEU-Federal Office has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit quality of financial assets can be assessed by reference to external credit ratings as follows:

	2020	2019
Cash at bank	\$	\$
AA- Rating	14,046,139	9,804,791
BBB Rating	194,072	208,550
Term deposits		
BBB	7,219,962	7,059,833

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30: Financial risk management (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions

Maturity profile of financial instruments

The maturity profile of financial assets and liabilities held are detailed below:

2020

	Weighted Average Interest rate %	Floating Interest rate \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	Over 5 years \$	Non Interest bearing \$	Total \$
Financial Assets								
Cash on hand		-	-	-	-	-	4,294	4,294
Cash at banks	0.01	14,240,211	-	-	-	-	-	14,240,211
Deposits at banks	1.27	-	7,219,962	-	-	-	-	7,219,962
Other receivables		-	-	-	-	-	112,586	112,586
Financial assets		-	-	-	-	-	4,990,039	4,990,039
		<u>14,240,211</u>	<u>7,219,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,106,919</u>	<u>26,567,092</u>
Financial Liabilities								
Trade & other payables		-	-	-	-	-	110,200	110,200
Lease liability	3	-	12,991	9,962	-	-	-	22,953
		<u>-</u>	<u>12,991</u>	<u>9,962</u>	<u>-</u>	<u>-</u>	<u>110,200</u>	<u>133,153</u>
Net Financial Assets		<u>14,240,211</u>	<u>7,206,971</u>	<u>(9,962)</u>	<u>-</u>	<u>-</u>	<u>4,996,719</u>	<u>26,433,939</u>

2019

	Weighted Average Interest rate %	Floating Interest rate \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	Over 5 years \$	Non Interest bearing \$	Total \$
Financial Assets								
Cash on hand		-	-	-	-	-	4,294	4,294
Cash at banks	0.33	10,013,341	-	-	-	-	-	10,013,341
Deposits at banks	2.36	-	7,059,833	-	-	-	-	7,059,833
Other receivables		-	-	-	-	-	278,689	278,689
Financial assets		-	-	-	-	-	4,383,937	4,383,937
		<u>10,013,341</u>	<u>7,059,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,666,920</u>	<u>21,740,094</u>
Financial Liabilities								
Trade & other payables		-	-	-	-	-	138,750	138,750
Lease liability	3	-	22,953	12,613	-	-	-	35,566
		<u>-</u>	<u>22,953</u>	<u>12,613</u>	<u>-</u>	<u>-</u>	<u>138,750</u>	<u>174,316</u>
Net Financial Assets		<u>10,013,341</u>	<u>7,036,880</u>	<u>(12,613)</u>	<u>-</u>	<u>-</u>	<u>4,528,170</u>	<u>21,565,778</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30: Financial risk management (Continued)

(d) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The AEU-Federal Office does not presently have such arrangement in place.

31: Fair value measurement

(a) Financial assets and liabilities

Management of the reporting unit assessed that cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of financial assets and liabilities is included at the amount which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

- Fair values of the reporting unit's interest-bearing borrowings and loans are determined by using a discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own performance risk as at 31 December 2020 was assessed to be insignificant.
- Fair value of financial assets is derived from quoted market prices in active markets.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the entity based on parameters such as interest rates and individual credit worthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2020 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The following table contains the carrying amounts and related fair values for the entity financial assets and liabilities:

	Carrying amount 2020 \$	Fair value 2020 \$	Carrying amount 2019 \$	Fair value 2019 \$
Financial Assets				
Cash and cash equivalents	21,464,467	21,464,467	17,077,468	17,077,468
Trade and other receivables	112,586	112,586	278,689	278,689
Other financial assets	4,990,039	4,990,039	4,383,937	4,383,937
Total	26,567,092	26,567,092	21,740,094	21,740,094
Financial Liabilities				
Trade and other payables	110,200	110,200	138,750	138,750
Lease liability	22,953	22,953	35,566	35,566
Total	133,153	133,153	174,316	174,316

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

31: Fair value measurement (Continued)

The entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- other financial assets

The entity has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(b) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Recognised fair value measurements

The following table presents the entity's assets and liabilities measured and recognised at fair value at 31 December 2020.

	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$		\$		\$		\$	
Assets								
Other financial assets	-	-	4,990,039	4,383,937	-	-	4,990,039	4,383,937
Financial assets through profit and loss	-	-	-	-	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>4,990,039</u>	<u>4,383,937</u>	<u>-</u>	<u>-</u>	<u>4,990,039</u>	<u>4,383,937</u>

There were no transfers between Level 1, Level 2 and Level 3 in 2020 or 2019.

The entity also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

31: Fair value measurement (Continued)

(c) Valuation techniques used to derive level 2 and level 3 fair values

(i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(ii) Non-recurring fair value measurements

The entity does not have assets in this category.

COMMITTEE OF MANAGEMENT STATEMENT

On 2 March 2021, the Committee of Management of the Australian Education Union - Federal Office passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 31 December 2020:

The Committee of Management declares that in its opinion:

1. the financial statements and notes comply with Australian Accounting Standards;
2. the financial statements and notes comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act);
3. the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
4. there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable; and
5. during the financial year to which the GPFR relates and since the end of that year:
 - a. meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
 - b. the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
 - c. the financial records of the reporting unit have been kept and maintained in accordance with the RO Act; and
 - d. where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a manner consistent with each of the other reporting units of the organisation; and
 - e. where information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the RO Act has been provided to the member or Commissioner; and
 - f. where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance

This declaration is made in accordance with a resolution of the Committee of Management

Designated Officer



Susan Hopgood – Federal Secretary

Dated :

3 / 03 / 2021

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ABN 96 006 935 459

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE

BGL & Associates Pty Ltd
ACN 006 935 459
Trading as BGL Partners

Report on Audit of the Financial Report

Opinion

We have audited the financial report of the Australian Education Union – Federal Office which comprises the balance sheet as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statement including a summary of significant accounting policies and other explanatory information, the Committee of Management Statement and the subsection 255(2A) report.

In our opinion:

(i) the accompanying financial report of Australian Education Union – Federal Office:

- a) presents fairly, in all material respects, the financial position of Australian Education Union – Federal Office as at 31 December 2020 and the results of its operations, its changes in equity and cash flows for the year then ended; and
- b) complies the Australian Accounting Standards; and
- c) complies with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*.

(ii) the Committee of Management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate.

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

Independence

We are independent of the entity in accordance with auditor independent requirements of ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the "Code") that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE (Continued)

BGL & Associates Pty Ltd
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Information Other than the Financial Report and Auditor's Report Thereon

The Committee of Management is responsible for the other information. The other information obtained at the date of this auditor's report is in the Operating Report accompanying the financial report.

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.

Committee of Management 's responsibility for the financial report

The Committee of Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management 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 Committee of Management is responsible for assessing the entity'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 the Committee of Management either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor 's responsibility 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.

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE (Continued)****BGL & Associates Pty Ltd**
ACN 006 935 459
Trading as BGL Partners

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 statements represent 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 activities within the entity 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 Committee of Management 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.

I declare that I am an approved auditor, a member of The Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

BGL Partners
Chartered Accountants

I. A. Hinds - C.A. - Partner

Registration number (as registered by the RO Commissioner under the RO Act): AA2017/87

3 March 2021
Melbourne