

SDN Child and Family Services Pty Limited

Financial Statements

30 June 2017



ABN: 15 134 504 377

Contents

CORPORATE DIRECTORY	1
DIRECTOR'S REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	7
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASH FLOWS	11

NOTES TO THE FINANCIAL STATEMENTS

A. WHERE DO OUR FUNDS COME FROM AND HOW ARE THEY SPENT?

A1. What are our sources of revenue?	12
A2. Where has the funding been spent?	14

B. WHAT ASSETS DO WE HAVE AND HOW DO WE MANAGE THEM?

B1. Property, plant & equipment	15
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C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

C1. Capital management	18
C2. Financial risk management	24

D. APPENDICES

D1. Reserves and accumulated profits	26
D2. Unrecognised items	27

E. OTHER INFORMATION

E1. Related parties	28
E2. Summary of significant accounting policies	28
E3. Other required disclosures	31

DIRECTORS' DECLARATION	33
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INDEPENDENT AUDITOR'S REPORT	35
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Corporate Directory

Corporate Directory

Darren Mitchell	Chair
Rosalie Wilkie	Director
Barbara Wise	Director
Theresa Collignon	Director
Kay Turner	Executive Director

Company Secretary

Kay Turner

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

Directors' report for the year ended 30 June 2017

The Directors present their report for SDN Child & Family Services Pty Limited ('CFS') for the year ended 30 June 2017 which is a part of SDN Children's Services and its controlled entities (the 'group').

Directors

The names of the Directors who have been a director during the year to 30 June 2017 are:

Darren Mitchell (Chair)

Theresa Collignon

Rosalie Wilkie

Barbara Wise

Virginia (Ginie) Udy (Executive Director until 21 July 2017)

Company Secretary

Virginia (Ginie) Udy held the position of Company Secretary throughout the financial year. Kay Turner was appointed the position of Company Secretary from 22 July 2017.

What do we do?

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.

Directors' report for the year ended 30 June 2017

Review of our operations in 2016-17

CFS continued to invest in its disability services program in line with the roll out of the National Disability Insurance Scheme (NDIS) across much of Sydney, as well as its already established sites in the ACT and Nepean Blue Mountains Region. NSW Government grant funding from Ageing Disability and Home Care (ADHC) for the Early Childhood Links (ECL) program has partially transitioned into a new nationally consistent Early Childhood Early Intervention (ECEI) program during the financial year in line with the NDIS roll out.

Overall financial position

CFS maintained a strong financial position with \$4,936,817 in cash equivalents and \$697,651 in equity.

Operating result

CFS reported a small net operating deficit for the financial year of \$276,010, an increase of \$134,883 from the 2015-16 net deficit of \$141,127. This plus an impairment charge of \$512,142 on the SDN Beranga building in line with our accounting policy, which revalues assets on a three-yearly cycle, created a deficit before income tax of \$788,152.

Total deficit for 2016-17 was \$521,652. An upward revaluation of the land at our SDN Beranga centre by \$266,500 partially offset the operating loss.

Revenue for 2016-17 was \$20,613,904 (2016: \$20,889,606). This was a decrease of \$275,702 over the previous operating period primarily due to the loss of the Inclusion Support Agency contract with the Australian Government in June 2016 and a decrease in block funding from ADHC for disability services programs. This was partially offset by increased disability services income from NDIS.

CFS generated total cash receipts of \$21,419,565, down from \$22,363,016, with cash holdings of \$4,936,817, down by \$1,073,588 from \$6,010,405 as at 30 June 2016. This decrease in cash was due to the reduction in prior year grant funding liabilities and the development of the Customer Relationship Management (CRM) software and other required investments to operate in the new NDIS environment.

Financial Statements Simplification

Our 2016-17 Financial Statements have been modified, compared to previous years, and in line with the Australian Accounting Standards Board (AASB) recently issued standard AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*. These modifications were made to make the financial statements more relevant to users and to give more prominence to significant areas. These changes have been made with the support of our auditors BDO.

Directors' report for the year ended 30 June 2017

Information on Directors

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

Director's name	Role	Director since	Qualifications and additional Information
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' attendance at CFS Board Meetings

Name	A	B
Darren Mitchell (Chair)	4	5
Rosalie Wilkie	4	5
Barbara Wise	5	5
Theresa Collignon	5	5
Virginia (Ginie) Udy	4	5

A = number of meetings attended.

B = number of meetings held during the time the director held office during the year.

Directors' report for the year ended 30 June 2017

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.

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 2017.

SDN appointed Kay Turner as CEO of the SDN group, including CFS, on 22 July 2017 upon the resignation of Virginia (Ginie) Udy.

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.

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.

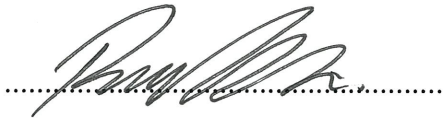
During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Directors' report for the year ended 30 June 2017

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and is on page 7.

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.

Rosalie Wilkie

Director

Dated: 16 October 2017

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 2017, 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, 16 October 2017

Statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	A1	20,613,904	20,889,606
Employee benefits expenses	A2	(14,275,666)	(14,123,682)
Occupancy expenses	A2	(1,921,694)	(1,628,520)
Administration expenses	A2	(3,736,235)	(4,042,668)
Service delivery expenses	A2	(667,517)	(1,068,650)
Depreciation expenses	A2	(261,839)	(161,838)
Finance costs	A2	(26,963)	(5,375)
Impairment loss on building revaluation		(512,142)	-
Deficit before income tax expense		(788,152)	(141,127)
Income tax expense	E2 (iii)	-	-
Deficit after income tax expense		(788,152)	(141,127)
Other comprehensive income, net of tax			
<i>Will not be reclassified to profit or loss</i>			
Revaluation gain on land		266,500	-
Total comprehensive income for the year		(521,652)	(141,127)

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 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	C1 (ii)	4,936,817	6,010,405
Trade and other receivables		168,681	163,917
Other current assets		43,075	48,844
Assets held to maturity		59,375	58,366
Total current assets		5,207,948	6,281,532
Non-current assets			
Property, plant and equipment	B1	1,562,422	1,823,645
Total non-current assets		1,562,422	1,823,645
Total assets		6,770,370	8,105,177
Current liabilities			
Trade and other payables	C1 (iii)	3,383,165	4,186,843
Provisions	C1 (iv)	1,040,463	1,093,489
Borrowings	C1 (v)	500,000	500,000
Total current liabilities		4,923,628	5,780,332
Non-current liabilities			
Provisions	C1 (iv)	1,149,091	1,096,724
Total non-current liabilities		1,149,091	1,096,724
Total liabilities		6,072,719	6,877,056
Net assets		697,651	1,228,121
Equity			
Issued equity	C1 (vi)	100,000	100,000
Reserves	D1 (i) - (iii)	1,537,281	1,279,599
Retained earnings	D1 (iv)	(939,630)	(151,478)
Total equity		697,651	1,228,121

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 2017

	Notes	Share Capital \$	Asset revaluation reserve \$	Other reserve \$	Retained earnings \$	Total \$
Balance at 1 July 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	D1 (ii)	-	-	(19,420)	-	(19,420)
Balance at 30 June 2016		100,000	-	1,279,599	(151,478)	1,228,121
Deficit for the year		-	-	-	(788,152)	(788,152)
Revaluation gain	D1 (iii)	-	266,500	-	-	266,500
Total comprehensive income for the year		-	266,500	-	(788,152)	(521,652)
<i>Transactions with owners in their capacity as owners</i>						
Fundraising reserve net movement	D1 (ii)	-	-	(8,818)	-	(8,818)
Balance at 30 June 2017		100,000	266,500	1,270,781	(939,630)	697,651

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 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipt of grants		16,623,334	20,991,610
Receipts from customers		4,733,840	1,231,001
Interest received		62,391	140,405
Payments to suppliers and employees		<u>(22,245,886)</u>	<u>(23,528,031)</u>
Net cash used in operating activities	E3 (ii)	(826,321)	(1,165,015)
Cash flows from investing activities			
Payments for investments held to maturity		(1,009)	(1,489)
Payments for property, plant and equipment		<u>(246,258)</u>	<u>(491,998)</u>
Net cash used in investing activities		(247,267)	(493,487)
Cash flows from financing activities			
Proceeds from related party loans		<u>-</u>	<u>500,000</u>
Net cash provided by financing activities		-	500,000
Net decrease in cash held		(1,073,588)	(1,158,502)
Cash and cash equivalents at beginning of financial year		<u>6,010,405</u>	<u>7,168,907</u>
Cash and cash equivalents at end of financial year	C1 (ii)	<u>4,936,817</u>	<u>6,010,405</u>

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

A. WHERE DO OUR FUNDS COME FROM AND HOW ARE THEY SPENT?

A1. WHAT ARE OUR SOURCES OF REVENUE?

Our primary sources of revenue are from State and Federal Government grants, disability services fees and child care fees. We also generate revenue from staff services provided to the parent entity, SDN Children's Services.

	2017 \$	2016 \$
Childcare revenue	578,457	530,531
Disability services revenue	1,411,085	695,955
Interest received	62,391	140,405
Grants – Commonwealth government	435,014	4,688,158
Grants – NSW state government	14,062,434	14,208,659
Donations and bequests	2,030	590
Staffing recoveries and other intercompany charges*	4,029,253	505,211
Other revenue	33,240	120,097
Total revenue	20,613,904	20,889,606

*Recoveries from parent entity for staff costs

Donations recognised in Statement of Financial Position¹

	Opening balance \$	Donations received \$	Transfers \$	Payments \$	Closing balance \$
2017					
Disability access & inclusion	11,721	21,600	-	(23,125)	10,196
Aboriginal E C Scholarships	97,781	114,809	-	(163,841)	48,749
Aboriginal Training Support	1,930	-	-	(1,930)	-
Total	111,432	136,409	-	(188,896)	58,945

	Opening balance \$	Donations received \$		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

¹Donations are disclosed as unearned income – child care fee in advance under trade and other payables.

A. WHERE DO OUR FUNDS COME FROM AND HOW ARE THEY SPENT?

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

	2017 \$	2016 \$
SDN Child & Family Services Pty Limited	2,030	590
Total	<u>2,030</u>	<u>590</u>

²Donations disclosed as donations and bequests under revenue.

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

What is the relevant accounting policy?

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 company obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the company 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 company 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.

Staffing recoveries are received when the company's staff provide services for the parent entity, SDN Children's Services. Revenue is recognised upon delivery of the service.

A. WHERE DO OUR FUNDS COME FROM AND HOW ARE THEY SPENT?

A2. WHERE HAS THE FUNDING BEEN SPENT?

We have spent the income we received over the course of this financial year on programs that support the following goals.

	2017 \$	2016 \$
Support children who face challenges	11,483,140	9,073,162
Strengthen families & communities	9,918,916	11,957,571
Total expenditure*	21,402,056	21,030,733

**Expenditure includes impairment loss, depreciation & administration staff costs*

The main categories of expenditure were as follows:

	2017 \$	2016 \$
Employee benefits expense	14,275,666	14,123,682
Rent expense	1,555,753	1,229,166
Furniture & appliance expenses	21,639	11,096
Repairs and maintenance expense	344,302	388,258
Occupancy expenses	1,921,694	1,628,520
Operating expenditure	359,626	455,622
IT and equipment expense	145,385	302,782
Other expenses	9,926	23,058
Management fees	3,130,498	3,161,391
Professional fees	90,800	99,815
Administration expenses	3,736,235	4,042,668
Childcare expenses	340,536	557,101
Consulting expenses	155,941	194,175
Training and Program expenses	171,040	317,374
Service delivery expenses	667,517	1,068,650
Depreciation expenses	261,839	161,838
Finance costs	26,963	5,375
Impairment loss on building revaluation	512,142	-
Total expenditure	21,402,056	21,030,733

B. WHAT ASSETS DO WE HAVE AND HOW DO WE MANAGE THEM?

B1. PROPERTY, PLANT & EQUIPMENT

	2017 \$	2016 \$
Freehold land - at valuation*	569,900	303,400
	<u>569,900</u>	<u>303,400</u>
Freehold buildings – at valuation*	414,100	1,094,523
Less: accumulated depreciation	-	(129,853)
	<u>414,100</u>	<u>964,670</u>
Centre equipment – at cost	48,060	48,060
Less: accumulated depreciation	(42,066)	(35,453)
	<u>5,994</u>	<u>12,607</u>
Software – at cost	896,655	650,398
Less: accumulated depreciation	(324,227)	(107,430)
	<u>572,428</u>	<u>542,968</u>
Total property, plant and equipment	<u>1,562,422</u>	<u>1,823,645</u>

*In 2017, SDN Beranga was revalued for the first time, prior year comparative is at cost.

What is the relevant accounting policy?

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 three years.

The most recent revaluation was completed by AssetVal as at 30 June 2017.

B. WHAT ASSETS DO WE HAVE AND HOW DO WE MANAGE THEM?

The revaluation was based on the following assumptions:

- The company intends to retain the land and buildings for continuous use in the foreseeable future;
- The operating license for each property is current and transferrable;
- The information provided by the company for the revaluation is accurate and verifiable;
- The building complies with all relevant statutory requirements in respect of matters such as but not limited to health, building and fire safety regulations (including asbestos and legionnaires disease), rules, regulations, orders and codes of all authorities, and that there are no outstanding requisitions;
- That there are no onerous encumbrances or interests reported on title, which adversely affect the values, marketability and continued utility of the property or business;

That the subject property is affected by a caveat, with the Caveator being 'Minister for Ageing, Minister for Disability Services NSW'.

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.

All other impairments are charged to the statement of profit or loss and 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.

B. WHAT ASSETS DO WE HAVE AND HOW DO WE MANAGE THEM?

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over their useful lives to the company 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	4% straight line
Playground	10% straight line
Plant and equipment	10% - 33% straight line
Software	33% straight line

CFS has historically depreciated buildings using a rate of 2% straight line. During the financial year management performed a review of useful economic lives and have determined that a more appropriate life for buildings is 25 years. Accordingly, this change in depreciation rate has been applied prospectively from the start of the financial year. The impact of the increased depreciation charge to the net deficit during the year was \$23,676.

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 and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

C1. CAPITAL MANAGEMENT

Management controls the capital of SDN Child and Family Services Pty Limited to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The group's Finance Committee monitors the financial position in line with this objective. The group's Finance Committee operates under policies approved by the Board of Directors and provides regular reports.

The company's capital consists of issued capital and accumulated equity.

Management effectively manages the company's capital by assessing the company's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of cash investments and debt levels.

There have been no changes to the strategy adopted by management to control the capital of the company since the previous year. The strategy of the company is to maintain a low gearing ratio. Any funding required is sourced from the parent entity, see Note C1 (v). The external debt held by the company is \$nil.

(i) Working Capital

	2017	2016
	\$	\$
Current Assets	5,207,948	6,281,532
Current Liabilities	4,923,628	5,780,332
Net Current Assets	284,320	501,200

(ii) Current Assets

Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	865,950	1,014,851
Short-term bank deposits	4,070,867	4,995,554
	4,936,817	6,010,405

What is the relevant accounting policy?

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

(iii) Current Liabilities

Trade and other payables

	2017 \$	2016 \$
Trade payables	1,226,339	749,487
Sundry payables and accrued expenses	614,946	983,279
Unearned income - grant revenue	1,250,532	1,715,141
Unearned income – low income access program	103,974	234,730
Unearned income – child care fees in advance	61,821	114,707
Unearned income – child care benefits advances	7,790	6,082
Funds held on behalf of funding bodies	117,763	383,417
	<u>3,383,165</u>	<u>4,186,843</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 managed include:

- Supporting Children with Additional Needs Program (SCAN): This program was 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 2017 \$618,177 (2016: \$618,177) administration funding and \$117,763 (2016: \$117,763) program funding was held on behalf of the Department of Education which will be refunded to the Department upon request.
- Inclusion and Professional Support Program Flexible Support Funding (ISAFSF). This is funding from the Commonwealth Department of Education and Training that SDN pays to approved education and care services to support the inclusion of children with additional needs. On 30 June 2016 ISAFSF funding was ceased, hence the total amount of funding received for ISAFSF projects in the current year was \$nil (2016: \$698,714). As at 30 June 2017 \$nil (2016: \$265,654) 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. Funds amounting to \$250,000 was established for this program in June 2015. As at 30 June 2017 \$103,974 (2016: \$234,730) was held on behalf of SDN Children's Services relating to this program.

As at 30 June 2017 a further amount of \$632,355 (2016: \$1,096,964) was recorded in unearned income. This represents advances for grant funding received from government and donations for scholarships.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

What is the relevant accounting policy?

Trade 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.

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 and costs 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 company obtains control of the contribution and has no obligation to repay the funds. Until control is obtained the amounts are held as unearned revenue.

(iv) Provisions

	2017 \$	2016 \$
Current		
Annual leave	567,216	522,179
Long service leave	291,491	205,831
Rostered days off	5,669	4,905
Contract termination	42,373	74,119
Make-good	133,714	286,455
	<u>1,040,463</u>	<u>1,093,489</u>
Non-current		
Long service leave	56,507	67,723
Contract termination	987,785	1,008,034
Make-good	104,799	20,967
	<u>1,149,091</u>	<u>1,096,724</u>
Movement in provisions	2017 \$	2016 \$
Make-good		
Opening balance	307,422	203,824
(Reduction)/additional provisions	(68,909)	103,598
Balance at 30 June	<u>238,513</u>	<u>307,422</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.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

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 critical accounting estimates and judgements below.

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 \$113,848 reflect leave that is not expected to be taken within the next 12 months.

Provision for make-good

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.

What is the relevant accounting policy?

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.

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.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

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.

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.

Critical accounting estimates and judgements

Provision for employee benefits

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.

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.

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.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

(v) Borrowings

	2017 \$	2016 \$
Loans payable to SDN Children's Services	500,000	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 5.4% per annum (ATO Division 7A-benchmark interest rate).

What is the relevant accounting policy?

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.

(vi) Issued Capital

	2017 \$	2016 \$
2 fully paid ordinary shares (2016: 2 fully paid ordinary shares)	100,000	100,000

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

C2. FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The totals for each category of financial instruments, measured in accordance with *AASB 139* as detailed in the accounting policies to these financial statements are as follows:

	Notes	2017 \$	2016 \$
Financial assets			
Cash and cash equivalents		4,936,817	6,010,405
Trade and other receivables		168,681	163,917
Other current assets and assets held to maturity		102,450	107,210
Total financial assets at amortised cost		<u>5,207,948</u>	<u>6,281,532</u>
Financial Liabilities			
Trade and other payables		3,383,165	4,186,843
Borrowings		500,000	500,000
Total financial liabilities at amortised cost		<u>3,883,165</u>	<u>4,686,843</u>

What is the relevant accounting policy?

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through surplus or deficit' in which case transaction costs are expensed to surplus or deficit immediately.

C. HOW DO WE MANAGE OUR RISK AND WORKING CAPITAL?

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Fair value estimation

Cash and cash equivalents, trade and other receivables, assets held to maturity, trade and other payables and borrowings are short-term instruments in nature whose carrying value is equivalent to fair value.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In determining the fair value, various assumptions are made where these are subject to change, the fair value would change.

D. APPENDICES

D1. RESERVES AND ACCUMULATED PROFITS

(i) Equity contribution	2017 \$	2016 \$
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*.

(ii) Fundraising reserve	2017 \$	2016 \$
Opening balance	59,599	79,019
Net movement for the year	(8,818)	(19,420)
Closing balance	50,781	59,599

(iii) Asset revaluation reserve	2017 \$	2016 \$
Asset revaluation reserve	266,500	-

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in Note B1.

(iv) Retained earnings	2017 \$	2016 \$
Opening balance	(151,478)	(10,351)
Deficit during the year	(788,152)	(141,127)
Closing balance	(939,630)	(151,478)

D. APPENDICES

D2. UNRECOGNISED ITEMS

Operating Lease Commitments

	2017	2016
	\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
- not later than 12 months	273,658	278,154
- between 12 months and five years	256,182	256,560
- later than 5 years	-	122
	<u>529,840</u>	<u>534,836</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

What is the relevant accounting policy?

Operating 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.

Bank Guarantees

SDN Child & Family Services Pty Limited has provided rental guarantees amounting to \$70,540 (2016: \$63,902).

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. Only the SDN portion of the property at the valuation date is taken up.

E. OTHER INFORMATION

E1. RELATED PARTIES

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.

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 2017, trade payables in SDN Child and Family Services Pty Limited included an amount of \$1,344,865 (2016: \$848,558) payable to its parent entity, SDN Children's Services. The trade receivables balance included an amount receivable of \$523,969 (2016: \$289,451) 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. Funds amounting to \$250,000 were established for this program in June 2015. As at 30 June 2017 \$103,974 (2016: \$234,730) 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 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 5.4% per annum (ATO Division 7A-benchmark interest rate).

E2. SUMMARY 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*

E. OTHER INFORMATION

(i) 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.

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.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018. However, per AASB 1058 application has been deferred by one year for not-for-profit entities. 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.

The main areas of impact for AASB 1058 will be when accounting for the receipt of volunteer services and transactions where the consideration to acquire an asset is significantly less than its fair value.

The combined operation of *AASB 1058* and *AASB 15* will come in to affect for periods commencing after 1 January 2019 and the company will make more detailed assessments of the impact over the next twelve months.

AASB 9 Financial Instruments and its consequential amendments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of *AASB 9* and completes the project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. *AASB 9* introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest.

The standard introduces additional new disclosures. The company will adopt this standard from 1 July 2018 and the impact has yet to be fully assessed by the company.

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E. OTHER INFORMATION

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 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, the actual impact will depend on the operating lease assets held by the company as at 1 July 2019 and the transitional elections made at that time.

(ii) 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.

(iii) Income tax

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

(iv) 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.

(v) 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.

E. OTHER INFORMATION

E3. OTHER REQUIRED DISCLOSURES

(i) Auditor's remuneration

	2017 \$	2016 \$
Remuneration of the auditor for:		
- audit services	22,275	21,000
- assistance with the preparation of financial statements	6,500	6,000
- audit of acquittal statements	5,000	17,150
	<u>33,775</u>	<u>44,150</u>

(ii) Cash Flow Information

	2017 \$	2016 \$
Reconciliation of cash flow from operations with deficit from ordinary activities after income tax.		
Deficit from ordinary activities after income tax	(788,152)	(141,127)
Add: depreciation	261,839	161,838
Impairment of buildings	512,142	-
Changes in assets and liabilities		
- Decrease/(increase) in trade and other receivables	43,972	(29,321)
- Decrease/(increase) in other assets	5,769	(15,159)
- Decrease in payables	(852,414)	(1,175,487)
- (Decrease)/increase in provisions	(659)	53,661
- Decrease in fundraising reserve	(8,818)	(19,420)
Net cash provided by operating activities	<u>(826,321)</u>	<u>(1,165,015)</u>

(iii) Events occurring after reporting date

On 22 July 2017, Kay Turner was appointed Chief Executive Office of SDN Children's Services and its Controlled Entities, including CFS. Virginia (Ginie) Udy resigned from her position as Chief Executive Officer on 21 July 2017.

Apart from the above, there are no other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

E. OTHER INFORMATION

(iv) 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.

	2017 \$	2016 \$
<i>Statement of fundraising income and expenditure:</i>		
Gross proceeds from fundraising	1,405	-
Net surplus from fundraising	1,405	-
<i>Application of fundraising proceeds:</i>		
Opening balance	59,599	79,019
Net proceeds from fundraising	1,405	-
Contributions toward childcare fees	(6,690)	-
Contributions toward functions	(3,533)	-
Contributions toward staffing costs	-	(19,420)
Total fundraising reserve	50,781	59,599

Forms of Fundraising Appeals conducted for the year ended 30 June 2017

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 2017. 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	2017 \$	2017 %
Total cost of fundraising/gross proceeds from fundraising	- / 1,405	N/A
Net surplus from fundraising/gross proceeds from fundraising	1,405 / 1,405	100
Comparisons	2016 \$	2016 %
Total cost of fundraising/gross proceeds from fundraising	- / -	N/A
Net surplus from fundraising/gross proceeds from fundraising	- / -	N/A

Directors' Declaration for the year ended 30 June 2017

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 2017, 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 2017, 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 2017.

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


.....
Rosalie Wilkie
Director

16 October 2017

Directors' Declaration for the year ended 30 June 2017

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 the notes 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 the notes 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 2017 and of its performance for the year ended on that date in accordance with the accounting policies described in the notes 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

16 October 2017

INDEPENDENT AUDITOR'S REPORT

To the members of SDN Child and Family Services Pty Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SDN Child and Family Services Pty Limited (the registered entity), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

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

- (i) Giving a true and fair view of the registered entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards to the extent described in the notes to the financial report and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter - Basis of accounting

We draw attention to the notes to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the registered entity's financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the Financial Report

The directors of the registered entity 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 the notes to the financial report is appropriate to meet the requirements of the ACNC Act and the needs of the members or other appropriate term. The directors responsibility also includes such internal control as they 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.

In preparing the financial report, the directors are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless they either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

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 2017;
- (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 registered entity will be able to pay its debts as and when they fall due.

BDO East Coast Partnership

A handwritten signature in black ink. The signature starts with 'BDO' in a stylized, cursive-like font, followed by a large, flowing signature that appears to be 'Paul Bull'.

Paul Bull
Partner

Sydney, 16 October 2017