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Financial statements

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Families and Social Services

Opinion

In my opinion, the financial statements of the Australian Institute of Family Studies for the year ended 30 June 2018:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Australian Institute of Family Studies as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Institute of Family Studies, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Director and Chief Financial Officer;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Cash flow statement; and
- Notes to and forming part of the financial statements, comprising an Overview and summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Institute of Family Studies in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Institute of Family Studies the Director is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Director is also responsible for such internal control as the Director determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is responsible for assessing the Australian Institute of Family Studies' ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Director is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, 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 my 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 Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Colin Bienke
Senior Director

Delegate of the Auditor-General

Canberra
12 September 2018

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement by the Director and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41 (2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Institute of Family Studies will be able to pay its debts as and when they fall due.

Anne Hollonds
Director

12 September 2018

Malcolm Williamson
Chief Financial Officer

12 September 2018

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of comprehensive income

for the period ended 30 June 2018

	Notes	2018 $	2017 $	Original Budget 2018 $
NET COST OF SERVICES				
Expenses				
Employee Benefits	3A	**8,383,158**	7,782,163	9,299,000
Suppliers	3B	**4,280,213**	3,519,290	2,892,000
Depreciation and amortisation	6A	**623,453**	412,121	534,000
Losses from asset sales		**26,221**	38,234	–
Total expenses		**13,313,045**	11,751,808	12,725,000
Own-source income				
Own-source revenue				
Sale of goods and rendering of services	4A	**8,202,350**	6,931,184	7,287,000
Royalties		**33,030**	35,121	35,000
Other revenue	4B	**51,203**	160,725	154,000
Total own-source revenue		**8,286,583**	7,127,030	7,476,000
Gains from sale of assets		**-**	–	32,000
Total own-source income		**8,286,583**	7,127,030	7,508,000
Net cost of services		**(5,026,462)**	(4,624,778)	(5,217,000)
Revenue from Government	4C	**4,683,000**	4,458,000	4,683,000
Deficit before income tax on continuing operations		**(343,462)**	(166,778)	(534,000)
OTHER COMPREHENSIVE INCOME		**-**	–	–
Total comprehensive loss attributable to the Australian Government		**(343,462)**	(166,778)	(534,000)

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of comprehensive income

for the period ended 30 June 2018

Budget variances commentary

Australian Institute of Family Studies 'the Institute' original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2017/18 Portfolio Budget Statements.

The following table provides a high level commentary of major variances between budget information for the Institute published in the Social Services Portfolio Budget Statements (PBS) and the 2017/18 final outcomes as presented in accordance with Australian Accounting Standards for the Institute. The Budget is not audited.

As a guide, variances are considered to be major based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- the variance between budget and actual is greater than 10% of the relevant category (Income, Expenses and Equity Totals); or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

An explanation of major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

Explanations of major variances	Affected line items
Employee benefits are lower than budget as Average Service Level was lower than anticipated due to delays in commencement of project research. There were also several unfilled corporate positions during the budget year 2017/18.	*Employee benefits*
The majority of the Institute's revenue is earned from commissioned research and/or evaluation projects. The Institute's estimated revenue as published in the 2017/18 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on anticipated new contracts.	*Sale of goods and rendering of services*
The larger quantum of research projects resulted in a variance in supplier expenses compared to PBS estimates as expenses incurred for project related activities, such as data collection, are driven by the volume of research projects the Institute has been commissioned to deliver. The Institute incurred additional costs in travel and relocation costs including legal advice relating to signing of the new leasehold.	*Suppliers*
Depreciation was accelerated on fittings and fixtures that were fully written off by the time of the termination of the former tenancy lease on 28 February 2018.	*Depreciation and amortisation*
Lower revenue was earned from cost recovery activities, including Comcare, travel reimbursements and support of administrative activities.	*Other revenue*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of financial position

as at 30 June 2018

	Notes	2018 $	2017 $	Original Budget 2018 $
ASSETS				
Financial assets				
Cash and cash equivalents	5A	**1,017,446**	618,430	327,000
Trade and other receivables	5B	**7,279,317**	4,311,231	5,697,000
Total financial assets		**8,296,763**	4,929,661	6,024,000
Non-financial assets				
Leasehold improvements	6A	**1,782,741**	233,207	857,000
Plant and equipment	6A	**813,996**	683,541	569,000
Intangibles	6A	**4,392**	16,725	89,000
Prepayments	6B	**233,565**	141,098	132,000
Total non-financial assets		**2,834,694**	1,074,571	1,647,000
Total assets		**11,131,457**	6,004,232	7,671,000
LIABILITIES				
Payables				
Unearned income	7A	**5,215,200**	2,036,012	3,166,000
Suppliers	7B	**170,742**	257,110	159,000
Other payables	7C	**977,313**	89,503	71,000
Total payables		**6,363,255**	2,382,625	3,396,000
Provisions				
Employee provisions	8A	**2,139,087**	1,986,030	2,250,000
Other provisions	8B	**240,000**	–	–
Total provisions		**2,379,087**	1,986,030	2,250,000
Total liabilities		**8,742,342**	4,368,655	5,646,000
Net assets		**2,389,115**	1,635,577	2,025,000
EQUITY				
Contributed equity		**4,173,511**	2,898,295	3,995,000
Reserves		**214,420**	392,636	393,000
Accumulated deficit		**(1,998,816)**	(1,655,354)	(2,363,000)
Total equity		**2,389,115**	1,635,577	2,025,000

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of financial position

as at 30 June 2018

Budget variances commentary

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An explanation of major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

Explanations of major variances	Affected line items
The Institute received $748,667.98 of Section 74 receipts at the end of June 2018 for research projects and were unable to be returned to the Official Public Account during the 2017/18 financial year which were not factored into the PBS estimate of Cash at Bank Account.	*Cash and cash equivalents*
During 2017/18 the total value of research and evaluation the Institute commissioned to deliver was higher than historical averages. Receipts for projects which have been funded in advance have been transferred to the OPA.	*Trade and other receivables*
Value of leasehold improvement and plant and equipment increased due to new fit-out costs incurred for the premises at Level 4, 40 City Road, Southbank, Victoria.	*Leasehold improvement and plant and equipment*
There were no purchases for software (intangibles) which was deferred due to operational reasons.	*Intangibles*
The majority of prepayments relate to the AIFS Conference held in July 2018. Software contracts are also prepaid.	*Prepayments*
Unearned revenue represents cash receipts received in advance for work yet to be performed. The Institute's estimated revenue as published in the 2017/18 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on historical trends. The balance of unearned income at 30 June can vary from year to year as it is impacted by the timing of payments received for contracted research projects and the timing of deliverables of those projects as these may not necessarily fall in the same financial year. Timing of payments and project deliverables are also subject to change after the publication of the PBS.	*Unearned income*
Other payables include GST payable on revenue received in June 2018, the timing of which cannot be foreseen when preparing the PBS.	*Other payables*
Employee provisions have decreased with fewer employees due to retirement and resignation of long serving employees.	*Employee provisions*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of changes in equity

for the period ended 30 June 2018

	Notes	**2018** **$**	2017 $	Original Budget 2018 $
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		**2,898,295**	2,715,295	2,898,000
Adjustment to Revaluation reserve due to disposal of assets		**178,216**	–	–
Transactions with owners				
Contributions by owners				
Departmental Capital Budget		**190,000**	183,000	190,000
Equity injection		**907,000**	–	907,000
Total transactions with owners		**1,097,000**	183,000	1,097,000
Closing balance as at 30 June		**4,173,511**	2,898,295	3,995,000
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		**(1,655,354)**	(1,488,576)	(1,829,000)
Comprehensive income				
Deficit for the period		**(343,462)**	(166,778)	(534,000)
Total comprehensive income		**(343,462)**	(166,778)	(534,000)
Closing balance as at 30 June		**(1,998,816)**	(1,655,354)	(2,363,000)
ASSET REVALUATION RESERVE				
Balance carried forward from previous period		**392,636**	392,636	393,000
Adjustment to Revaluation reserve due to disposal of assets		**(178,216)**	–	–
Closing balance as at 30 June		**214,420**	392,636	393,000
TOTAL EQUITY		**2,389,115**	**1,635,577**	**2,025,000**

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of changes in equity

as at 30 June 2018

Budget variances commentary

Australian Institute of Family Studies 'the Institute' original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2017/18 Portfolio Budget Statements.

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- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

An explanation of major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

Explanations of major variances	Affected line items
The result for the year was an increased deficit due to accelerated write off of Assets at the former tenancy and new Assets purchased following move of premises to the new location at Level 4, 40 City Road, Southbank, Victoria.	*Deficit for the period*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Cash flow statement

for the period ended 30 June 2018

	Notes	2018 $	2017 $	Original Budget 2018 $
OPERATING ACTIVITIES				
Cash received				
Appropriations		**14,502,406**	12,362,228	4,468,000
Sale of goods and rendering of services		**12,081,800**	5,985,263	8,278,000
Other		**24,981**	122,491	213,000
Total cash received		**26,609,187**	18,469,982	12,959,000
Cash used				
Employee benefits		**(8,667,396)**	(8,075,116)	(9,697,000)
Suppliers		**(4,435,478)**	(3,732,162)	(3,247,000)
Net GST paid		**(486,414)**	(227,482)	–
Section 74 receipts transferred to OPA		**(12,454,507)**	(6,820,536)	–
Total cash used		**(26,043,795)**	(18,855,296)	(12,944,000)
Net cash from/(used by) operating activities		**565,392**	(385,314)	15,000
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of leasehold improvements, plant and equipment		**600,000**	–	–
Total cash received		**600,000**	–	–
Cash used				
Purchase of leasehold improvements, plant and equipment		**(2,077,330)**	(273,940)	(190,000)
Total cash used		**(2,077,330)**	(273,940)	(190,000)
Net cash used by investing activities		**(1,477,330)**	(273,940)	(190,000)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		**1,310,954**	273,940	190,000
Total cash received		**1,310,954**	273,940	190,000
Net cash from financing activities		**1,310,954**	273,940	190,000
Net increase/(decrease) in cash held		**399,016**	(385,314)	15,000
Cash and cash equivalents at the beginning of the reporting period		**618,430**	1,003,744	286,000
Cash and cash equivalents at the end of the reporting period		**1,017,446**	618,430	301,000

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Cash flow statement

for the period ended 30 June 2018

Budget variances commentary

Australian Institute of Family Studies 'the Institute' original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2017/18 Portfolio Budget Statements.

The following table provides a high level commentary of major variances between budget information for the Institute published in the Social Services Portfolio Budget Statements (PBS) and the 2017/18 final outcomes as presented in accordance with Australian Accounting Standards for the Institute. The Budget is not audited.

As a guide, variances are considered to be major based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- the variance between budget and actual is greater than 10% of the relevant category (Income, Expenses and Equity Totals); or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

An explanation of major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

Explanations of major variances	Affected line items
The presentation of the Cash Flow Statement in the PBS does not require entities to account for the return of Section 74 receipts to the OPA and the redrawing of these funds from the relevant Appropriation Item. Subsequently, the Cash Flow Statement presented in the 2017/18 Financial Statements identifies significantly higher amounts of 'Cash received' and 'Cash used' than in the PBS.	*Appropriation, Section 74 receipts transferred to OPA*
The majority of the Institute's revenue is earned from commissioned research and/or evaluation projects. The Institute's estimated revenue as published in the 2017/18 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on historical trends. During 2017/18 the total value of revenue received for research and evaluation the Institute was commissioned to deliver was more than historical averages and included amounts received in advance for future projects, resulting in a higher value of unearned income carried forward to future periods.	*Sale of goods and rendering of services*
The Institute incurred additional costs in data collection, travel, relocation costs including legal advice relating to signing of the new leasehold.	*Suppliers*
Employee numbers were below budgeted as new projects took time to engage new employees. Therefore delaying employee benefit costs.	*Employee benefits*
The Institute fitted out new premises at Level 4, 40 City Road, Southbank, Including new fixtures and fittings, and also upgraded it's Information Systems Technology. A total of $2,077,330 was spent during 2017/18 which was drawn down from the Departmental Capital Budget allocation of $190,000 and $907,000 from the modernisation fund, $600,000 from leasehold incentive and from the prior year's balance.	*Purchase of leasehold improvements, plant and equipment, contributed equity*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Notes to and forming part of the financial statements

Note 1: Overview and summary of significant accounting policies

1.1 Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and

b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. 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 and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRRs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the Institute or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 Significant accounting judgements and estimates

Refer to Note 15 for explanation of assumptions used in estimating the fair value of assets.

The liability for long service leave has been estimated using present value techniques in accordance with the short hand method in accordance with section 24 of the FRR. This takes into account expected salary growth, attrition and future discounting using Commonwealth bond rates.

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.3 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

New standards, amendments to standards and interpretations that were issued by the AASB prior to the signoff date and are applicable to future reporting periods are not expected to have a future material impact on the Institute's financial statements.

AASB 15 *Revenue from Contract with Customers* issued December 2014

Application date for the Institute: 1 January 2018.

AASB 15 will supersede the current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective.

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute will need to ensure that performance obligations are sufficiently specific to be able to determine when the obligations are satisfied.

It is not anticipated that the adoption of this standard will have a material impact on the Institute's revenue recognition.

AASB 16 *Leases* issued February 2016

Application date for the Institute: 1 January 2019.

Under AASB 16 there is no longer a distinction between an operating lease and a finance lease as lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Institute operates from leased premises and the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Institute's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Institute performs a detailed review.

1.4 Taxation

The Institute is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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

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

Note 2: Events after the reporting period

There have been no events identified or occurring subsequent to balance date that would affect AIFS financial statements for the financial year ended 30 June 2018.

Note 3: Expenses

	2018 $	2017 $
Note 3A: Employee benefits		
Wages and salaries	**6,136,802**	5,495,402
Superannuation		
Defined contribution plans	**785,674**	707,591
Defined benefit plans	**317,345**	340,422
Leave and other entitlements	**954,449**	1,130,295
Other employee benefits	**188,888**	108,453
Total employee benefits	**8,383,158**	7,782,163

	2018 $	2017 $
Note 3B: Suppliers		
Goods and services supplied or rendered		
Consultants	**332,981**	271,189
Contractors	**2,216,839**	1,951,191
Travel	**335,660**	197,307
IT Services	**313,794**	194,709
Total goods and services supplied or rendered	**3,199,274**	2,614,396
Goods supplied	**118,574**	62,896
Services rendered	**3,080,700**	2,551,500
Total goods supplied	**3,199,274**	2,614,396
Other suppliers		
Operating lease rentals	**761,759**	705,972
Workers compensation expenses	**319,180**	198,923
Total other suppliers	**1,080,939**	904,895
Total suppliers	**4,280,213**	3,519,290

Leasing commitments

The existing lease at the occupancy at Level 4, 40 City Road Southbank will end on 30 April 2028.

Commitments for operating lease rentals as follows:

	2018 $	2017 $
Within 1 year	**700,923**	626,330
Between 1 to 5 years	**3,068,340**	–
More than 5 years	**4,333,863**	
Total operating lease commitments	**8,103,126**	626,330

Note 3: Expenses continued

Accounting Policy: Employee benefits

Superannuation

The majority of the staff of the Institute are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulations administered schedules and notes.

The Institute makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Institute accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June each year represents pro-rata outstanding contributions for the final fortnight of the year.

Accounting Policy: Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits. Operating lease payments are expensed on a straight-line basis which is representative of the pattern of the benefits derived from the leased assets.

The Institute has no finance leases.

Note 4: Own-source income

	2018 $	2017 $
Own-source revenue		
Note 4A: Sale of goods and rendering of services		
Sale of goods and rendering of services in connection with		
Sale of goods	**2,554**	11,347
Rendering of services	**8,199,796**	6,919,837
Total sale of goods and rendering of services	**8,202,350**	6,931,184
Note 4B: Other revenue		
Cost recovery	**10,086**	31,825
ANAO Audit services received free of charge	**31,500**	31,500
Other	**9,617**	97,400
Total other revenue	**51,203**	160,725
Note 4C: Revenue from Government		
Departmental appropriations	**4,683,000**	4,458,000
Total revenue from Government	**4,683,000**	4,458,000

Accounting Policy: Revenue

Revenue from the sale of goods is recognised when:

a) the risks and rewards of ownership have been transferred to the buyer;
b) the Institute retains no managerial involvement nor effective control over the goods;
c) the revenue and transaction costs incurred can be reliably measured; and
d) it is probable that the economic benefits associated with the transaction will flow to the Institute.

The Institute receives contract revenue by conducting high-quality research relevant to policy and practice on a broad range of issues regarding families in Australia for various stakeholders. The key stakeholders comprise mainly other Commonwealth agencies, State Government agencies as well as non-government entities.

Revenue from rendering of contract services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
b) the probable economic benefits associated with the transaction will flow to the Institute.

The stage of completion of contracts at the reporting date is determined by reference to either:

a) services performed to date as a percentage of total services to be performed; or
b) the proportion that costs incurred to date bear to the estimated total costs of the transaction; or
c) milestone achieved against provision in the contract.

Note 4: Own-source income continued

Accounting Policy: Revenue (cont.)

Copyright royalty revenue for the use of the Institute's publications and bibliographic databases is recognised on an accrual basis. The Institute has no control over the amount of royalties and a provisional amount is accrued based on historical receipts.

Cost recovery which relates mainly to Comcare receipts and sponsorships of travel expenses is recognised on an accrual basis.

Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Institute gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Resources received free of charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Accounting Policy: Gains

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements. The Institute did not receive any contribution of assets in 2017/18 or 2016/17.

Sale of assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

Note 5: Financial assets

	2018 $	2017 $
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	**1,017,446**	618,430
Total cash and cash equivalents	**1,017,446**	618,430
Note 5B: Trade and other receivables		
Appropriation receivable (existing programs)	**5,078,328**	2,657,180
Goods and services receivables in connection with		
Goods and services	**2,177,295**	1,638,028
Other receivables	**23,694**	16,023
Total goods and services receivables	**7,279,317**	4,311,231
Trade and other receivables (net) aged as follows		
Not overdue	**7,114,629**	4,143,040
Overdue by:		
0 to 30 days	**-**	18,014
31 to 60 days	**7,056**	-
61 to 90 days	**108,682**	150,177
More than 90 days	**48,950**	-
Total trade and other receivables (net)	**7,279,317**	4,311,231

Note: No indicators of impairment were found for receivables.

Accounting Policy: Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a) cash on hand; and

b) demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Note 6: Non-financial assets

Note 6A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles for 2018

	Leasehold improvements $	Plant and equipment $	Computer software $	Total $
As at 1 July 2017				
Gross book value	**400,820**	**908,062**	**218,416**	**1,527,298**
Accumulated depreciation and impairment	**(167,613)**	**(224,521)**	**(201,691)**	**(593,825)**
Total as at 1 July 2017	**233,207**	**683,541**	**16,725**	**933,473**
Additions				
Purchase	**1,575,249**	**502,081**	**-**	**2,077,330**
Provision for make good	**240,000**	**-**	**-**	**240,000**
Depreciation and amortisation	**(265,715)**	**(345,405)**	**(12,333)**	**(623,453)**
Accumulated depreciation on disposals	**(349,810)**	**(318,428)**	**-**	**(668,238)**
Disposals	**349,810**	**292,207**	**-**	**642,017**
Total as at 30 June 2018	**1,782,741**	**813,996**	**4,392**	**2,601,129**
Total as at 30 June 2018 represented by				
Gross book value	**1,866,259**	**1,091,715**	**218,416**	**3,176,390**
Accumulated depreciation and impairment	**(83,518)**	**(277,719)**	**(214,024)**	**(575,261)**
Total as at 30 June 2018	**1,782,741**	**813,996**	**4,392**	**2,601,129**

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles for 2017

	Leasehold improvements $	Plant and equipment $	Computer software $	Total $
As at 1 July 2016				
Gross book value	394,950	686,375	218,416	1,299,741
Accumulated depreciation and impairment	–	(893)	(188,960)	(189,853)
Total as at 1 July 2016	394,950	685,482	29,456	1,109,888
Additions				
Purchase	11,170	262,770	–	273,940
Revaluations recognised in other comprehensive income	–	–	–	–
Depreciation and amortisation	(168,150)	(231,240)	(12,731)	(412,121)
Accumulated depreciation on disposals	537	7,612	–	8,149
Disposals	(5,300)	(41,083)	–	(46,383)
Total as at 30 June 2017	233,207	683,541	16,725	933,473

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Note 6: Non-financial assets continued

	Leasehold improvements $	Plant and equipment $	Computer software $	Total $
Total as at 30 June 2017 represented by				
Gross book value	400,820	908,062	218,416	1,527,298
Accumulated depreciation and impairment	(167,613)	(224,521)	(201,691)	(593,825)
Total as at 30 June 2017	233,207	683,541	16,725	933,473

Note: No plant and equipment and leasehold improvements are expected to be sold within the next 12 months.

Accounting Policy: Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Accounting Policy: Leasehold improvements, plant and equipment

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $1,000 and for leasehold improvements and computer software for purchases costing less than $10,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, leasehold improvements, plant and equipment were carried at fair value. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Note 6: Non-financial assets continued

Accounting Policy: Leasehold improvements, plant and equipment (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Institute using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Impairment

All assets were assessed for impairment at 30 June 2018. As no indicators of impairment were identified. It was determined that there was no impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Institute were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of leasehold improvements, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Accounting Policy: Intangibles

The Institute's intangibles comprise commercially purchased software and are recognised initially at cost in the statement of financial position, except for purchases costing less than $10,000 which are expensed on acquisition. Intangibles are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Institute's software are 3 to 5 years (2016–17: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

	2018 **$**	2017 $
Note 6B: Prepayments		
Prepayments		
No more than 12 months	**233,565**	140,746
More than 12 months	**-**	352
Total prepayments	**233,565**	141,098

Note: No indicators of impairment were found for prepayments.

Note 7: Payables

	2018 $	2017 $
Note 7A: Unearned income		
Unearned income advanced	**5,215,200**	2,036,012
Total unearned income	**5,215,200**	2,036,012

	2018 $	2017 $
Note 7B: Suppliers		
Suppliers in connection with		
Trade creditors and accruals	**170,742**	257,110
Total suppliers	**170,742**	257,110

Suppliers are expected to be settled in no more than 12 months. Settlement was usually made within 30 days.

	2018 $	2017 $
Note 7C: Other payables		
Wages and salaries	**57,074**	53,847
Superannuation	**9,282**	8,495
Lease incentive	**600,000**	–
GST payable	**315,832**	25,606
Other	**(4,875)**	1,557
Total other payables	**977,313**	89,503
Other payables to be settled		
No more than 12 months	**437,313**	89,503
More than 12 months	**540,000**	–
Total other payables	**977,313**	89,503

Accounting Policy: Financial liabilities

Unearned income are commissioned research revenue payments received but cannot be recognised as revenue because the tasks or deliverables are not completed at the time payments were received.

The Institute classifies its financial liabilities as ‘other financial liabilities’. This comprises suppliers and other payables that are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Financial liabilities are recognised and derecognised upon ‘trade date’.

Note 8: Provisions

	2018 $	2017 $
Note 8A: Employee provisions		
Leave	**1,999,094**	1,986,030
Separations and redundancies	**139,993**	–
Total employee provisions	**2,139,087**	1,986,030
Employee leave provisions expected to be settled		
No more than 12 months	**734,778**	446,394
More than 12 months	**1,404,309**	1,539,636
Total employee provisions	**2,139,087**	1,986,030

	Provision for Make Good $	Total $
Note 8B: Other provisions		
As at 1 July 2017	**-**	-
Amount provided	**240,000**	240,000
Total as at 30 June 2018	**240,000**	240,000

The Institute currently has an agreement for leasing of premises which has provisions requiring the Institute to restore the premises to their original condition at the conclusion of the lease. The Institute has made a provision to reflect present value of this obligation.

Accounting Policy: Provisions

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Institute is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Institute's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by use of the Department of Finance's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Note 9: Appropriations

Note 9A: Annual appropriations ('recoverable GST exclusive')

Annual appropriations for 2018

	Annual appropriation[1] $	Adjustments to appropriation[2] $	Total appropriation $	Appropriation applied in 2018 (current and prior years) $	Variance[3] $
Departmental					
Ordinary annual services	4,683,000	12,454,507	17,137,507	14,502,406	2,635,101
Capital budget[4,5]	190,000	-	190,000	403,953	(213,953)
Other services	-	-	-	-	-
Equity injections[6]	907,000	-	907,000	907,000	-
Total departmental	**5,780,000**	**12,454,507**	**18,234,507**	**15,813,359**	**2,421,148**

Notes:
1. In 2017/18, there were no appropriations which have been withheld (Section 51 of PGPA Act) and quarantined for administration purposes.
2. In 2017/18, adjustments to appropriation were mostly PGPA Act Section 74 receipts.
3. The variance primarily represents undrawn appropriations as at 30 June 2018.
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
5. The allocation of amounts between operating and capital is set out in the 2017-18 Portfolio Budget Statement as there is no itemisation in Appropriation Acts. A re-allocation of $251,000 from departmental operating to departmental capital was approved by the Minister for Finance on 15/09/2017. As re-desigation between operating and capital are not permitted under accounting standards, they have not been reflected in this appropriation note.
6. Equity injections are appropriated through Appropriation Act (No. 2) via the modernisation fund.

Annual appropriations for 2017

	Annual appropriation[1] $	Adjustments to appropriation[2] $	Total appropriation $	Appropriation applied in 2017 (current and prior years) $	Variance[3] $
Departmental					
Ordinary annual services	4,458,000	6,820,536	11,278,536	12,362,228	(1,083,692)
Capital budget[4]	183,000	–	183,000	273,940	(90,940)
Total departmental	4,641,000	6,820,536	11,461,536	12,636,168	(1,174,632)

Notes:
1. In 2016/17, there were no appropriations which have been withheld (Section 51 of PGPA Act) and quarantined for administration purposes.
2. In 2016/17, adjustments to appropriation were mostly PGPA Act Section 74 receipts.
3. The variance primarily represents undrawn appropriations as at 30 June 2017.
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Note 9: Appropriations continued

Note 9B: Unspent annual appropriations ('recoverable GST exclusive')

	2018 $	2017 $
Departmental		
Appropriation Act 1 2016-17	-	2,657,180
Appropriation Act 1 2016-17 Cash	-	618,430
Appropriation Act 1 2017-18	**5,078,328**	–
Appropriation Act 1 2017-18 Cash	**1,017,446**	–
Total departmental	**6,095,774**	3,275,610

Accounting Policy: Transactions with the Government as owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other distributions to owners

The FRR require that distributions to owners be debited to contributed equity unless in the nature of a dividend. There was no distribution to owners in 2017/18 or 2016/17.

Note 10: Net cash appropriation arrangements

	2018 $	2017 $
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**279,991**	245,343
Plus: depreciation/amortisation expenses previously funded through revenue appropriations	**(623,453)**	(412,121)
Total comprehensive income (loss) – as per Statement of Comprehensive Income	**(343,462)**	(166,778)

Note 11: Key Management Personnel remuneration

	2018 $	2017 $
Short-term employee benefits		
Salary	**654,505**	846,129
Performance bonuses	**-**	7,704
Motor vehicle and other allowances	**-**	16,319
Travel allowances	**6,067**	7,476
Reportable fringe benefits	**-**	15,082
Total short-term employee benefits	**660,572**	892,710
Post-employment benefits		
Superannuation	**98,692**	112,648
Total post-employment benefits	**98,692**	112,648
Other long-term employee benefits		
Annual leave accrued	**51,427**	56,583
Long service leave	**19,531**	39,931
Total other long-term employee benefits	**70,958**	96,514
Total Key Management Personnel remuneration expenses	**830,222**	1,101,872

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of AIFS. AIFS determined the KMP to be the Director, Deputy Director Corporate, and Deputy Director Research.

KMP remuneration was prepared on an accrual basis. The total number of Key Management Personnel that are included in the above table is three (2017: four).

The above KMP remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Institute.

Note 12: Related party disclosures

Related party relationships

The Institute is an Australian Government controlled entity. Related parties of the Institute include but are not limited to:

- KMP as outlines in Note 11;
- Close family members of KMP outlined in Note 11; and
- Organisations controlled by these KMP and their close family members.

Related parties to the Institute also included the Portfolio Minister, Cabinet Ministers and other Australian Government entities.

Transaction with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions to be separately disclosed.

Note 13: Contingent assets and liabilities

The Institute had no contingent assets or liabilities neither quantifiable nor unquantifiable as at 30 June 2018. (2017: nil).

Note 14: Financial instruments

Note 14A: Categories of Financial Instruments

	2018 $	2017 $
Financial assets		
Receivables		
Cash on hand or on deposit	**1,017,446**	618,430
Goods and services	**2,177,295**	1,638,028
Other receivables	**23,694**	16,023
Total receivables	**3,218,435**	2,272,481
Total financial assets	**3,218,435**	2,275,481

The net fair values of cash and cash equivalents and trade receivables approximates their carrying amounts.

	2018 $	2017 $
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**170,742**	257,110
Total financial liabilities measured at amortised cost	**170,742**	257,110
Total financial liabilities	**170,742**	257,110

The net fair value of trade creditors and accruals approximates their carrying amounts.

Note 14B: Net gain or losses on financial assets/financial liabilities

There was no gain or losses from financial assets – loans and receivables – at amortised cost in the financial year ended 30 June 2018 (2017: nil).

Accounting Policy: Financial liabilities and financial assets

Financial liabilities and financial assets that are not contractual (such as GST, created as a result of statutory requirements imposed by governments) are not financial instruments.

Receivables

Receivables consist of contractual receivables, such as accounts receivable and accruals.

Payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received and irrespective of having been invoiced.

Note 15: Fair value measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting policy

AIFS engaged the service of the Australian Valuation Solutions (AVS) to conduct a detailed external valuation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations carried out at least once every three years. AVS has provided written assurance to the AIFS that the models developed are in compliance with AASB 13 *Fair Value Measurement*.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence – Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.

AIFS' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Note 15: Fair value measurements continued

15A: Fair value measurement

	Fair value measurements at the end of the reporting period		
	2018 **$**	2017 $	**Valuation technique(s) and inputs used**
Non-financial assets[2]			
Plant and equipment[1]	**-**	-	**Market approach:** This approach seeks to estimate the current value of an asset with reference to recent market transactions involving identical or comparable assets. **Inputs:** Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Plant and equipment[1]	**813,996**	683,541	**Depreciated replacement cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. **Inputs:** Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Leasehold improvements[1]	**1,782,741**	233,207	**Depreciated replacement cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. **Inputs:** Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total non-financial assets	**2,596,737**	916,748	

Notes:
1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2018 (2017: nil).
2. AIFS' assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial asset's is considered their highest and best use.
3. There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year.

Note 15: Fair value measurements continued

15B: Reconciliation for recurring Level 3 fair value measurements

	Non-financial assets					
	Leasehold improvements		Plant and equipment		Total	
	2018 $	2017 $	**2018 $**	2017 $	**2018 $**	2017 $
As at 1 July	**233,207**	394,950	**683,541**	310,550	**916,748**	705,500
Total gains/(losses) recognised in net cost of services[1]	**84,095**	(167,613)	**(53,198)**	(223,628)	**30,897**	(391,241)
Addition to make good	**240,000**	–		–	**240,000**	–
Purchases	**1,575,249**	11,170	**502,081**	262,770	**2,077,330**	273,940
Disposals	**(349,810)**	(5,300)	**(318,428)**	(41,083)	**(668,238)**	(46,383)
Transfers into Level 3[2]	**-**	–	**-**	374,932	**-**	374,932
Transfers out of Level 3	**-**	–	**-**	–	**-**	–
Total as at 30 June	**1,782,741**	233,207	**813,996**	683,541	**2,596,737**	916,748

Notes:
1. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation and Write Down and Impairment of Assets.
2. There have been no transfers into Level 3 during the year. (2017: $374,932).