

SDN Child and Family Services Pty Limited

Financial Statements

30 June 2016



ABN: 15 134 504 377

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Corporate Directory

Corporate Directory

| | |
|----------------------|--------------------|
| Darren Mitchell | Chair |
| Rosalie Wilkie | Director |
| Barbara Wise | Director |
| Theresa Collignon | Director |
| Virginia (Ginie) Udy | Executive Director |

Company Secretary

Virginia (Ginie) 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

Directors' report for the year ended 30 June 2016

Your Directors present their report for SDN Child & Family Services Pty Ltd ('CFS') for the year ended 30 June 2016.

Directors

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

Anthony Gall (Chair until 31 March 2016 – resigned 31 March 2016)

Darren Mitchell (Chair from 6 April 2016)

Rosalie Wilkie

Barbara Wise

Theresa Collignon (appointed 7 December 2015)

Virginia (Ginie) Udy (Executive Director)

Company secretary

Virginia (Ginie) Udy held the position of company secretary throughout 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 disability services program in the ACT with the roll out of the National Disability Insurance Scheme (NDIS) in the Territory. During 2015-16 CFS continued to develop its disability services in line with the early roll out of the NDIS through the Nepean Blue Mountains Region. Grant funding from Ageing Disability and Home Care (ADHC) for the Early Childhood Links (ECL) program was phased out of this region during the financial year in line with the roll out.

In June 2016 the Inclusion Support Agency (ISA) funding ceased. This program assisted mainstream services to improve their capacity and capability to provide inclusive practices and address barriers to participation for children with additional needs, particularly children with disability. Whilst the loss of the ISA is disappointing it has allowed efforts to be further directed towards the development of disability services provided directly to children and families.

Operating result

CFS reported a net deficit for the financial year of \$141,127, a decrease of \$397,411 from the 2014-15 net deficit of \$538,538. This deficit resulted primarily from losses incurred in our disability services as the NDIS is being established.

Revenue for 2015-16 was \$20,889,606 (2015: \$19,668,710). This is an increase of \$1,220,896 over the previous operating period primarily due to an increase in government funding to CFS programs and new disability services income from NDIS.

CFS generated total cash receipts of \$22,363,016, up from \$21,059,671, with cash holdings of \$6,010,405, down by \$1,158,502 from \$7,168,907 as at 30 June 2015. This decrease in cash is due to the development of the CRM and other required investments to operate in the new NDIS environment.

Directors' report for the year ended 30 June 2016

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

Funding from the NSW Government for our disability services program will be phased out in the Sydney North, Cumberland Prospect and Liverpool regions during 2016-17 in line with the roll out of the NDIS in those areas. The Sydney South region ADHC funding will be phased out in 2017-18. SDN received a grant of \$55,000 from the NDIS Early Childhood Early Intervention (ECEI) program to transition families in the Lithgow area to NDIS providers where they had been granted a NDIS package or to support families outside of the scope of the NDIS. This funding has been continued in 2016-17.

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 2016.

Environmental issues

The company's operations are not regulated by any 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.

Directors' report for the year ended 30 June 2016

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 – March 2016) | July 2009 | Chartered Accountant, Fellow of Institute of Chartered Accountants Australia |
| Darren Mitchell | Chair and Non-Executive Director (Chair from April 2016) | 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) |
| Theresa Collignon | Non-Executive Director | December 2015 | Bachelor of Commerce (Marketing) (UNSW), Master of Business Administration (AGSM), Diploma of Financial Markets (SIA), Graduate of Australian Institute of Company Directors |
| Virginia (Ginie) Udy | Executive Director, Company Secretary | December 2008 | Bachelor of Education (Early Childhood), Master of Arts (Hons) Macq. and Master of Business Administration (UNE) |

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.

Directors' report for the year ended 30 June 2016

Directors' attendance at CFS Board Meetings

| Name | A | B |
|--|---|---|
| Tony Gall (Chair from December 2013 until March 2016) | 4 | 4 |
| Darren Mitchell (Chair from April 2016) | 5 | 5 |
| Barbara Wise | 4 | 5 |
| Rosalie Wilkie | 2 | 5 |
| Theresa Collignon | 1 | 1 |
| Virginia (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.

Auditor's Independence declaration

The Auditor's independence declaration for the year ended 30 June 2016 has been received and is included on page 6.

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



Rosalie Wilkie

Director

Dated: 6 October 2016

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 2016, 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, 6 October 2016

Statement of profit or loss and other comprehensive income for the year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------------|------------------|
| Revenue | 2 | 20,889,606 | 19,668,710 |
| Employee benefits expenses | | (14,123,682) | (13,028,158) |
| Occupancy expenses | | (1,628,520) | (1,649,695) |
| Administration expenses | | (4,042,668) | (4,228,522) |
| Service delivery expenses | | (1,068,650) | (1,222,279) |
| Depreciation expenses | | (161,838) | (78,594) |
| Finance costs | | (5,375) | - |
| Deficit before income tax expense | 3 | (141,127) | (538,538) |
| Income tax expense | 1a | - | - |
| Deficit after income tax expense | | (141,127) | (538,538) |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income for the year | | (141,127) | (538,538) |

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 2016

| | Notes | 2016 \$ | 2015 \$ |
|--------------------------------------|-------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 5 | 6,010,405 | 7,168,907 |
| Trade and other receivables | 6 | 163,917 | 134,596 |
| Other current assets | 7 | 48,844 | 33,685 |
| Assets held to maturity | 8 | 58,366 | 56,877 |
| Total current assets | | 6,281,532 | 7,394,065 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 1,823,645 | 1,493,485 |
| Total non-current assets | | 1,823,645 | 1,493,485 |
| Total assets | | 8,105,177 | 8,887,550 |
| Current liabilities | | | |
| Trade and other payables | 10 | 4,186,843 | 5,362,330 |
| Provisions | 11 | 1,093,489 | 1,403,533 |
| Borrowings | 12 | 500,000 | - |
| Total current liabilities | | 5,780,332 | 6,765,863 |
| Non-current liabilities | | | |
| Provisions | 11 | 1,096,724 | 733,019 |
| Total non-current liabilities | | 1,096,724 | 733,019 |
| Total liabilities | | 6,877,056 | 7,498,882 |
| Net assets | | 1,228,121 | 1,388,668 |
| Equity | | | |
| Issued equity | 13 | 100,000 | 100,000 |
| Reserves | 14 | 1,279,599 | 1,299,019 |
| Retained earnings | 14 | (151,478) | (10,351) |
| Total equity | | 1,228,121 | 1,388,668 |

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 2016

| | | Share Capital | Reserves | Retained earnings | Total |
|---|----|------------------|------------------|----------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | | 100,000 | 1,304,669 | 528,187 | 1,932,856 |
| Deficit for the year | | - | - | (538,538) | (538,538) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | (538,538) | (538,538) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Fundraising reserve net movement | 14 | - | (5,650) | - | (5,650) |
| Balance at 30 June 2015 | | 100,000 | 1,299,019 | (10,351) | 1,388,668 |
| Deficit for the year | | - | - | (141,127) | (141,127) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | (141,127) | (141,127) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Fundraising reserve net movement | 14 | - | (19,420) | - | (19,420) |
| Balance at 30 June 2016 | | 100,000 | 1,279,599 | (151,478) | 1,228,121 |

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 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Receipt of grants | | 20,991,610 | 19,448,682 |
| Receipts from customers | | 1,231,001 | 1,427,782 |
| Interest received | | 140,405 | 183,207 |
| Payments to suppliers and employees | | <u>(23,528,031)</u> | <u>(21,122,058)</u> |
| Net cash used in operating activities | 17 | (1,165,015) | (62,387) |
| Cash flows from investing activities | | | |
| Payments for investments held to maturity | | (1,489) | (1,823) |
| Payments for property, plant and equipment | | <u>(491,998)</u> | <u>(183,406)</u> |
| Net cash used in investing activities | | (493,487) | (185,229) |
| Cash flows from financing activities | | | |
| Proceeds from related party loans | | <u>500,000</u> | - |
| Net cash provided by financing activities | | 500,000 | - |
| Net decrease in cash held | | (1,158,502) | (247,616) |
| Cash and cash equivalents at beginning of financial year | | <u>7,168,907</u> | <u>7,416,523</u> |
| Cash and cash equivalents at end of financial year | 5 | <u>6,010,405</u> | <u>7,168,907</u> |

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 2016

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*, the Charitable Fundraising Act 1991 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 2016

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

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on a cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Land and buildings

Freehold land and buildings are initially recorded at cost on acquisition and subsequently shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. An independent valuation of all freehold land and associated buildings is generally performed every 3 years.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to a revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Notes to the financial statements for the year ended 30 June 2016

Note 1. Statement of significant accounting policies (continued)

d) Property, plant and equipment (continued)

Land and Buildings (continued)

All other impairments are charged to the statement of profit or loss & other comprehensive income.

Leasehold improvements are measured at cost less depreciation and impairment losses.

Software

Acquired computer software licences are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Costs directly attributable to the development of computer software are capitalised as an asset only when technical feasibility of the project is demonstrated, the organisation has an intention and ability to complete and use the software and the costs can be measured reliably.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over three years.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over their useful lives to the group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| Class of fixed asset | Depreciation rate |
|-----------------------------|--------------------------|
| Buildings | 2% straight line |
| Playground | 10% straight line |
| Plant and equipment | 10% - 33% straight line |
| Software | 33% straight line |

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss & other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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.

Notes to the financial statements for the year ended 30 June 2016

Note 1. Statement of significant accounting policies (continued)

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 or non-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.

k) Revenue recognition

Revenue from the rendering of childcare and disability 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.

Notes to the financial statements for the year ended 30 June 2016

Note 1. Statement of significant accounting policies (continued)

k) Revenue recognition (continued)

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.

o) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

p) 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.

q) 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.

Notes to the financial statements for the year ended 30 June 2016

Note 1. Statement of significant accounting policies (continued)

q) Critical accounting estimates and judgments (continued)

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

r) 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 2016. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will 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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

At this stage, the entity is not able to estimate the impact of the new rules on the Company's financial statements. The entity will make more detailed assessments of the impact over the next twelve months.

Notes to the financial statements for the year ended 30 June 2016

Note 1. Statement of significant accounting policies (continued)

r) New accounting standards for application in future periods (continued)

AASB 16 Leases

Applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The standard, which is mandatory for the annual reporting period beginning on or after 1 January 2016, sets out amendments that only affects the presentation of, and disclosures contained within, the financial statements.

The financial report was authorised for issue by the Directors of SDN Child & Family Services Pty Limited on 6 October 2016.

Notes to the financial statements for the year ended 30 June 2016

Note 2. Revenue

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Childcare revenue | 530,531 | 555,464 |
| Disability services revenue | 695,955 | 68,817 |
| Interest received | 140,405 | 183,207 |
| Grants – Commonwealth government | 4,688,158 | 4,618,999 |
| Grants – NSW state government | 14,208,659 | 13,525,906 |
| Donations and bequests* | 590 | 9,909 |
| Other revenue | 625,308 | 706,408 |
| Total revenue | <u>20,889,606</u> | <u>19,668,710</u> |

* see also note 21

Other revenue includes \$505,211 (2015: \$665,670) relating to intercompany charges for shared staffing costs.

Note 3. Surplus/(deficit) before income tax

| | 2016 | 2015 |
|---------------------------------------|-------------|-------------|
| | \$ | \$ |
| Total expenses includes the following | | |
| Rental expense | 772,159 | 687,551 |
| Superannuation expense | 1,223,192 | 946,109 |
| Depreciation expense | 161,838 | 78,594 |

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.

Note 4. Auditor's remuneration

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| - audit services | 21,000 | 19,500 |
| - assistance with the preparation of financial statements | 6,000 | 5,750 |
| - audit of acquittal statements | 17,150 | 18,750 |
| | <u>44,150</u> | <u>44,000</u> |

Note 5. Cash and cash equivalents

| | 2016 | 2015 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | 1,014,851 | 2,268,575 |
| Short-term bank deposits | 4,995,554 | 4,900,332 |
| | <u>6,010,405</u> | <u>7,168,907</u> |

Notes to the financial statements for the year ended 30 June 2016

Note 6. Trade and other receivables

| | 2016 | 2015 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Trade debtors | 69,247 | 13,856 |
| Sundry debtors | 28,012 | 54,941 |
| GST receivable | 66,658 | 65,799 |
| | <u>163,917</u> | <u>134,596</u> |

Note 7. Other assets

| | 2016 | 2015 |
|------------------------------|---------------|---------------|
| | \$ | \$ |
| Prepayments | 47,594 | 32,435 |
| Deposits – electricity & gas | 1,250 | 1,250 |
| | <u>48,844</u> | <u>33,685</u> |

Note 8. Assets held to maturity

| | 2016 | 2015 |
|--------------|---------------|---------------|
| | \$ | \$ |
| Term deposit | <u>58,366</u> | <u>56,877</u> |

Interest rate

The term deposit bears an interest rate at 2.40% per annum.

Note 9. Property, plant and equipment

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Land & buildings – at cost | 1,397,923 | 1,397,923 |
| Less: accumulated depreciation | (129,853) | (84,760) |
| | <u>1,268,070</u> | <u>1,313,163</u> |
| Centre equipment – at cost | 48,060 | 48,060 |
| Less: accumulated depreciation | (35,453) | (26,138) |
| | <u>12,607</u> | <u>21,922</u> |
| Software – at cost | 650,398 | 158,400 |
| Less: accumulated depreciation | (107,430) | - |
| | <u>542,968</u> | <u>158,400</u> |
| Total property, plant and equipment | <u>1,823,645</u> | <u>1,493,485</u> |

Notes to the financial statements for the year ended 30 June 2016

Note 10. Trade and other payables

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| Trade payables | 749,487 | 1,227,733 |
| Sundry payables and accrued expenses | 983,279 | 1,324,095 |
| Unearned income - grant revenue | 1,715,141 | 2,253,923 |
| Unearned income – low income access program | 234,730 | 250,000 |
| Unearned income – child care fees in advance | 114,707 | 90,242 |
| Unearned income – child care benefits advances | 6,082 | 7,343 |
| Funds held on behalf of funding bodies | 383,417 | 208,994 |
| | 4,186,843 | 5,362,330 |

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 NSW Department of Education to provide advice, support and resources to child care services for children with additional needs. This program ended on November 2014. As at June 2016 \$618,177 (2015: \$618,177) administration funding and \$117,763 (2015: \$117,763) program funding was held on behalf of the Department of Education and Communities which will be refunded to the Department upon request.
- Inclusion and Professional Support Program Flexible Support Funding (ISAFSF). This is funding from the Department of Education and Training that SDN pays to approved education and care services to support the inclusion of children with additional needs. In 2016, the total amount of funding received for ISAFSF projects was \$698,714 (2015: \$290,000). As at 30 June 2016 \$265,654 (2015: \$91,231) was held on behalf of the Department of Education and Training relating to this program.
- SDN Low Income Access Program. This program is funded by SDN Children’s Services to provide financial assistance to families facing hardship who would like their child to attend an SDN Children’s Education and Care Centre. In 2016, the total amount of funding received for the Low Income Access Program was \$nil (2015: \$250,000). As at 30 June 2016 \$234,730 (2015: \$250,000) was held on behalf of SDN Children’s Services relating to this program.

Notes to the financial statements for the year ended 30 June 2016

Note 11. Provisions

| | 2016 | 2015 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Annual leave | 522,179 | 496,357 |
| Long service leave | 205,831 | 251,200 |
| Rostered days off | 4,905 | 5,106 |
| Contract termination | 74,119 | 505,335 |
| Make-good | 286,455 | 145,535 |
| | <u>1,093,489</u> | <u>1,403,533</u> |
| Non-current | | |
| Long service leave | 67,723 | 54,534 |
| Contract termination | 1,008,034 | 620,196 |
| Make-good | 20,967 | 58,289 |
| | <u>1,096,724</u> | <u>733,019</u> |
| Movement in provisions | 2016 | 2015 |
| | \$ | \$ |
| Make-good | | |
| Opening balance | 203,824 | 167,932 |
| Additional provisions | 103,598 | 35,892 |
| Balance at 30 June | <u>307,422</u> | <u>203,824</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 long service leave, the probability of long service leave being taken is based upon historical data.

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed term contracts based on the amount expected to be settled in the event that funding programs are not renewed. The liability represents the termination payments to be paid at the anticipated completion of their employment.

The measurement and recognition criteria for employee benefits have been included in Note 1. Reclassification of current and non-current provisions has been made in Note 22 to enhance comparability with current year's financial statements.

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 \$28,103 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 2016

Note 12. Borrowings

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| Loans payable to SDN Children's Services | 500,000 | - |

In 2016, the company's parent entity, SDN Children's Services provided an unsecured at-call loan to the company to assist in the development of the NDIS program. Interest is charged on a monthly basis at a variable interest rate of 5.45% per annum.

Note 13. Issued Capital

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| 2 fully paid ordinary shares (2015: 2 fully paid ordinary shares) | 100,000 | 100,000 |

All shares carry a right to vote in general meetings.

Note 14. Reserves

| (a) Equity contribution | 2016 \$ | 2015 \$ |
|---------------------------|------------------|------------------|
| Opening balance | 1,220,000 | 1,220,000 |
| Balance at 30 June | 1,220,000 | 1,220,000 |

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 | 2016 \$ | 2015 \$ |
|---------------------------|------------|------------|
| Opening balance | 79,019 | 84,669 |
| Net movement for the year | (19,420) | (5,650) |
| Closing balance | 59,599 | 79,019 |

| (c) Retained earnings | 2016 \$ | 2015 \$ |
|-------------------------|------------|------------|
| Opening balance | (10,351) | 528,187 |
| Deficit during the year | (141,127) | (538,538) |
| Closing balance | (151,478) | (10,351) |

Notes to the financial statements for the year ended 30 June 2016

Note 15. Capital and Leasing Commitments

Operating Lease Commitments

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$ | \$ |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable – minimum lease payments | | |
| - not later than 12 months | 278,154 | 578,296 |
| - between 12 months and five years | 256,560 | 112,339 |
| - later than 5 years | 122 | - |
| | <u>534,836</u> | <u>690,635</u> |

The property leases are non-cancellable leases with varying terms, from 1 to 3 years. The equipment leases are non-cancellable leases with varying terms, from 1 to 5 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 16. Contingent Liabilities

Bank Guarantees

SDN Child & Family Services Pty Limited has provided performance and rental guarantees amounting to \$63,902 (2015:\$ 118,040).

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 Department 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 2016

Note 17. Cash Flow Information

| | 2016 \$ | 2015 \$ |
|---|--------------------|-----------------|
| Reconciliation of cash flow from operations with deficit from ordinary activities after income tax. | | |
| Deficit from ordinary activities after income tax | (141,127) | (538,538) |
| Add: depreciation | 161,838 | 78,594 |
| Add: loss on write off of asset | - | 148 |
| Changes in assets and liabilities | | |
| - Increase in trade and other receivables | (29,321) | (1,069) |
| - Increase in other assets | (15,159) | (7,881) |
| - Decrease in payables | (1,175,487) | (19,114) |
| - Increase in provisions | 53,661 | 431,123 |
| - Decrease in fundraising reserve | (19,420) | (5,650) |
| Net cash provided by operating activities | (1,165,015) | (62,387) |

Note 18. 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 2016.

Note 19. 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.

As at 30 June 2016, trade payables in SDN Child and Family Services Pty Limited included an amount of \$848,558 (2015: \$1,161,991) payable to its parent entity, SDN Children's Services. The trade receivables balance included an amount receivable of \$289,451 (2015: \$147,194) from SDN Children's Services.

The SDN Low Income Access Program is funded by SDN Children's Services to provide financial assistance to families facing hardship who would like their child to attend an SDN Children's Education and Care Centre. In 2016, the total amount of funding received for the Low Income Access Program was \$nil (2015: \$250,000). As at 30 June 2016 \$234,730 (2015: \$250,000) was held on behalf of SDN Children's Services relating to this program.

In 2016, SDN Children's Services, the parent entity, provided an unsecured at-call loan of \$500,000 (2015: \$nil) to SDN Child & Family Services Pty Limited to assist in the development of the NDIS program. Interest is charged on a monthly basis at a variable interest rate of 5.45% per annum.

Notes to the financial statements for the year ended 30 June 2016

Note 20. 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.

| | 2016 \$ | 2015 \$ |
|---|---------------|---------------|
| <i>Statement of fundraising income and expenditure:</i> | | |
| Gross proceeds from fundraising | - | 373 |
| Net surplus from fundraising | - | 373 |
| | | |
| <i>Application of fundraising proceeds:</i> | | |
| Opening balance | 79,019 | 84,669 |
| Net proceeds from fundraising | - | 373 |
| Contributions towards excursions / entertainment | - | (6,023) |
| Contributions toward staffing costs | (19,420) | - |
| Total fundraising reserve | 59,599 | 79,019 |

Forms of Fundraising Appeals conducted for the year ended 30 June 2016

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 2016. 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 | 2016 % | 2015 % |
|--|-------------------|-------------------|
| Total cost of fundraising/gross proceeds from fundraising | N/A | N/A |
| Net surplus from fundraising/gross proceeds from fundraising | N/A | 100 |
| Total cost of services provided/total expenditure | 0 | 100 |
| Total cost of services provided/total income received | N/A | 1,616 |

Notes to the financial statements for the year ended 30 June 2016

Note 21. Donations received

Donations recognised in Statement of Financial Position¹

| | Opening balance \$ | Donations received \$ | Transfers \$ | Payments \$ | Closing balance \$ |
|-------------------------------|-----------------------|--------------------------|-----------------|-----------------------|-----------------------|
| 2016 | | | | | |
| Disability access & inclusion | - | 720 | 22,063 | (11,062) | 11,721 |
| Aboriginal E C Scholarships | 82,779 | 133,393 | (22,063) | (96,328) | 97,781 |
| Aboriginal Training Support | 1,930 | - | - | - | 1,930 |
| Total | 84,709 | 134,113 | - | (107,390) | 111,432 |
| | Opening balance \$ | Donations received \$ | Payments \$ | Closing balance \$ | |
| 2015 | | | | | |
| Aboriginal E C Scholarships | 76,499 | 68,738 | (62,458) | 82,779 | |
| Aboriginal Training Support | 1,930 | - | - | 1,930 | |
| Total | 78,429 | 68,738 | (62,458) | 84,709 | |

¹Donations are disclosed as unearned income – child care fee in advance under trade and other payables (refer to Note 10).

Donations recognised in Statement of Profit or Loss and Other Comprehensive Income²

| | Note | 2016 \$ | 2015 \$ |
|---|----------|------------|--------------|
| SDN Child & Family Services Pty Limited | | 590 | 9,909 |
| Total | 2 | 590 | 9,909 |

²Donations are disclosed as donation and bequest under revenue (refer to Note 2).

As part of its activities, SDN Child & Family Services Pty Limited receives donations from philanthropic foundations, businesses and individuals for our work with our four priority areas:

- Aboriginal and Torres Strait Islander Early Childhood Scholarships
- Working with children with disability, including our Access and Inclusion Scholarships and our work at SDN Beranga
- Working with children and families facing challenges
- Building Fund

Notes to the financial statements for the year ended 30 June 2016

Note 22. Reclassification and comparatives

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The items reclassified were as follows:

| | Before Adjustment 2015 \$ | Adjustment 2015 \$ | After Adjustment 2015 \$ |
|--|--|-----------------------------------|---|
| 2015 | | | |
| Statement of financial position | | | |
| Provisions (current) | 2,023,729 | (620,196) | 1,403,533 |
| Total current liabilities | 7,386,059 | (620,196) | 6,765,863 |
| Provisions (non-current) | 112,823 | 620,196 | 733,019 |
| Total non-current liabilities | 112,823 | 620,196 | 733,019 |

Provision for Contract Termination was reclassified from current to non-current due to further extension of the funding to 2018 of Early Childhood Links and Brighter Futures Programs.

Note 23. 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 year ended 30 June 2016

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 2016, 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 2016, 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 2016.

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



.....
Rosalie Wilkie
Director

6 October 2016

Directors' declaration for the year ended 30 June 2016

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 2016 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:



.....
Rosalie Wilkie
Director

6 October 2016

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 2016, 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.

Responsible Entities' 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 responsible entities' 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 registered entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the responsible entities, 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.

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 2016 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 2016;
- (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, 6 October 2016