Financial Statements

30 June 2020

SDN Child and Family Services Pty Limited

ABN: 15 134 504 377

Contents

Corporate Directory

Corporate Directory

Barbara Wise	Chair
Kirsty Albert	Director (resigned effective 20/03/2020)
Linda Cassidy	Director (appointed effective 20/03/2020)
Darren Mitchell	Director
Kay Turner	Executive Director

Registered Office and Principal Place of Business

Level 2

86-90 Bay Street

Broadway NSW 2007

Auditor

BDO Audit Pty Ltd

Level 11, 1 Margaret Street

Sydney NSW 2000

Directors' report for the year ended 30 June 2020

The Directors present their report for SDN Child & Family Services Pty Limited ('CFS') for the year ended 30 June 2020 which is a part of SDN Children's Services and its controlled entities (the 'group').

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.

Review of our operations in 2019-20

SDN Child and Family Services (CFS) had a strong financial rebound during 2019-20 despite the COVID-19 pandemic in the last quarter. This financial strength allowed us to quickly pivot operations during the lock down from being primarily face to face to mostly being online. Our teams were a vital lifeline to the families we work with and were able to continue their care and support during the traumatic times.

Our Children's Therapies team had a significant financial turnaround during the year, becoming profitable for the first time. New pricing arrangements for NDIS support plans and productivity gains led to this improvement. While demand continues to increase for our services, the whole sector is facing a shortage of skilled staff that is impacting on our ability to meet this growth.

SDN Beranga continued operating as a preschool for children with Autism Spectrum Disorders (ASD). NSW Government Start Strong funding was used to support the increased staffing ratios to keep this an autism-specific service. The centre remains full and has a healthy waitlist for future enrolment.

Adjusting to the changing operating environment of the NDIS means SDN will need to invest in technology and practice improvements. The CFS Board supports the investments to support the efficiencies for staff and better intergration with health and educational systems.

SDN continues to deliver the Brighter Futures program on behalf of the NSW Government in metropolitan Sydney and the Eurobodalla region on the south coast. During the year SDN Brighter Futures has taken part in the trial by the government of the SafeCare program, and this program is showing promising early results. Our other funded programs including playgroups and Child and Parenting Support (CAPS) program continued to operate steadily through the year.

Overall financial position

Total cash equivalents increased by $1,284,537 to $4,222,511. This increase was primarily due to Children's Therapies turnaround from loss making in 2018-19 to being profitable in 2019-20.

Operating result

Total revenue increased by $228,390 (2%) to $14,399,001. Overall CFS recorded a surplus of $681,693 compared with a deficit of $262,828 in 2018-19. Net assets increased by $681,693 to $1,592,767, reflecting our surplus and the improving NDIS environment.

Directors' report for the year ended 30 June 2020

The Directors in office during the financial year were:

Director's name	Role	Director since	Qualifications and additional Information
Barbara Wise	Non-Executive Director (Chair since November 2019)	February 2015	Bachelor of Arts (Hons); Master of International Studies (Syd)
Kirsty Albert	Non-Executive Director	March 2019 (until March 2020)	Bachelor of Arts (Hons) (Syd); Bachelor of Laws (Syd); Fellow of Australian Institute of Company Directors
Linda Cassidy	Non-Executive Director	March 2020	Bachelor of Arts (Social Science) (Curtin); GradCertMktg (UTS)
Darren Mitchell	Non-Executive Director (Chair until November 2019)	July 2009	Bachelor of Economics (Syd); Master of Economics (Sydney); PhD (Syd)
Kay Turner	Executive Director	July 2017	Master of Social Science (UWS); Bachelor of Education (Early Childhood) (Macq)

Directors' attendance at CFS Board Meetings

Name	number of meetings attended	number of meetings eligible to attend
Barbara Wise (Chair)	5	5
Kirsty Albert	3	3
Linda Cassidy	2	2
Darren Mitchell	5	5
Kay Turner	5	5

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 2020.

Directors' report for the year ended 30 June 2020

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.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2020 has been received and is on page 5.

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

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Barbara Wise

Director

Dated: 22 October 2020

Auditor's Independence Declaration for the year ended 30 June 2020

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GILLIAN SHEA 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 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Gillian Shea
Director

BDO Audit Pty Ltd

Sydney

22 October 2020

Statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue	A1	14,399,001	14,170,611
Employee benefits expenses	A2	(8,721,812)	(9,320,950)
Occupancy expenses	A2	(903,672)	(1,152,771)
Administration expenses	A2	(2,903,710)	(3,030,991)
Service delivery expenses	A2	(522,229)	(657,159)
Depreciation expenses	A2	(615,460)	(339,918)
Finance costs	A2	(50,425)	(26,000)
Revaluation gain on buildings		-	49,250
Surplus/(Deficit) before income tax expense		**681,693**	**(307,928)**
Income tax expense	E2 (iii)	**-**	**-**
Surplus/(Deficit) after income tax expense		**681,693**	**(307,928)**
Other comprehensive income, net of tax			
Will not be reclassified to profit or loss			
Revaluation gain on land		-	**45,100**
Total comprehensive income / (loss) for the year		**681,693**	**(262,828)**

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 2020

	Notes	2020 $	2019 $
Current assets			
Cash and cash equivalents	C1 (ii)	4,222,511	2,937,974
Trade and other receivables		-	48,247
Other current assets		-	37,510
Financial assets		23,571	23,358
Total current assets		**4,246,082**	**3,047,089**
Non-current assets			
Property, plant and equipment	B1	1,162,218	1,204,210
Intangible assets	B1	255,338	380,228
Right-of-use-assets	B1	810,022	-
Total non-current assets		**2,227,578**	**1,584,438**
Total assets		**6,473,660**	**4,631,527**
Current liabilities			
Trade and other payables	C1 (iii)	2,314,867	1,818,614
Provisions	C1 (iv)	772,211	850,507
Borrowings	C1 (v)	500,000	500,000
Lease liabilities	C1 (vi)	363,894	-
Total current liabilities		**3,950,972**	**3,169,121**
Non-current liabilities			
Provisions	C1 (iv)	473,937	551,332
Lease liabilities	C1 (vi)	455,984	-
Total non-current liabilities		**929,921**	**551,332**
Total liabilities		**4,880,893**	**3,720,453**
Net assets		**1,592,767**	**911,074**
Equity			
Issued equity	C1 (vii)	100,000	100,000
Reserves	D1 (i) - (iii)	1,535,277	1,546,532
Accumulated losses	D1 (iv)	(42,510)	(735,458)
Total equity		**1,592,767**	**911,074**

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 2020

	Notes	Share Capital	Asset revaluation reserve	Other reserve	Retained losses	Total
		$	$	$	$	$
Balance at 1 July 2018		**100,000**	**266,500**	**1,263,349**	**(455,947)**	**1,173,902**
Deficit for the year		-	-	-	(307,928)	(307,928)
Revaluation Gain		-	45,100	-	-	45,100
Total comprehensive income for the year		-	45,100	-	(307,928)	(262,828)
Transfer from reserves						
- use of fundraising reserve	D1 (ii)	-	-	(28,417)	28,417	-
Balance at 30 June 2019		**100,000**	**311,600**	**1,234,932**	**(735,458)**	**911,074**
Surplus for the year		-	-	-	681,693	681,693
Total comprehensive income for the year		-	-	-	681,693	681,693
Transfers from reserves						
- use of fundraising reserve	D1 (ii)	-	-	(11,255)	11,255	-
Balance at 30 June 2020		**100,000**	**311,600**	**1,223,677**	**(42,510)**	**1,592,767**

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

Statement of cash flows for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipt of grants		11,740,820	11,853,871
Receipts from customers		2,491,725	3,603,892
Interest received		8,420	34,459
Interest paid on lease liabilities		(23,538)	-
Payments to suppliers and employees		(12,493,956)	(16,651,848)
Net cash from/(used in) operating activities	E3 (ii)	**1,723,471**	**(1,159,626)**
Cash flows from investing activities			
Payments for investments held at amortised cost		(213)	(494)
Payments for property, plant and equipment		(129,215)	(209,335)
Net cash used in investing activities		**(129,428)**	**(209,829)**
Cash flows from financing activities			
Repayments of lease liabilities		(309,506)	-
Net cash used in financing activities		**(309,506)**	**-**
Net increase/(decrease) in cash held		1,284,537	(1,369,455)
Cash and cash equivalents at beginning of financial year		2,937,974	4,307,429
Cash and cash equivalents at end of financial year	C1 (ii)	**4,222,511**	**2,937,974**

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 generated revenue from staff services provided to the parent entity, SDN Children's Services.

	2020 $	2019 $
Childcare revenue	261,328	302,051
Disability services revenue	2,125,340	1,789,892
Interest received	8,420	34,459
Grants – Commonwealth government	304,184	361,824
Grants – NSW state government	9,348,469	8,915,157
Donations and bequests	128,467	45,779
Staffing recoveries and other intercompany charges[*]	2,047,172	2,706,208
Other revenue	89,451	15,241
Child Care Subsidy	86,170	-
Total revenue	14,399,001	14,170,611

[*] *Recoveries from parent entity for staff costs*

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

	2020 $	2019 $
SDN Child & Family Services Pty Limited – general donations[1]	93,893	110
SDN Child & Family Services Pty Limited – child care fees[2]	34,574	45,669
Total	128,467	45,779

[1] *Donations disclosed as donations and bequests under revenue which are general donations not directed towards a specific purpose.*

[2] *Revenue from donations that are directed for use in payment of childcare fees.*

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

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

What is the relevant accounting policy?

Revenue recognition

Effective from 1 July 2019, the entity has adopted AASB 15 Revenue from Contracts with customers and AASB 1058 Income of Not-For-Profit Entities with respect to revenue recognition. Adoption of these Accounting Standards and Interpretations are disclosed at Note E2 (i).

Revenue from the rendering of childcare and disability services is recognised over time as performance obligations are satisfied, which is upon delivery of the service, primarily on a daily or monthly basis. Revenue from childcare 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 at a point in time in the statement of profit or loss and other comprehensive income when the company obtains control of the grant. 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 at a point in time on receipt.

General donations are recognised as revenue when received. Donations of child care fees are recognised as revenue when the care is delivered. In the prior year, donations of childcare child care fees were recognised a liability in the statement of financial position until the childcare fees were incurred, at which point revenue was recognised. The transition impact was not recorded against retained earnings as it was immaterial.

Staffing recoveries are received when the company's staff provide services for the parent entity, SDN Children's Services. Revenue is recognised over time as performance obligations are satisfied, which is 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.

	2020 $	2019 $
Support children who face challenges	4,304,307	5,067,743
Strengthen families & communities	9,413,001	9,460,046
Total expenditure*	13,717,308	14,527,789

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

The main categories of expenditure were as follows:

	2020 $	2019 $
Employee benefits expense	**8,721,812**	**9,320,950**
Rent expense	631,758	958,209
Furniture & appliance expenses	48,769	4,770
Repairs and maintenance expense	223,145	189,792
Occupancy expenses	**903,672**	**1,152,771**
Operating expenditure	464,416	481,640
IT and equipment expense	35,436	48,157
Other expenses	72,395	191,704
Marketing expenses	-	10,554
Corporate recoveries	2,254,863	2,162,415
Professional fees	76,600	136,521
Administration expenses	**2,903,710**	**3,030,991**
Childcare expenses	155,333	202,552
Consulting expenses	138,213	274,376
Training and Program expenses	228,683	180,231
Service delivery expenses	**522,229**	**657,159**
Depreciation expenses	**615,460**	**339,918**
Finance costs	**50,425**	**26,000**
Total expenditure	**13,717,308**	**14,527,789**

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

B1. NON-CURRENT ASSETS

Property, Plant and Equipment	**2020 $**	**2019 $**
Freehold land - at valuation	615,000	615,000
	615,000	615,000
Freehold buildings - at valuation	451,000	451,000
Less: accumulated depreciation	(21,730)	-
	429,270	451,000
Centre & program equipment - at cost	276,532	231,866
Less: accumulated depreciation	(158,584)	(93,656)
	117,948	138,210
Total property, plant and equipment	**1,162,218**	**1,204,210**

Intangible assets	**2020 $**	**2019 $**
Software - at cost	1,363,265	1,278,715
Less: accumulated amortisation	(1,107,927)	(898,487)
Total intangible assets	**255,338**	**380,228**

Right-of-use Assets	**2020 $**	**2019 $**
Right-of-use Assets - Property - at cost	929,246	-
Less: accumulated depreciation	(265,395)	-
	663,851	-
		-
Right-of-use Assets - Equipment - at cost	100,737	-
Less: accumulated depreciation	(27,234)	-
	73,503	-
Right-of-use Assets - Vehicle - at cost	99,401	-
Less: accumulated depreciation	(26,733)	-
	72,668	-
Total right-of-use Assets	**810,022**	**-**
Total non-current assets	**2,227,578**	**1,584,438**

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

What is the relevant accounting policy?

Non-current assets
Each class of non-current assets is carried at cost or fair value less, where applicable, any accumulated depreciation / amortisation 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 an accredited independent valuer as at 30 June 2019.

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'.

The primary method utilised by the independent valuer was the Direct Comparison method based on a rate per licensed place. They analysed sales evidence of similar transacted childcare centres in the vicinity of the properties and determined an appropriate rate per licensed place. The secondary method used by the independent valuer was the Capitalisation of Income approach, which estimates the net market rental income of each property analysed on an income basis per licensed place, then capitalised this figure at an appropriate capitalisation rate (net yield) to arrive at market value.

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.

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

During the current year the independent valuer completed a Property Market Movements report for CFS on the Childcare sector from 1 July 2019 to 30 June 2020. Based on sales evidence and an assessment of the property market they did not see any evidence for a significant shift in the childcare property market that would result in material changes to the value recorded at 30 June 2019, as such the fair value of land and buildings at 30 June 2020 is considered appropriate.

Depreciation

The depreciable amount of all tangible 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
Plant and equipment	20% - 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 and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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?

Right-of-use Assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease. The estimated useful lives of right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 entity's Risk and Audit Committee monitors the financial position in line with this objective. The entity's Risk and Audit Committee operates under policies approved by the Board of Directors and provides regular reports.

The company has generated positive operating cash flows for the current year and remains in a strong cash position.

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

	2020 $	2019 $
Current Assets	4,246,082	3,047,089
Current Liabilities	3,950,972	3,169,121
Net Current Assets/(Liabilities)	**295,110**	**(122,032)**

(ii) Current Assets

Cash and cash equivalents

	2020 $	2019 $
Cash at bank and in hand	2,846,408	1,573,715
Short-term bank deposits	1,376,103	1,364,259
	4,222,511	**2,937,974**

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

	2020 $	2019 $
Trade payables	679,859	478,662
Sundry payables and accrued expenses	888,333	393,059
Unearned income - grant revenue	741,905	918,478
Unearned income – childcare fees in advance	4,770	1,150
Unearned income – donated child care fees in advance*	-	27,265
	2,314,867	**1,818,614**

* *Refer to Note A1 for change in accounting policy on adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities.*

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 2020 $735,940 program and administration funding (2019: $735,940) program and administration funding) was held on behalf of the Department of Education which will be refunded to the Department upon request.

As at 30 June 2020 $5,966 (2019: $182,535) was recorded in unearned income representing advances for grant funding received from government.

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 in line with AASB 1058 income of *Not-for-Profit Entities*. As the project commences and costs are incurred the unearned income recognised is reduced and costs 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 at a point in time when the company obtains control of the asset and all obligations under the grant agreement are satisfied.

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

(iv) Provisions

	2020 $	2019 $
Current		
Annual leave	423,865	416,398
Long service leave	278,184	272,401
Rostered days off	5,277	5,113
Make-good	64,885	156,595
	772,211	850,507
Non-current		
Long service leave	31,162	45,687
Contract termination	411,444	479,905
Make-good	31,331	25,740
	473,937	551,332

Movement in provisions	2020 $	2019 $
Make-good		
Opening balance	182,335	171,874
(Reduction)/increase in provisions	(86,119)	10,461
Balance at 30 June	96,216	182,335

Employee entitlements

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 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 $30,894 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.

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

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.

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

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

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.

(v) Borrowings

	2020 $	2019 $
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 5.37% per annum (2019: 5.20%).

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) Lease liabilities

	2020 $	2019 $
Current		
Lease Liabilities - Property	304,548	-
Lease Liabilities - Equipment	28,548	-
Lease Liabilities - Vehicle	30,798	-
Total current lease liabilities	363,894	-
Non-current		
Lease Liabilities - Property	368,104	-
Lease Liabilities - Equipment	46,190	-
Lease Liabilities - Vehicle	41,690	-
Total non-current lease liabilities	455,984	-
Total lease liabilities	**819,878**	**-**

What is the relevant accounting policy?

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

Lease liabilities

From 1 July 2019, leases have been recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company determines its incremental borrowing rate based on rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company has adopted a borrowing rate of 3.52%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(vii) Issued Capital

	2020	**2019**
	$	**$**
2 fully paid ordinary shares (2019: 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 9* (implemented 1 July 2018) as detailed in the accounting policies to these financial statements are as follows:

	2020	2019
	$	$
Financial assets		
Cash and cash equivalents	4,222,511	2,937,974
Trade and other receivables	-	48,247
Other current assets and financial assets	23,571	60,868
Total financial assets at amortised cost	4,246,082	3,047,089
Financial Liabilities		
Trade and other payables	2,314,867	1,818,614
Borrowings	500,000	500,000
Total financial liabilities at amortised cost	2,814,867	2,318,614

What is the relevant accounting policy?

Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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

As at 30 June 2020, the entity's financial assets consist of cash and cash equivalents, loans and receivables and other current assets which are measured at amortised cost in accordance with the above accounting policy.

Non-derivative financial liabilities are initially measured at fair value and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

As at 30 June 2020, the entity's financial liabilities consist of trade and other payables which are measured at amortised cost in accordance with the above accounting policy.

Impairment of financial assets
The entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. The loss allowance is recognised in profit or loss.

D. APPENDICES

D1. RESERVES AND ACCUMULATED LOSSES

(i) Equity contribution	**2020 $**	**2019 $**
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

	2020 $	**2019 $**
Opening balance	14,932	43,349
Transfers from fundraising reserve	(11,255)	(28,417)
Closing balance	3,677	14,932

(iii) Asset revaluation reserve	**2020 $**	**2019 $**
Asset revaluation reserve	311,600	311,600

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

(iv) Accumulated losses

	2020 $	**2019 $**
Opening balance	(735,458)	(455,947)
Surplus/(Deficit) during the year	681,693	(307,928)
Transfers from fundraising reserve	11,255	28,417
Closing balance	(42,510)	(735,458)

D. APPENDICES

D2. UNRECOGNISED ITEMS

Bank Guarantees
SDN Child & Family Services Pty Limited has provided rental guarantees amounting to $87,450 (2019: $39,875).

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 basis.

All staff are eligible for a discount on childcare fees in SDN services for their children.

As at 30 June 2020, trade payables in SDN Child and Family Services Pty Limited included an amount of $760,039 (2019: $395,634) payable to its parent entity, SDN Children's Services. This balance is net of the trade receivable owed to SDN Child and Family Services Pty Limited of $355,521 (2019: $554,009) from SDN Children's Services.

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 5.37% per annum. No repayments of the principal balance have occurred.

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*

(i) New, revised or amending Accounting Standards and Interpretations adopted

The entity has adopted all 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 new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

E. OTHER INFORMATION

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

AASB 16 Leases

The entity has adopted AASB 16 Leases from 1 July 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in this financial statements.

The entity has adopted AASB 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under AASB 117 *Leases* and related interpretations.

The entity has elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Consolidated Entity has applied the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 Impairment of assets as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the entity previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the entity recognises right-of-use assets and lease liabilities for most leases. However, the entity has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less. The expense recognised in the statement of profit or loss and other comprehensive income for the year is $631,758.

On adoption of AASB 16, the entity recognised right-of-use assets and lease liabilities in relation to leases of properties, vehicles and plant and equipment, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the entity's incremental borrowing rate as at 1 July 2019. The entity's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

Impact of adoption
The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease incentives.

E. OTHER INFORMATION

	Right-of-use assets $	Lease Liabilities $
Movements in the net carrying amount of right-of-use assets and lease liabilities for the year ended 30 June 2020 are:		
Effect of initial application of AASB 16 – 1 July 2019	453,906	453,906
Additions	675,478	675,478
Depreciation of right-of-use assets	(319,362)	-
Repayment of lease liabilities, at gross	-	(333,044)
Interest expense – lease liabilities	-	23,538
Closing balance - 30 June 2020	**810,022**	**819,878**

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

The entity has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 income of Not-for-Profit Entities from 1 July 2019.

This standard replaced 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 recognises 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 is when accounting for the receipt of volunteer services and transactions where the consideration to acquire an asset is significantly less than its fair value. CFS receives volunteer services from students and directors. Per AASB 1058, the SDN group does not recognise volunteer services. Since such services would not have been purchased had they not been provided voluntarily. Besides the fair value of volunteer services cannot be measured reliably.

Donations directed for use in paying child care fees are recognised as income on receipt in the current year in line with the adoption of AASB 1058 Income of Not-for-Profit Entities.

The application of AASB 15 and AASB 1058 has had no impact on the Statement of Cash Flows and Statement of Profit or Loss and Other Comprehensive Income, aside from the recognition of donations.

(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.

E. OTHER INFORMATION

(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

	2020 $	2019 $
Remuneration of the auditor for:		
- audit services	23,250	23,250
- assistance with the preparation of financial statements	7,250	7,250
	30,500	30,500

(ii) Cash Flow Information

	2020 $	2019 $
Reconciliation of cash flow from operations with deficit from ordinary activities after income tax.		
Surplus / (Deficit) from ordinary activities after income tax	681,693	(307,928)
Add: depreciation	615,460	339,918
Less: revaluation gain on buildings	-	(49,250)
Changes in assets and liabilities		
- Decrease in trade and other receivables	48,248	160,351
- Decrease / (Increase) in other assets	37,509	(4,556)
- Increase / (Decrease) in payables	496,252	(1,283,211)
- Decrease in provisions	(155,691)	(14,950)
Net cash from / (used in) operating activities	**1,723,471**	**(1,159,626)**

(iii) Events occurring after reporting date

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 company, the results of those operations, or the state of affairs of the company 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.

	2020 $	2019 $
Statement of fundraising income and expenditure:		
Gross proceeds from fundraising	-	-
Net surplus from fundraising	-	-
Application of fundraising proceeds:		
Opening balance	14,932	43,349
Net proceeds from fundraising	-	-
Purchase of children's play materials	(7,752)	(19,108)
Contributions toward childcare fees	(1,391)	(9,309)
Contributions toward childcare materials	(2,112)	-
Total fundraising reserve	**3,677**	**14,932**

Forms of Fundraising Appeals conducted for the year ended 30 June 2020

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 2020. The fundraising activities and appeals include hosting of functions, raffles, sale of items and donations.

(v) Going Concern Basis

The financial statements have been prepared on a going concern basis. The entity has achieved a net surplus of $681,693 (2019: deficit $307,928) and has net current assets of $295,110 (2019: net current liabilities $122,032). It held a positive cash balance of $4,222,511 (2019: $2,937,974).

The COVID-19 pandemic has had a significant impact on the childcare service sector in the second half of the financial year ended 30 June 2020, and has continued to have a significant impact since the reporting date. The directors have carefully reviewed their assessment of going concern as a result of above.

As disclosed in Note A1, the entity's primary sources of revenue are from State and Federal Government grants, disability services fees and child care fees. The entity also generated revenue from staff services provided to the parent entity, SDN Children's Services.

The main financial risks associated with COVID-19 for the childcare service sector are from the impact of reduced attendance rates of the preschool. As a preschool provider, while SDN Beranga has experienced some short-term reduction in attendance rates during April and May 2020, the preschool was eligible for the COVID-19 Free Pre-school funding for Term 2 (April to June 2020). The aim of the funding is to support community and mobile preschools for Term 2 and Term 3 by providing a reasonable level of fees lost due to the COVID-19 crisis.

The entity received grants from State and Federal Government of $9,652,653 (2019: 9,276,981) and fees received from disability services were $2,125,340 (2019: 1,789,892). Revenue levels remain materially stable as at 30 June 2020 and as at the date of this report.

Directors' Declaration for the year ended 30 June 2020

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 2020, 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 2020, 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 2020.

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

…..

Barbara Wise
Director

22 October 2020

Directors' Declaration for the year ended 30 June 2020

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 2020 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:

…...
Barbara Wise
Director

22 October 2020

Independent Auditor's Report
For the year ended 30 June 2020

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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 2020, 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 directors' 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 2020 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 (including Independence Standards)* (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.

Independent Auditor's Report
For the year ended 30 June 2020

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 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.

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 the directors 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.

Independent Auditor's Report
For the year ended 30 June 2020

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 2020;
(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 Audit Pty Ltd

BDO

Gillian Shea
Director

Sydney, 22 October 2020