



2023 AGM: Treasurers Report

The 2022/23 financial year has been a successful financial year from a financial perspective, with a surplus of \$1,429,784 recorded and represents a major turnaround from the previous financial year, where we had a loss of \$531,984.

During the year, we were very fortunate to receive a significant bequest that has inflated our income in 2023, and this amount has been invested into our financial portfolio. This bequest will contribute to our ongoing financial sustainability and ensure that more children have access to life-saving and/or life changing surgery.

In addition to this bequest, we also had a successful year in increasing our donation income, but it is an ongoing challenge for the Foundation to raise sufficient funds to undertake and finance our operations, including, most importantly, the cost of medical expenditure for children.

The recovery of the share market during the 2023 financial year has resulted in a gain on our portfolio of \$148,130 compared with a loss of \$201,903 that occurred in 2022.

We were also able to generate more income from our events (holding the gala ball) compared to 2022.

During the year, the Board made the decision to sell our Chapman Street investment property. The Board determined that the asset was surplus to our needs, and this was sold subsequent to the end of the financial year (September 2023). Our rental income is lower as our tenants vacated prior to the end of the financial year to facilitate preparation of the property for sale. The sale realised a gross value consistent with the carrying value of the asset, but we wrote down the value of the asset by \$46,035 in the financial statements to account for selling costs arising from the sale (agent commission and marketing costs). While the write down occurred, the market value of the property had declined since the end of the last financial year and the sales result achieved was considered a successful result in the current market conditions. Settlement has now occurred and the proceeds of the sale have been added to our investment portfolio to earn ongoing financial income to finance our operations.

Our expenditure is lower than that reported in 2022; however, the prior year's expenditure contained losses from our investment portfolio (previously referred to) and a write-down in our Chapman Street investment property. In the 2022 financial year,

these combined, amounted to expenditure of over \$400,000. These items, caused by the economic times and market conditions of 2022, thankfully did not recur in 2023.

The expenditure of the Foundation is an ongoing area of focus for the Board and challenge for the Foundation. On a positive side we were able to increase our expenditure on medical expenses while also controlling our other operating costs in what is now an increasing inflationary cost environment (including labour, utilities and in particular our costs to provide children with the treatment they require).

It is important to note that Children First has future cost challenges including, but not limited to:

- a reduction in probono hospital beds being available, meaning that there are higher costs in funding beds for children and
- higher costs of airfares and travel,
- continued changes to the child safety legislation that impacts our costs of operation.
- an ageing retreat at Kilmore that requires significant ongoing maintenance together with upgrades in accordance with the Child Safety requirements. Our 2024 budget includes costs to run the Retreat up to an amount of \$635,000 a year, including salaries, running costs and current maintenance requirements to run the Retreat. A further \$82,000 has been budgeted for capital expenditure at the Retreat. These budgets exclude any allocation of corporate overhead expenses.

The Board wants to maximise and increase the number of children we assist – this is the objective of the Board and why Children First exists. To do this we need to increase our revenues and look at how we can provide our services in the most cost effective manner. This is the financial challenge for the Foundation.

I would like to thank our generous donors and all of the staff at Children First for facilitating the Foundation meeting our objectives. The ongoing support of all our donors, members and staff is absolutely critical to the ongoing financial viability of Children First.

Rob Wernli
Treasurer
Children First Foundation