

SDN Child and Family Services Pty Limited

## Financial Statements

# 30 June 2015



**ABN: 15 134 504 377**

# Contents

Corporate Directory	1
Director's report	2
Auditor's independence declaration	6
Statement of profit and loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Director's declarations	25
Independent auditor's report	27

# Corporate Directory

## Corporate Directory

Mr Anthony Gall	Chair
Mr Darren Mitchell	Director
Ms Rosalie Wilkie	Director
Ms Barbara Wise	Director
Ms Virginia Udy	Executive Director

## Company Secretary

Virginia Udy

## Registered Office and Principal Place of Business

Level 2  
86-90 Bay Street  
Broadway NSW 2007

## Auditor

BDO East Coast Partnership  
Level 11,  
1 Margaret Street  
Sydney NSW 2000

## Website address

[www.sdn.org.au](http://www.sdn.org.au)

# Directors' report for the year ended 30 June 2015

Your Directors present their report for SDN Child & Family Services Pty Ltd ('CFS') for the year ended 30 June 2015.

## Directors

The names of the Directors who have been a director during the year and to the date of this report are:

Mr Anthony Gall (Chair)

Mr Darren Mitchell

Ms Rosalie Wilkie

Ms Barbara Wise (appointed 2 February 2015)

Ms Virginia Udy (Executive Director)

## Company secretary

Ms Virginia Udy held the position of company secretary at the end of the financial year.

## Principal activity

SDN Child and Family Services Pty Limited is a company limited by shares. The principal activity of the company is the provision of support services for children and families. No significant change in the nature of the company's activity occurred during the financial year.

## Review of operations

In February 2015 CFS established its Early Childhood Links Program (ECL) in the ACT. This program is funded by the National Disability Insurance Scheme (NDIS) a taxpayer funded insurance scheme to cover the costs of care and support for people with serious disabilities. After a slower than anticipated start due to the slow roll-out of packages being approved by the National Disability Insurance Agency, the service is now looking after over 50 Canberra families.

The NSW Government (ADHC) provided additional funds to SDN for programs under the Stronger Together 2 and Strengthening Support for Children and Families initiative. Additional growth places were allocated to our organisation by ADHC and the funding will increase the positive outcomes we have already achieved for children with disability and their families. In 2015, funding revenue to operate various services increased by \$3.25M.

In November 2014 the SCAN Program (Supporting Children with Additional Needs), which was funded by the NSW Department of Education and Communities, ceased operation. The aim of SCAN was to provide advice, support and resources to preschools for children with additional needs.

## Operating result

CFS reported a net deficit for the financial year of \$538,538, a decrease of \$844,680 from the 2013-14 surplus of \$306,142. The majority of this change is due to the investment SDN made setting up as a provider under the National Disability Insurance Scheme (NDIS) in the ACT, and the cost of storm damage repairs to the Beranga Centre.

Revenue for 2014-15 was \$19,668,710 (2014: \$16,102,349). This is an increase of \$3,566,361 over the previous operating period primarily due to an increase in government funding to CFS programs and new insurance recovery income from NDIS.

# Directors' report for the year ended 30 June 2015

## Significant changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company.

## Future developments

The company notes that some of its disability services for children will be transitioning to the NDIS. This is expected to be completed by June 2018. This will mean a reduction in the block funding from the NSW Government and a move to a market based revenue stream via the NDIS.

## Events subsequent to the balance date

Since the end of the financial year no matter has arisen that has, or may have, a significant effect on the operations of the company, or the results of those operations or the state of affairs of the company in the financial years subsequent to the financial year ended 30 June 2015.

## Environmental issues

The company's operations are not regulated by any particular or significant environmental regulation under law of the Commonwealth or of a State or Territory. The Directors are aware of general environmental considerations and believe the company complies with community standards.

## Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

## CFS Board Directors

The Directors in office during or at the end of the financial year are:

Director's name	Role	Director since	Qualifications and additional Information
Anthony Gall	Chair and Non-Executive Director (Chair from December 2013)	July 2009	Chartered Accountant, Fellow of Institute of Chartered Accountants Australia
Darren Mitchell	Non-Executive Director	July 2009	Bachelor of Economics (Sydney), Master of Economics (Sydney)
Rosalie Wilkie	Non-Executive Director	December 2012	Bachelor of Commerce (UoN), Fellow of Institute of Chartered Accountants Australia
Barbara Wise	Non-Executive Director	February 2015	Bachelor of Arts (Hons), Master of International Studies (USYD)
Virginia Udy	Executive Director, Company Secretary	December 2008	Bachelor of Education (Early Childhood), Master of Arts (Hons) Macq. and Master of Business Administration (UNE)

# Directors' report for the year ended 30 June 2015

## Directors' attendance at CFS Board Meetings

Name	A	B
Tony Gall (Chair from December 2013)	5	5
Darren Mitchell	4	5
Barbara Wise	1	1
Rosalie Wilkie	4	5
Ginie Udy (Executive Director, Company Secretary)	5	5

A = the number of meetings attended

B = the number of meetings held during the time the Director held office during the year

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

# Directors' report for the year ended 30 June 2015

## Auditor's Independence declaration

The Auditor's independence declaration for the year ended 30 June 2015 has been received and is included on page 6.

Signed in accordance with a Resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Rosalie Wilkie', is written over a horizontal dotted line.

Ms Rosalie Wilkie

Director

Dated: 12 October 2015

**DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF SDN CHILD AND FAMILY SERVICES PTY LIMITED**

As lead auditor of SDN Child and Family Services Pty Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Australian professional ethical pronouncements in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Paul Bull  
Partner

**BDO East Coast Partnership**

Sydney, 12 October 2015

# Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue	2	19,668,710	16,102,349
Employee benefits expense		(13,028,158)	(10,245,509)
Occupancy expenses		(1,649,695)	(1,390,141)
Administration expenses		(4,228,522)	(3,278,188)
Service delivery expenses		(1,222,279)	(866,239)
Depreciation expense		(78,594)	(16,130)
<b>Surplus/(deficit) before income tax expense</b>	3	<b>(538,538)</b>	<b>306,142</b>
Income tax expense	1a	-	-
<b>Surplus/(deficit) after income tax expense</b>		<b>(538,538)</b>	<b>306,142</b>
<b>Other comprehensive income, net of tax</b>			-
<b>Total comprehensive income for the year</b>		<b>(538,538)</b>	<b>306,142</b>

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

# Statement of financial position as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents	5	7,168,907	7,416,523
Trade and other receivables	6	134,596	91,210
Other current assets	7	33,685	25,804
Assets held to maturity	8	56,877	55,054
<b>Total current assets</b>		<b>7,394,065</b>	<b>7,588,591</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,493,485	1,388,821
<b>Total non-current assets</b>		<b>1,493,485</b>	<b>1,388,821</b>
<b>Total assets</b>		<b>8,887,550</b>	<b>8,977,412</b>
<b>Current liabilities</b>			
Trade and other payables	10	5,362,330	5,339,127
Provisions	11	2,023,729	1,613,332
<b>Total current liabilities</b>		<b>7,386,059</b>	<b>6,952,459</b>
<b>Non-current liabilities</b>			
Provisions	11	112,823	92,097
<b>Total non-current liabilities</b>		<b>112,823</b>	<b>92,097</b>
<b>Total liabilities</b>		<b>7,498,882</b>	<b>7,044,556</b>
<b>Net assets</b>		<b>1,388,668</b>	<b>1,932,856</b>
<b>Equity</b>			
Issued equity	12	100,000	100,000
Reserves	13	1,299,019	1,304,669
Retained earnings	13	(10,351)	528,187
<b>Total equity</b>		<b>1,388,668</b>	<b>1,932,856</b>

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

## Statement of changes in equity for the year ended 30 June 2015

		Share Capital	Reserves	Retained earnings	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2013</b>		100,000	1,220,000	222,045	1,542,045
Surplus for the year		-	-	306,142	306,142
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	306,142	306,142
<i>Transactions with owners in their capacity as owners</i>					
Fundraising reserve acquired	13	-	84,669	-	84,669
<b>Balance at 30 June 2014</b>		<b>100,000</b>	<b>1,304,669</b>	<b>528,187</b>	<b>1,932,856</b>
Deficit for the year		-	-	(538,538)	(538,538)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	(538,538)	(538,538)
<i>Transactions with owners in their capacity as owners</i>					
Fundraising reserve net movement	13	-	(5,650)	-	(5,650)
<b>Balance at 30 June 2015</b>		<b>100,000</b>	<b>1,299,019</b>	<b>(10,351)</b>	<b>1,388,668</b>

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

# Statement of cash flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipt of grants		19,448,682	17,629,896
Receipts from customers		1,427,782	1,070,610
Interest received		183,207	154,948
Payments to suppliers and employees		(21,122,058)	(17,750,845)
<b>Net cash (used by)/provided by operating activities</b>	16	<b>(62,387)</b>	<b>1,104,609</b>
<b>Cash flows from investing activities</b>			
Payments for investments held to maturity		(1,823)	(2,164)
Payments for property, plant and equipment		(183,406)	(253,975)
Net cash balance from business combination		-	153,252
<b>Net cash used by investing activities</b>		<b>(185,229)</b>	<b>(102,887)</b>
<b>Cash flows from financing activities</b>			
Equity contribution		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash held</b>		<b>(247,616)</b>	<b>1,001,722</b>
Cash and cash equivalents at beginning of financial year		7,416,523	6,414,801
<b>Cash and cash equivalents at end of financial year</b>	5	<b>7,168,907</b>	<b>7,416,523</b>

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

# Notes to the financial statements for the year ended 30 June 2015

## Note 1. Statement of significant accounting policies

These financial statements are special purpose financial statements prepared in order to satisfy the financial reporting requirements of the *Australian Charities and Not-for-profit Commission Act 2012*. The directors have determined that the company is not a reporting entity because there are no users dependent on the preparation of general purpose financial statements.

The report has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profit Commission Act 2012* and the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of the following Australian Accounting Standards:

- AASB 101 *Presentation of Financial Statements*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 107 *Statement of Cash Flows*
- AASB 110 *Events After the End of the Reporting Period*
- AASB 1031 *Materiality*
- AASB 1048 *Interpretation of Standards*

SDN Child & Family Services Pty Limited is a company limited by shares wholly owned by SDN Children's Services domiciled in Australia. SDN Child & Family Services Pty Limited has been incorporated to provide relief of suffering, helplessness and distress to disadvantaged children and their families. The company is endorsed as a Public Benevolent Institution (PBI) within the meaning of Item 4.1.1 of section 30-45 of the *Income Tax Assessment Act 1997* (ITAA97) and tax concession charity including as a charitable institution under Division 50 of the ITAA97.

## New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted measurement requirements of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any measurement requirements of new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations is disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

## Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical cost. The company is a not-for-profit organisation. As such the term "profit" is not applicable and the term "surplus" is used where required. The financial statements are presented in Australian Dollars.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

# Notes to the financial statements for the year ended 30 June 2015

## Note 1. Statement of significant accounting policies (continued)

### a) Income tax

No provision for income tax has been recognised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

### b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

### c) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### d) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	50 years (Diminishing Value)
Playground	10 years (Straightline)
Centre equipment	5 years (Diminishing Value)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Purchases of plant and equipment using grant funds are not the property of the company and therefore are expensed to profit or loss in line with the terms and conditions of the funding agreement.

# Notes to the financial statements for the year ended 30 June 2015

## Note 1. Statement of significant accounting policies (continued)

### e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### f) Assets held to maturity

Term deposits at call are stated at face value.

### g) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### h) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### i) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

### j) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The liability for contract termination is recognised as a current liability. The liability is measured at the amount expected to be paid when the liability is settled and is based on employees' services up to the reporting date.

# Notes to the financial statements for the year ended 30 June 2015

## **Note 1. Statement of significant accounting policies (continued)**

### **k) Revenue recognition**

Revenue from the rendering of services is recognised upon delivery of the service. Revenue from child care benefit is recognised in the period to which the benefit relates.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as revenue on receipt.

Donations are recognised as revenue when received.

### **l) Superannuation**

The company contributes to a number of superannuation funds which exist to provide benefits to employees and their dependants on retirement, disability or death. The company's commitment in respect of the superannuation funds (which are all accumulation funds) is limited to making the specified contributions. The company's contributions to the superannuation funds are expensed in the statement of profit or loss and other comprehensive income as incurred.

### **m) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **n) Funds held on behalf of funding bodies**

Funds for operational projects undertaken by the company on behalf of funding bodies are recognised on the statement of financial position as unearned income. As the project commences and costs are incurred the unearned income recognised is reduced. The company also receives management and administration fees for administering the projects which are recognised in the statement of profit or loss & other comprehensive income. Where the funds received relate to capital projects, funds are only recognised as revenue when the entity obtains control of the contribution and has no obligation to repay the funds. Until control is obtained the amounts are held as unearned revenue.

# Notes to the financial statements for the year ended 30 June 2015

## Note 1. Statement of significant accounting policies (continued)

### o) Comparative figures

Where required by Accounting Standards and/or for improved presentation purposes comparative figures have been adjusted to conform with changes in presentation for the current year.

### p) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

#### *Provision for employee benefits*

As discussed in note 1(j), the liability for employee benefits is recognised and measured at the value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the value of the liability for long service leave, estimates of attrition rates and pay increases through promotion and inflation have been taken into account. Where actual rates are different to those estimated the long service leave expense will be impacted. See also Note 11.

#### *Provision for make good*

The provision for make good represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms. The calculation includes various assumptions around expected reparation works, timing of works and final costs. Where actual costs are different to the estimate the make good expense will be impacted. See also note 11.

#### *Provision for termination liabilities*

The company recognises termination benefits for employees employed to work for specific grant funded programs where ongoing employment is dependent on renewal of the funding program. The provision is measured at the present value of the amounts expected to be paid on termination of the program

### q) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting year ended 30 June 2015. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

The financial report was authorised for issue by the Directors of SDN Child & Family Services Pty Limited on 12 October 2015.

# Notes to the financial statements for the year ended 30 June 2015

## Note 2. Revenue

	2015	2014
	\$	\$
Childcare revenue	555,464	544,637
Interest received	183,207	154,948
Grants – Commonwealth government	4,618,999	4,551,802
Grants – NSW state government	13,525,906	10,342,005
National Disability Insurance Scheme	68,817	-
Donations and bequests	9,909	26,985
Other revenue	706,408	481,972
Total revenue	<u>19,668,710</u>	<u>16,102,349</u>

Other revenue includes \$665,670 (2014: \$477,506) relating to intercompany charges.

## Note 3. Surplus/(deficit) before income tax

	2015	2014
	\$	\$
Total expenses includes the following		
Rental expense	687,551	589,067
Superannuation expense	946,109	744,703
Depreciation expense	78,594	16,130

# Notes to the financial statements for the year ended 30 June 2015

## Note 4. Auditor's remuneration

	2015 \$	2014 \$
Remuneration of the auditor for:		
- audit services	19,500	19,000
- assistance with the preparation of financial statements	5,750	5,500
- audit of acquittal statements	18,750	18,750
	<u>44,000</u>	<u>43,250</u>

## Note 5. Cash and cash equivalents

	2015 \$	2014 \$
Cash at bank and in hand	2,268,575	2,630,231
Short-term bank deposits	4,900,332	4,786,292
	<u>7,168,907</u>	<u>7,416,523</u>

## Note 6. Trade and other receivables

	2015 \$	2014 \$
Sundry debtors	68,797	91,210
GST receivable	65,799	-
	<u>134,596</u>	<u>91,210</u>

## Note 7. Other assets

	2015 \$	2014 \$
Prepayments	32,435	24,554
Deposits – electricity & gas	1,250	1,250
	<u>33,685</u>	<u>25,804</u>

## Note 8. Assets held to maturity

	2015 \$	2014 \$
Term deposit	<u>56,877</u>	<u>55,054</u>

### *Interest rate*

The term deposit bears an interest rate at 2.45% per annum.

# Notes to the financial statements for the year ended 30 June 2015

## Note 9. Property, plant and equipment

	2015 \$	2014 \$
Land & buildings – at cost	1,397,923	1,343,097
Less: accumulated depreciation	<u>(84,760)</u>	<u>(17,775)</u>
	<u>1,313,163</u>	<u>1,325,322</u>
Centre equipment – at cost	206,460	38,378
Less: accumulated depreciation	<u>(26,138)</u>	<u>(14,529)</u>
	<u>180,322</u>	<u>23,849</u>
	<u>1,493,485</u>	<u>1,349,171</u>
Capital work in progress – at cost	-	39,650
Total property, plant and equipment	<u>1,493,485</u>	<u>1,388,821</u>

## Note 10. Trade and other payables

	2015 \$	2014 \$
Trade payables	1,227,733	559,092
Sundry payables and accrued expenses	1,324,095	975,403
Unearned income - grant revenue	2,503,923	3,103,057
Unearned income – child care fee in advance	90,242	84,180
Unearned income – child care benefits in advance	7,343	7,883
Funds held on behalf of funding bodies	<u>208,994</u>	<u>609,512</u>
	<u>5,362,330</u>	<u>5,339,127</u>

As part of its activities, SDN Child & Family Services Pty Limited receives funding from government departments in its capacity as project manager which are then distributed to external child care centres around New South Wales. Projects which SDN Child & Family Services Pty Limited currently manage include:

- Support for Children with Additional Needs Program (SCAN): This program is funded by the Department of Education and Communities to provide advice, support and resources to child care services for children with additional needs. In 2015, the total amount of funding received for the SCAN project was \$644,958 (2014: \$1,538,627). As at 30 June 2015 \$117,763 (2014: \$213,157) was held on behalf of the Department of Education and Communities relating to this program, which will be refunded to the Department upon request.
- Inclusion and Professional Support Program Flexible Support Funding (ISAFS). This is funding from the Department of Social Services (DSS) that SDN pays to approved education and care services to support the inclusion of children with additional needs by contributing to the costs of an additional educator. In 2015, the total amount of funding received for the ISAFS projects was \$290,000 (2014: \$904,575). As at 30 June 2015 \$91,231 (2014: \$396,355) was held on behalf of DSS relating to this program.

# Notes to the financial statements for the year ended 30 June 2015

## Note 11. Provisions

	2015 \$	2014 \$
<b>Current</b>		
Employee entitlements	1,878,194	1,491,485
Make-good	145,535	121,847
	<u>2,023,729</u>	<u>1,613,332</u>
<b>Non-current</b>		
Employee entitlements	54,534	46,012
Make-good	58,289	46,085
	<u>112,823</u>	<u>92,097</u>
 <b>Movement in provisions</b>		
	2015 \$	2014 \$
Make-good		
Opening balance	167,932	100,154
Additional provisions	35,892	67,778
<b>Balance at 30 June</b>	<u>203,824</u>	<u>167,932</u>

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of annual leave and long service leave, the probability of annual leave and long service leave being taken is based upon historical data.

The measurement and recognition criteria for employee benefits have been included in Note 1.

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed term contracts.

### *Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amounts of \$9,466 reflect leave that is not expected to be taken within the next 12 months.

A provision has been recognised in relation to the make-good of a number of premises currently leased by SDN Child & Family Services Pty Limited. This amount represents the accrued value to be paid out upon termination of the lease to make-good the premises.

# Notes to the financial statements for the year ended 30 June 2015

## Note 12. Issued Capital

	2015 \$	2014 \$
2 fully paid ordinary shares (2014: 2 fully paid ordinary shares)	<u>100,000</u>	<u>100,000</u>

All shares carry a right to vote in general meetings.

## Note 13. Reserves

(a) Equity contribution	2015 \$	2014 \$
Opening balance	<u>1,220,000</u>	<u>1,220,000</u>
<b>Balance at 30 June</b>	<u><u>1,220,000</u></u>	<u><u>1,220,000</u></u>

In 2012, the company's parent entity, SDN Children's Services, advanced the company \$1,220,000 to assist in the development of the Beranga childcare centre. The advance is not subject to any formal agreement covering terms such as repayment or interest charges to be levied. On initiation of the advance, repayment was neither planned nor likely. As a result the advance has been treated as an equity contribution in accordance with the provisions of AASB 139 'Financial Instruments: Recognition & Measurement'.

### (b) Fundraising reserve

	2015 \$	2014 \$
Opening balance	84,669	-
Addition through business combination	-	84,669
Net movement for the year	<u>(5,650)</u>	<u>-</u>
Closing balance	<u><u>79,019</u></u>	<u><u>84,669</u></u>

### (c) Retained earnings

	2015 \$	2014 \$
Opening balance	528,187	222,045
(Deficit)/surplus during the year	<u>(538,538)</u>	<u>306,142</u>
Closing balance	<u><u>(10,351)</u></u>	<u><u>528,187</u></u>

# Notes to the financial statements for the year ended 30 June 2015

## Note 14. Capital and Leasing Commitments

### Operating Lease Commitments

	2015	2014
	\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
- not later than 12 months	578,296	499,891
- between 12 months and five years	112,339	434,607
- later than 5 years	-	-
	<u>690,635</u>	<u>934,498</u>

The property leases are non-cancellable leases with varying terms, from 1 to 3 years.

Contingent rental provisions within the lease agreements require that minimum lease payments be increased by the CPI % per annum. An option exists to renew the leases at the end of the respective terms

## Note 15. Contingent Liabilities

### Bank Guarantees

SDN Child & Family Services Pty Limited has provided performance and rental guarantees amounting to \$118,040 (2014:\$ 109,793).

### Contingent Liability

SDN Child & Family Services Pty Limited holds the land title of 128 Hartington Street, Rooty Hill. The land is part of the Beranga project. A caveat exists over the property which dictates that SDN Child & Family Services Pty Limited is not able to dispose of the land without the prior consent of the NSW Department of Family and Community Services. On disposal of the asset, the company is required to remit to the NSW Department Ageing, Disability and Home Care, an amount of the proceeds equal to the proportion of total funds that they contributed to the project.

# Notes to the financial statements for the year ended 30 June 2015

## Note 16. Cash Flow Information

	2015 \$	2014 \$
Reconciliation of cash flow from operations with surplus/(deficit) from ordinary activities after income tax.		
(Deficit)/surplus from ordinary activities after income tax	(538,538)	306,142
Add: depreciation	78,594	16,130
Add: Loss on written off of asset	148	-
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(1,069)	93,178
- (Increase)/decrease in other assets	(7,881)	102,239
- (Decrease)/increase in payables	(19,114)	341,480
- Increase in provisions	431,123	245,440
- (Decrease)/increase in fundraising reserve	(5,650)	-
<b>Net cash provided by operating activities</b>	<b>(62,387)</b>	<b>1,104,609</b>

## Note 17. Events occurring after reporting date

Since the end of the financial year no other matters have arisen that have, or may have, a significant effect on the operations of the company, or the results of those operations or the state of affairs of the company in the financial years subsequent to the financial year ended 30 June 2015.

## Note 18. Related party transactions

Transactions between related parties are on a cost plus basis.

All staff are eligible for a discount on childcare fees in SDN services for their children (based on fees charged for the centre with the lowest fee rate).

As at 30 June 2015, trade payables in SDN Child and Family Services Pty Limited included an amount of \$1,014,797 (2014: \$368,009) payable to its parent entity, SDN Children's Services.

## Directors Remuneration

Board members serve on a voluntary basis and do not receive remuneration. They can be reimbursed for a reasonable amount of expenses directly related to Board activities.

# Notes to the financial statements for the year ended 30 June 2015

## Note 19. Information and declaration to be furnished under the Charitable Fundraising Act 1991

The fundraising accounts have been prepared on an accruals basis and comply with Applicable Accounting Standards as per Note 1.

	2015 \$	2014 \$
<i>Statement of fundraising income and expenditure:</i>		
Gross proceeds from fundraising	373	-
Less: Total cost of fundraising	-	-
Net surplus from fundraising	<u>373</u>	<u>-</u>
 <i>Application of fundraising proceeds:</i>		
Opening balance	84,669	-
Net proceeds from fundraising	373	-
Contributions towards excursions / entertainment	(6,023)	-
Fundraising reserve acquired through business combination	-	84,669
<b>Total fundraising reserve</b>	<b><u>79,019</u></b>	<b><u>84,669</u></b>

## Forms of Fundraising Appeals conducted for the year ended 30 June 2015

For the purpose of reporting under the requirements of the Charitable Fundraising Act 1991, SDN Child & Family Services has detailed the forms of fundraising activities conducted for the year ended 30 June 2015. The fundraising activities and appeals include hosting of functions, raffles, sale of items and donations.

## Significant ratios of fundraising activities

Comparison by monetary figures and percentages

Comparisons	2015 \$	2014 \$
Total cost of fundraising/gross proceeds from fundraising	NA	-
Net surplus from fundraising/gross proceeds from fundraising	100	-
Total cost of services provided/total expenditure	100	-
Total cost of services provided/total income received	1,616	-

# Notes to the financial statements for the year ended 30 June 2015

## **Note 20. Company Details**

SDN Child & Family Services Pty Limited, a company limited by shares, incorporated and domiciled in Australia is 100% owned by SDN Children's Services. The principal activities of SDN Child & Family Services Pty Limited are the provision of support services for children and families, largely funded through government grants.

The registered office and principal place of business is:

SDN Child & Family Services Pty Limited  
Level 2  
86 - 90 Bay Street,  
Broadway, NSW, 2007

# Directors' Declaration for the period ended 30 June 2015

## Declaration by Directors in respect of fundraising appeals.

In the opinion of the Board of Directors of SDN Child and Family Services Pty Limited:

- (a) The accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of income and expenditure of the company for the year ended 30 June 2015, and a true and fair view with respect to fundraising appeals;
- (b) The accompanying statement of financial position is drawn up so as to give a true and fair view of the company as at 30 June 2015, and in respect to fundraising appeals;
- (c) There are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;
- (d) The provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the authority holder have been complied with; and
- (e) The internal controls exercised by the company are appropriate and effective in accounting for income and expenditure for the year ended 30 June 2015.

Signed in accordance with a Resolution of the Board of Directors.

  
.....  
Ms Rosalie Wilkie  
Director

12 October 2015

# Directors' Declaration for the period ended 30 June 2015

## Directors' Declaration

The directors have determined that the company is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012* and:
  - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the *Australian Charities and Not-for-profit Commission Regulations 2013*; and
  - (b) give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Ms Rosalie Wilkie  
Director

12 October 2015

## INDEPENDENT AUDITOR'S REPORT

To the members of SDN Child and Family Services Pty Limited

### Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of SDN Child and Family Services Pty Limited, which comprises the statement of financial position as at 30 June 2015, 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 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act 2012)* and the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

## Opinion

In our opinion the financial report of SDN Child and Family Services Pty Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Division 60 the Australian Charities and Not-for-profits Commission Regulation 2013*.

## Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the company's financial reporting responsibilities under the *ACNC Act 2012*. As a result, the financial report may not be suitable for another purpose.

## Report on Other Legal and Regulatory Requirements

In addition, the financial statements and associated records have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* and regulations, and:

- (a) the financial statements show a true and fair view of the financial results of fundraising appeals for the year ended 30 June 2015;
- (b) money received as a result of the fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Act and the regulations; and
- (c) as at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

## BDO East Coast Partnership



**Paul Bull**  
Partner

Sydney, 12 October 2015