sdn
children's services

annual report 2021

Directors and officers

Directors

The Directors as at 30 September 2021 were:

Tamara Johnston
Chair

Cynthia à Beckett
Director

Kirsty Albert
Director

Linda Cassidy
Director

Angela Donohoe
Director

Helen Hamilton-James
Director

Glenn Hughes
Director

Darren Mitchell
Director

Tom Taylor
Director

Barbara Wise
Director

For more information on our Directors, see www.sdn.org.au/about-sdn/governance

CEO
Kay Turner

Company Secretary
Dianne Speakman

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

Senior Leadership Team (as at 30 September 2021)

Kay Turner
Chief Executive Officer

Peter Rae
Chief Financial Officer

Jodie Ledbrook
Head of Services

Dianne Speakman
Head of Communications and Corporate Affairs, Company Secretary

Zarin Medhora
Head of Human Resources

Glynis Chang
Director of Professional Practice

Adrienne Jerram
Director of Marketing and Customer Experience

Bryan Mattes
Finance Manager

For more information on our Senior Leadership Team, see www.sdn.org.au/about-sdn/our-team

ABN 23 000 014 335


The BIG
BANANA

Our **purpose**

To promote and enhance children's wellbeing, learning and development in inclusive environments.

Our **values**

Trustworthy + Reliable	Inclusive + Respectful	Creative + Innovative

President's and CEO's report

We started the 2020–21 financial year on a positive note, with the Australian Government announcing we could return to full operations on Monday 13 July 2020 after several months of lockdown and some restrictions on our operations. This was good news for our staff, many of whom had been working reduced hours, and for families in our centres, as we could return to full capacity.

We knew that when we had to return to full operations, we'd have to do it quickly, so we had spent time in preparing for it and were able to ramp up quickly and without issues when the time came.

Our capacity to do this was helped by the Australian Government's financial support for early learning and NDIS providers combined with JobKeeper. The certainty of this support meant we had been able to keep all of our workforce employed and ready, including our regular casual staff in centres and a number of staff on work visas who would not otherwise qualify for individual support.

We also made sure we kept children and families connected to SDN, with our centres providing activities at home from our teams and through our new activity hub on our website, organising regular Zoom calls to keep children at home connected with their friends, and providing regular update communications to families. We offered online 'telepractice' appointments in our family support programs and Children's Therapies to respond to the increased demand for services and to continue to support children and families.

We realised that COVID-19 was not going to go away, and made decisions with the expectation that there would be a second and even third or fourth waves, and that we needed to plan for the long haul. We decided to be prudent up front and control costs early, reducing discretionary expenditure and retaining as much utilisation and revenue as we could, so that when the next waves came we would be in a solid position.

And here we are in late 2021, slowly coming out of an extended lockdown in Sydney and shorter lockdowns across regional NSW and the ACT. Many families remained enrolled in our centres but kept their children at home. We waived the gap fee for those families on the Child Care Subsidy (CCS) and introduced a special COVID relief rate for families not eligible for CCS. Revenue in our centres was affected by these fee reductions, although we received a small amount of support from the Australian Government for those centres where attendance dropped below 50%.

Revenue in our Children's Therapies was steady over the past year, and did not grow as strongly as we hoped. The move to online appointments was possible for some of our family support programs, but some of our operations (such as playgroups and home visits) were suspended during the lockdowns. Fortunately the NSW and Australian Governments continued to fully fund these programs even with lower participation.

While COVID-19 continues to impact our revenue in the short term, our planning last year has held us in good stead. For the financial year ended 30 June 2021, we reported a surplus of $1.73m which gives us a strong cash balance. We were able to use this strong financial position to help the 40% of our families who kept their children enrolled while not attending our centres. We continue to support children and families who face significant financial and other challenges through our Low Income Access Program, our inclusion support, our Pathway to Preschool program for children of asylum seekers and our joint support with the ACT Government for families in vulnerable circumstances. We're also ensuring we keep all of our staff employed, to support them and to mitigate

against the risks of workforce shortages across all of the sectors we operate in exacerbated by border closures.

Our surplus has given us a good base for the work we need to keep progressing even in the midst of COVID, and sets us up for when we move out of this current wave and are living with COVID.

Particular focuses for the year were:

- Undertaking our successful re-registration audit as an NDIS provider — this was an extensive effort by the whole Children's Therapies team and many in Shared Services
- Recommissioning by the NSW Government Department of Communities and Justice to be a provider of the Family Preservation Program, replacing Brighter Futures and the transition to the new program
- Recommissioning with the Department of Communities and Justice for two Targeted Earlier Intervention Programs, and renewal of Start Strong Pathways and our Child and Parenting Support program (CAPS) contracts
- Welcoming three long day care centres owned by the University of NSW into the SDN community as managed centres from 1 January 2021
- Reviewing and assessing our owned and leased property as the basis for a 20 year property master plan
- Successfully renegotiating a new staff Enterprise Agreement, to be in effect until 2025.

The fundamentals of the organisation remain strong. Demand for our Children's Therapies and family support programs continues to grow and centre enrolments are holding at the same rate as the same time last year.

We have achieved these things while many of our staff have kept working face to face through the pandemic, and others adjusted to working remotely from home. We thank all our staff — none of our work would happen if they did not continue to turn up and log on every day, and then give their all for the children and families we work with.

And thank you to our children and families — in our most challenging times we've received and continue to receive words of encouragement and support, and expressions of gratitude for the amazing work of our staff. We can only echo those.

As we emerge from the recent COVID outbreak and restrictions, we're working through the practicalities of what it means to live with COVID. It is clear that there will be more challenges to confront in 2022 and we expect that the impact of COVID will have a negative influence on the revenue of SDN for the 2022 financial year. We expect to need to deal with COVID-related issues for some time yet and are continuing to invest in keeping families engaged with us and in keeping all of our staff employed. While this has a cost, SDN is in a strong financial position and is resilient, so we are confident we can face the challenges ahead, while continuing to progress our work to help children thrive.

Tamara Johnston, President and **Kay Turner, Chief Executive Officer**

Directors' Report

SDN Children's Services is a not for profit company limited by guarantee and is a charity registered with the Australian Charities and Not-for-profits Commission (ACNC).

Our strategic outcome is to grow our current reach and deliver coordinated children's services, including for children experiencing disadvantage. We will do this by having consistent, quality services that are desirable for families, are sustainable, and have impact.

SDN has a wholly owned subsidiary SDN Child and Family Services Pty Ltd which is endorsed as a Public Benevolent Institution and is responsible for managing government program contracts and programs funded by donations.

This report is our consolidated report for the 2020–21 financial year and contains the information required as part of our regulatory reporting requirements. Our reporting on our progress against our strategy is contained in our Annual Review.

Our activities are:

- **early learning**
- **children's therapies**
- **family preservation** and **family support**

Financial position 2020 – 21

The SDN group strengthened its financial position over the past year.

Net assets

$47.4m

2019–20 $40.7m

Cash equivalents

$15.5m

2019–20 $11.6m

Operating result for 2020–21

The SDN group generated a solid after-tax surplus, thanks to strong cost controls including management of staffing levels, and the addition of three centres managed on behalf of University of NSW.

$1,350,852*

2019–20

$1,725,519

2020–21

The consolidated surplus includes SDN Child and Family Services Pty Limited, which reported a surplus of $355,750, compared with a surplus of $806,583 (restated) in 2019–20.

** The 2019-20 result has been restated due to a change in accounting policy*

Revenue

Revenue rose during the year as SDN began management of three centres at the University of NSW in January 2021, combined with the strong financial performance of the organisation prior to the COVID-19 impact. Free child care was temporarily introduced for the children of essential workers and families who could not work at home and care for their children at the same time, running from April to July 2020. A high proportion of children returned to our centres once restrictions were eased, thanks to the child and family engagement strategies that we had implemented. However COVID slowed growth by reducing anticipated centre revenue significantly, while revenue from our Children's Therapies and government funded programs remained steady.

$49,326,861
2019–20

$55,819,426
2020–21

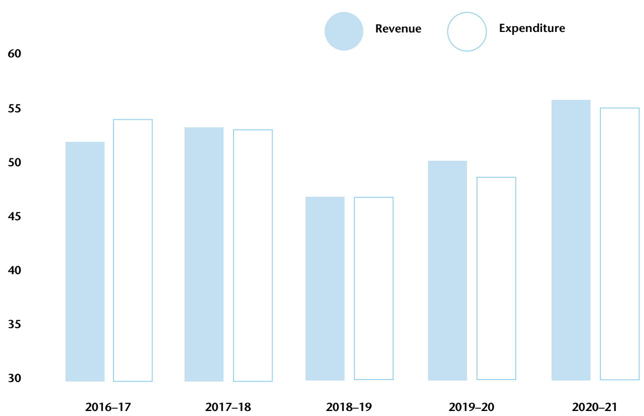
Expenditure

Expenditure was tightly controlled through the year but especially during the period of free childcare which saw a significant reduction of revenue, when we temporarily reduced staff hours and discretionary expenditure to closely match our revenue. The growth in expenditure was at a slower rate than growth in revenue, and was in part due to the addition of three centres managed on behalf of UNSW.

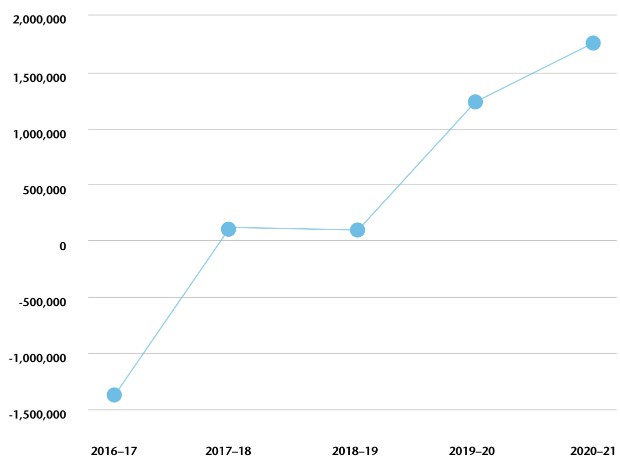
$47,976,009*
2019–20

$54,093,907
2020–21

** The 2019-20 result has been restated due to a change in accounting policy*



Five year consolidated revenue vs expenditure ($m)



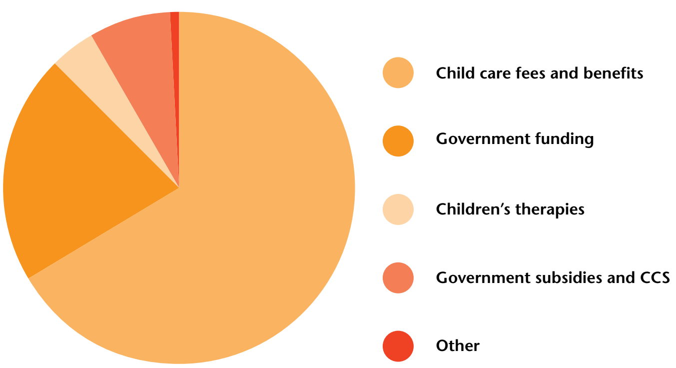
Consolidated surplus over five years

Revenue and expenditure

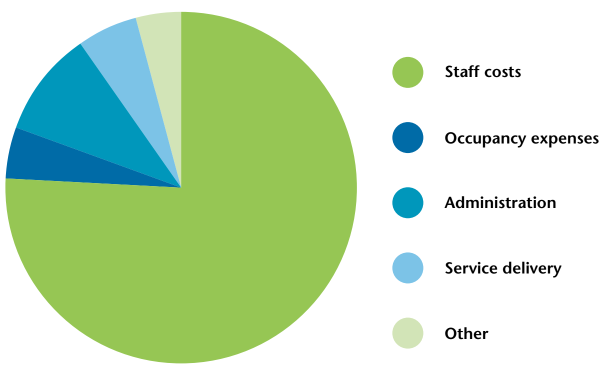
Fees from our Early Childhood Education and Care Centres continue to be our largest source of revenue. This year our revenue was supplemented by the Federal Government funded JobKeeper and Early Childhood Education and Care Relief programs, which ended 27 September 2020. This support allowed us to keep our doors open to families through the COVID-19 pandemic and to keep all of our staff employed.

During 2020–21, revenue from our fee-for-service therapies for children with a disability or developmental delay continued to grow. Availability of an experienced workforce in this sector continues to be a major factor inhibiting growth.

Federal and state government funding is for the delivery of specific programs and projects that are the result of successful tenders and grant applications. In 2020–21 this included funding for our delivery of the Brighter Futures program for families.



Revenue by source



Expenditure by type

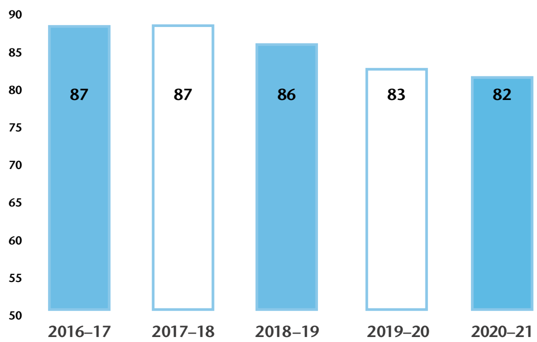
Children's Education and Care Centres

Revenue has increased over the previous year due to increased utilisation and the addition of three centres from 1 January 2021 managed on behalf of the University of NSW.

$27.3m
2019–20

$37.2m
2020–21

Despite the effect of the pandemic we continue to maintain strong utilisation in our centres and increasing revenue at a time of increased competition and oversupply.



Utilisation as % of approved places over 5 years

$2,125,340
2019–20

$2,335,512
2020–21

Children's Therapies

We have increased our fee-for-service revenue from our children's therapies, including increased revenue through the National Disability Insurance Scheme.

$138,687
2019–20

$78,122
2020–21

Philanthropy

We received much appreciated philanthropic grants and donations from a variety of sources throughout the year.

Scholarships for children

During 2020–21 we supported

17 children with Aboriginal and Torres Strait Islander Scholarships totalling **$34,889**

4 children with Access and Inclusion Scholarships children totalling **$4,080**.

This was one child less than in 2019–20, due to a drop in the number of children receiving our Access and Inclusion Scholarships for children with disability. Usually a number of the children who receive this scholarship are attending SDN Beranga, our autism specific preschool, however the NSW Government has declared that stand-alone preschools are free for most of 2020 and all of 2021 and 2022.

$8,565,195
2019–20

$8,607,018
2020–21

Family support programs

We have sustained our level of support for families and continue to be a trusted adviser. Our largest government-funded contract is for the NSW Brighter Futures program which ended on 30 June 2021, after which SDN has been recommissioned for another three years to provide the replacement program known as Family Preservation. Funding for our other programs was maintained during the year.

$8,672
2019–20

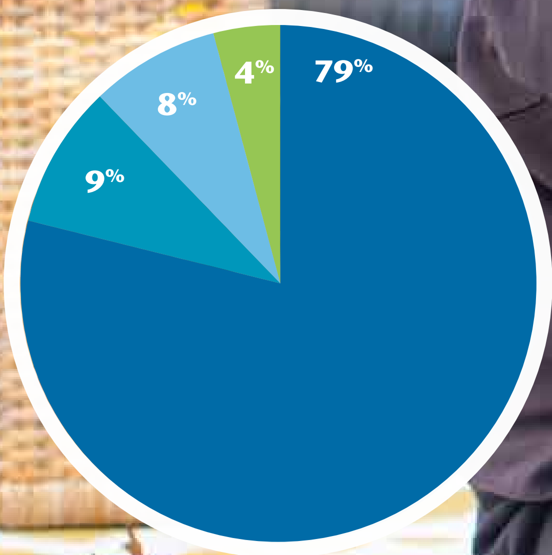
$5,753
2020–21

Fundraising

Many of our children's education and care centres benefit from the additional equipment purchased for centres from fundraising activities of families.

Our **staff**

As at June 2021, we employed ***707*** staff. Of these, ***72%*** are permanent, ***13%*** are on maximum term contracts (in line with our funded programs), and ***15%*** are casual. This profile is line with 2019–20.



Proportion of staff by service type

centres (including casuals)
shared services
family support
children's therapies

Students and **trainees**

We supervised ***41*** students on placements in our services, compared with ***55*** in 2019–20. This number has been affected by the COVID-19 pandemic, as we limited the number of external student placements.

Information on Directors

Tamara Johnston

President from November 2019 to current

Member of Governance and Remuneration Committee

Director since November, 2017

Bachelor of Communication (Canberra); Graduate Certificate in Business (Curtin); Master of Business Administration (Canberra); Graduate of Australian Institute of Company Directors

Cynthia à Beckett

Chair of Research Ethics Committee

Director since August 2013

Diploma Kindergarten Teachers College (Melbourne Kindergarten Teachers College); Bachelor of Arts (Hons - Sociology) (Qld); Graduate Diploma Educational Studies (Institute of Early Childhood Studies - Victoria); Doctorate of Philosophy (PhD) (School of Sociology UNSW)

Kirsty Albert

Chair of Governance and Remuneration Committee

Director since February, 2010

Bachelor of Arts (Hons) (Syd); Bachelor of Laws (Syd); Graduate of the Australian Institute of Company Directors and Fellow, Governance Institute of Australia

Linda Cassidy

Director of SDN Child and Family Services Board

Member of Risk and Audit Committee

Director since February 2018

Bachelor of Arts (Social Science) (Curtin); GradCertMktg (UTS); Member of the Australian Institute of Company Directors (MAICD)

Theresa Collignon

Member of Governance and Remuneration Committee

Director since December 2008 (resigned Nov 2020)

Bachelor of Commerce (Marketing) (UNSW); Master of Business Administration (AGSM); Diploma of Financial Markets (SIA); Graduate of Australian Institute of Company Directors

Angela Donohoe

Member of Risk and Audit Committee

Director since June 2014

Bachelor of Commerce (Accounting, Finance and Systems) (UNSW); Certified Practicing Accountant (CPA); Graduate of the Australian Institute of Company Directors (GAICD); Fellow of Financial Services Institute of Australasia (FINSIA)

Helen Hamilton-James

Member of Risk and Audit Committee

Director since July 2019

Bachelor of Law (Hons) (Aberd); Member of Institute of Chartered Accountants in Australia and New Zealand

Glenn Hughes

Member of Governance and Remuneration Committee

Director since August 2014

Bachelor of Commerce (Accounting/Finance) (UNSW); Bachelor of Law (UNSW) Masters of Law and Management (AGSM)

Darren Mitchell

Director of SDN Child and Family Services Board

Director since November 1996

Bachelor of Economics; Master of Economics (Syd); PhD (Syd)

Tom Taylor

Chair of Risk and Audit Committee

Director since July 2019

Bachelor of Business (CSU); Certified Practising Accountant (CPA); Graduate of Australian Institute of Company Directors

Barbara Wise

Chair of SDN Child and Family Services Board

Director since December 2014

Bachelor of Arts (Hons); Master of International Studies (Syd)

Work of Board Committees

The SDN Board appoints committees to assist it in carrying out its work and has three standing committees in place.

Risk and Audit Committee

This committee assists the Board in the effective discharge of its responsibilities in the areas of statutory reporting, internal control systems, risk management systems, insurance and legal proceedings, and the external audit functions.

The work of the Committee during the year included reviewing SDN's risk appetite statement, continuing to enhance and refine risk reporting as well as oversight of an audit of SDN's cyber security risk exposure and implementation of improved data security initiatives.

Governance and Remuneration Committee

This committee assists and advises the Board in fulfilling its responsibilities in governing the SDN group, including core governance documents and processes, as well as determining SDN's overarching remuneration policy. During the year, the Committee undertook a review of current directors' skills and a survey of directors to determine director education requirements and preferences, and another survey of directors to evaluate views on board and committee effectiveness. A review of the constitution of SDN's wholly owned subsidiary company SDN Child and Family Services Pty Ltd was also undertaken, at the request of the Board of that company.

Research Ethics Committee

This committee makes decisions regarding the approval or otherwise of *Applications for Research and Evaluation at SDN* in accordance with ethical principles identified in the Guidelines for Research and Evaluation at SDN, monitors compliance by those granted approval, and provides advice on policies and procedures relating to research and evaluation at SDN. During the year, the Committee reviewed new research applications to consider their impact on SDN families and staff, and monitored the progress of previously approved research. The Committee currently includes two external specialists and SDN thanks them for volunteering their time.

You can read more about the governance of SDN on our website at www.sdn.org.au/about-sdn/governance/.

Directors' attendance at SDN Board Meetings

for the 2020–21 financial year

Name	number of meetings attended	number of meetings eligible to attend
Tamara Johnston (President)	12	12
Cynthia à Beckett	12	12
Kirsty Albert	12	12
Linda Cassidy	12	12
Theresa Collignon (resigned November 2020)	4	4
Angela Donohoe	12	12
Helen Hamilton-James	12	12
Glenn Hughes	12	12
Darren Mitchell	10	12
Tom Taylor	12	12
Barbara Wise	10	12

Membership

SDN is a company limited by guarantee. Contributions payable per member in the event of winding up is limited to twenty dollars.

Review of Operations

Information on the operations and financial position of the SDN Group and its business strategies and prospects are set out in the President's and CEO'S Report on page 6 of this Report.

Likely developments and expected results of operations

The Group will continue to pursue its objectives of improving the performance and quality of its children's services during the next financial year.

Significant changes in state of affairs

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

Events subsequent to the balance date

The COVID-19 pandemic continues to have an impact on SDN. In late June 2021, the NSW Government issued health orders that resulted in a lockdown for much of the state. Through the course of the lockdown there have been a number of business and government initiatives undertaken to support and retain children in early learning services. The period of the lockdown has extended until October 2021 and there remains uncertainty as to how COVID-19 will continue to impact SDN's services. The Board and Management continue to fine-tune their response to this evolving situation.

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.

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 2021 has been received and is on page 51.
Signed in accordance with a Resolution of the Board of Directors:

....
Tamara Johnston, Chair
Dated: 29 October 2021

Contents

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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ELYSIA ROTHWELL TO THE DIRECTORS OF SDN CHILDREN'S SERVICES

As lead auditor of SDN Children's Services for the year ended 30 June 2021, 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.

This declaration is in respect of SDN Children's Services and the entities it controlled during the period.

Elysia Rothwell
Director

BDO Audit Pty Ltd

Sydney

29 October 2021

Consolidated Statement of **Profit** or **Loss** and **Other Comprehensive Income** for the year ended 30 June 2021

	Notes	2021	2020
		$	$
			(restated *)
Revenue	A1	55,819,426	49,326,861
Employee benefits expenses	A2	(41,136,852)	(36,379,665)
Occupancy expenses	A2	(2,458,469)	(2,411,227)
Administration expenses	A2	(5,254,999)	(4,419,426)
Service delivery expenses	A2	(3,068,650)	(2,143,890)
Depreciation expenses	A2	(2,174,937)	(2,011,686)
Impairment expenses		—	(610,115)
Surplus before income tax expense		1,725,519	1,350,852
Income tax expense	E5 (vi)	—	—
Surplus for the year		1,725,519	1,350,852
Other comprehensive income, net of tax			
Will not be reclassified to profit or loss			
Revaluation gain on land and buildings	B1		
		4,999,700	—
Total comprehensive income for the year		**6,725,219**	**1,350,852**

(*) Refer to Note E7 for details of restatement due to change in accounting policy.

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

Consolidated Statement of Financial Position
as at 30 June 2021

	Notes	2021	2020
		$	$
			(restated *)
Current assets			
Cash and cash equivalents	C1 (ii)	15,514,708	11,556,941
Trade and other receivables		901,777	1,658,896
Financial assets		28,711	28,571
Other current assets		868,097	284,866
Total current assets		17,313,293	13,529,274
Non-current assets			
Property, plant and equipment	B1	44,666,698	39,900,841
Right-of-use-assets	B1	1,535,241	2,144,446
Total non-current assets		46,201,939	42,045,287
Total assets		63,515,232	55,574,561
Current liabilities			
Trade and other payables	C1 (iii)	8,811,851	8,019,038
Provisions	C1 (iv)	4,941,768	3,882,138
Lease liabilities	C1 (v)	771,507	950,297
Total current liabilities		14,525,126	12,851,473
Non-current liabilities			
Provisions	C1 (iv)	742,757	797,704
Lease liabilities	C1 (v)	834,026	1,237,280
Total non-current liabilities		1,576,783	2,034,984
Total liabilities		16,101,909	14,886,457
Net assets		**47,413,323**	**40,688,104**
Equity			
Reserves	D1 (i) (ii)	33,751,351	28,752,520
Retained earnings	D1 (iii)	13,661,972	11,935,584
Total equity		**47,413,323**	**40,688,104**

(*) Refer to Note E7 for details of restatement due to change in accounting policy and correction of error.

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

Consolidated Statement of **Changes** in **Equity**
for the year ended 30 June 2021

	Notes	Retained earnings	Asset revaluation reserve	Fundraising reserve	Total
		$	$	$	$
Balance at 1 July 2019 - reported		**9,411,067**	**28,720,911**	**43,497**	**38,175,475**
Correction due to change in accounting policy and error	E7	1,161,777	—	—	1,161,777
Balance at 1 July 2019 - restated		**10,572,844**	**28,720,911**	**43,497**	**39,337,252**
Surplus for the year		1,350,852	—	—	1,350,852
Total comprehensive income for the year		**1,350,852**	**—**	**—**	**1,350,852**
Transfers to and from reserves					
— fundraising reserve	D1 (i)	11,888	—	(11,888)	—
Balance at 30 June 2020		**11,935,584**	**28,720,911**	**31,609**	**40,688,104**
Revaluation gain		—	4,999,700	—	4,999,700
Surplus for the year		1,725,519	—	—	1,725,519
Total comprehensive income for the year		**1,725,519**	**4,999,700**	**—**	**6,725,219**
Transfers to and from reserves					
— fundraising reserve	D1 (i)	869	—	(869)	—
Balance at 30 June 2021	D1	**13,661,972**	**33,720,611**	**30,740**	**47,413,323**

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

Consolidated Statement of **Cash Flows**
for the year ended 30 June 2021

	Notes	2021	2020
		$	$
Cash flows from operating activities			
Receipts from customers		42,717,911	35,955,380
Receipts from government		14,057,094	12,341,251
Interest received		—	18,868
Interest paid on lease liabilities		(68,768)	(80,781)
Payments to suppliers and employees		(50,312,983)	(42,834,870)
Net cash from operating activities	**E6 (ii)**	**6,393,254**	**5,399,848**
Cash flows from investing activities			
Payments for assets held at amortised cost		(141)	(214)
Purchase of property, plant and equipment, and intangibles		(1,383,301)	(772,144)
Net cash used in investing activities		**(1,383,442)**	**(772,358)**
Cash flows from financing activities			
Repayments of Lease Liabilities		(1,052,045)	(958,139)
Net cash used in financing activities		**(1,052,045)**	**(958,139)**
Net increase in cash held		**3,957,767**	**3,669,351**
Cash and cash equivalents at beginning of financial year		11,556,941	7,887,590
Cash and cash equivalents at end of financial year	**C1 (ii)**	**15,514,708**	**11,556,941**

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 child care fees, disability services fees and State and Federal Government grants. We also receive donations for children's scholarships and other revenue for student placement.

	2021	2020
	$	$
Rendering of services – parent fees and child care benefit	37,163,932	27,340,331
Rendering of services – children's therapies	2,335,512	2,125,340
Interest received	—	18,868
Grants and subsidies – Commonwealth government	395,105	365,984
Grants and subsidies – NSW state government	11,296,183	10,931,487
Donations for scholarships and centre operations	78,122	138,687
Other revenue	289,590	368,957
Childcare subsidy	2,262,982	4,237,707
Jobkeeper subsidy	1,998,000	3,799,500
Total revenue	**55,819,426**	**49,326,861**

As part of its activities, SDN Children's Services and its controlled entities receive 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
- SDN Building Fund.

Donations received

Donations recognised in Statement of Profit or Loss and Other Comprehensive Income[1]

	2021	2020
	$	$
SDN Child and Family Services Pty Limited — general donations[1]	34,723	93,893
SDN Child and Family Services Pty Limited — child care fees[2]	38,969	34,574
SDN Children's Services Incorporated Building Fund — general donations[1]	4,430	10,220
Total donations	**78,122**	**138,687**

[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.

What is the relevant accounting policy?

Revenue recognition

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 performance obligation has been delivered to the contributor, otherwise the grant is recognised as revenue at a point in time on receipt.

Donations are recognised as revenue when received unless relating to a specific purpose, and interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. General donations are recognised as revenue when received. Donations of child care fees are recognised as revenue when the care is delivered.

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.

	2021	2020
	$	$
Provide high quality early childhood education and care services	41,088,647	35,798,503
Support children who face challenges	4,968,670	4,360,925
Strengthen families and communities	8,036,590	7,816,581
Total expenditure	**54,093,907**	**47,976,009**

The main categories of expenditure were as follows:

	2021	2020
	$	$
		(restated)
Employee benefits expense	**41,136,852**	**36,379,665**
Rent expenses	90,292	423,456
Repairs and maintenance expenses	2,326,911	1,918,254
Furniture and appliance expenses	41,266	69,517
Occupancy expenses	**2,458,469**	**2,411,227**
Operating expenditure	2,221,135	2,219,876
IT and equipment expense	725,896	947,535
Other expenses	982,313	314,988
Marketing expenses	559,420	488,206
Professional fees	766,235	448,821
Administration expenses	**5,254,999**	**4,419,426**
Childcare expenses	1,690,068	1,223,295
Consulting expenses	687,268	605,244
Training and Program expenses	691,314	315,351
Service delivery expenses	**3,068,650**	**2,143,890**
Depreciation expenses	**2,174,937**	**2,011,686**
Impairment expenses	**—**	**610,115**
Total expenditure	**54,093,907**	**47,976,009**

B. What assets do we have and how do we manage them?

B1. Non-current assets

	2021	2020
Property, Plant and Equipment	**$**	**$**
Land and buildings		
Freehold land — at fair value	31,117,750	27,791,700
Total land	**31,117,750**	**27,791,700**
Freehold buildings — at fair value	8,962,250	7,880,589
Less: Accum Dep-Freehold Building	—	(361,476)
Leasehold building — at cost	5,069,463	5,153,305
Less: accumulated depreciation	(1,673,557)	(1,423,825)
Capital works in progress — at cost	120,236	162,653
Total freehold and leasehold buildings	**12,478,392**	**11,411,246**
Plant and equipment — at cost	5,132,495	4,592,523
Less: accumulated depreciation	(4,061,939)	(3,894,628)
Total plant and equipment	**1,070,556**	**697,895**
Total property, plant and equipment	**44,666,698**	**39,900,841**

	2021	2020
Right-of-use Assets	**$**	**$**
Right-of-use Assets – Land – at cost	526,213	522,720
Less: accumulated depreciation	(81,051)	(40,067)
	445,162	482,653
Right-of-use Assets – Property – at cost	2,147,584	2,049,767
Less: accumulated depreciation	(1,394,122)	(820,968)
	753,462	1,228,799
Right-of-use Assets – Office – at cost	76,581	81,612
Less: accumulated depreciation	(47,728)	(22,637)
	28,853	58,975
Right-of-use Assets – Car Park – at cost	166,578	102,143
Less: accumulated depreciation	(25,641)	(7,872)
	140,937	94,271

	2021	2020
Right-of-use Assets	$	$
Right-of-use Assets – Vehicle - at cost	93,279	130,606
Less: accumulated depreciation	(39,235)	(32,512)
	54,044	98,094
Right-of-use Assets – Equipment - at cost	266,341	258,867
Less: accumulated depreciation	(153,558)	(77,214)
	112,783	181,654
Total right-of-use Assets	**1,535,241**	**2,144,446**
Total non-current assets	**46,201,939**	**42,045,287**

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Property, plant and equipment			
	Land	Buildings	Plant and Equipment	Total
2021	$	$	$	$
Balance at the beginning of year	27,791,700	11,411,246	697,895	39,900,841
Additions	—	269,321	812,137	1,081,458
Disposals — written down value	—	(292,833)	(60,956)	(353,789)
Depreciation expense	—	(582,992)	(378,520)	(961,512)
Revaluation gain	3,326,050	1,673,650	—	4,999,700
Carrying amount at the end of year	31,117,750	12,478,392	1,070,556	44,666,698

	Property, plant and equipment			
	Land	Buildings	Plant and Equipment	Total
2020	$	$	$	$
Balance at the beginning of year	27,791,700	12,351,709	781,813	40,925,222
Additions	—	344,013	252,136	596,149
Disposals — written down value	—	(610,115)	—	(610,115)
Depreciation expense	—	(674,362)	(336,054)	(1,010,415)
Carrying amount at the end of year	27,791,700	11,411,246	697,895	39,900,841

Asset revaluations

The freehold land and buildings were last independently valued as at 30 June 2021 by AssetVal Pty Ltd. The valuation was based on fair value and an increment of $4,999,700 was recorded. A $4,999,700 revaluation gain was recognised in other comprehensive income.

The Commonwealth Bank of Australia has a registered mortgage over commercial property situated at 3 Linthorpe Street, Newtown NSW as security for SDN's corporate credit card and bank guarantees.

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 through other comprehensive income 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 2021. The revaluation was based on the following assumptions:

- The group 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 group 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;

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.

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.

Freehold land and buildings carried at fair value are valued using the following primary inputs:

- Rate per licenced place;
- Net operating surplus; and
- Surplus capitalisation rate.

A range of rate per licenced place of $77,000 to $80,000 has been used, in the latest valuation performed as at 30 June 2021.

Impairment

The majority of non-current assets comprise land and buildings. The freehold land and buildings were independently valued at 30 June 2021 by AssetVal Pty Ltd and the valuation was based on fair value. In determining fair value, various assumptions are made. Where these assumptions are subject to change, the resulting fair value would change. The directors have reviewed the assessment of market conditions in the current financial year and have concluded that the carrying value continues to approximate fair value.

Depreciation

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

Class of fixed asset	Depreciation rate
Buildings	4% straight line
Playground	10% straight line
Plant and equipment	20% – 33% straight line

Purchases of plant and equipment using grant funds that are not the property of the group 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.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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 group.

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.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the financial period in which they are incurred.

C. How do we manage our risk and working capital?

C1. Capital Management

Management controls the capital of the group to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The Risk and Audit Committee monitors the financial position in line with this objective. The Risk and Audit Committee operates under policies approved by the Board of Directors.

The group's capital consists of accumulated equity.

Management effectively manages the group's capital by assessing the group's financial risks and responding to changes in these risks. 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 group since the previous year. The strategy of the group is to maintain a low gearing ratio and the external debt held by the group remains at $nil.

(i) Working Capital

		2021	2020
		$	$
Current assets		17,313,293	13,529,274
Current liabilities		14,525,126	12,851,473
Net current assets	E4	2,788,167	677,801

(ii) Cash and cash equivalents

	2021	2020
	$	$
Cash at bank and on hand	12,646,267	8,689,783
Short-term bank deposits	2,868,441	2,867,158
	15,514,708	11,556,941

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.

(iii) Trade and other payables

	2021	2020
	$	$
Current		
Trade payables	1,250,305	777,196
Sundry payables and accrued expenses	5,972,272	5,851,028
Unearned income – grant revenue	1,232,566	1,202,272
Unearned income – child care fees in advance	356,708	119,766
Unearned income – child care benefit subsidies	—	68,776
	8,811,851	8,019,038

Financial liabilities at amortised cost classified as trade and other payables

	2021	2020
	$	$
Trade and other payables:		
Total current	8,811,851	8,019,038
Less: unearned income	(1,589,274)	(3,254,576)
Financial liabilities as trade and other payables	**7,222,577**	**4,764,462**

Funds held on behalf of funding bodies

As part of its activities, the group received 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 managed include the Supporting Children with Additional Needs Program (SCAN) program. This program was funded by the NSW Department of Education to provide advice, support and resources to preschools which enrolled children with additional needs. This program ended on November 2014. As at June 2021 $735,940 (2020: $735,940) in administration funding was held on behalf of the Department of Education which will be refunded upon request.

What is the relevant accounting policy?

Trade Payables and Funds held on behalf of funding bodies

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Funds for grants undertaken by the group 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 by the costs are recognised in the statement of profit or loss and other comprehensive income. Where the funds received relate to capital projects, funds are only recognised as revenue when the entity obtains control of the contribution and has no obligation to repay the funds. Until control is obtained the amounts are held as unearned revenue.

(iv) Provisions

	2021	2020
	$	$
Current:		
Annual leave	2,486,473	1,869,463
Long service leave	1,917,865	1,654,333
Rostered days off	201,358	149,460
Contract termination	—	131,896
Make-good	336,072	76,987
	4,941,768	3,882,138
Non-current:		
Long service leave	167,863	126,629
Contract termination	574,894	469,676
Make-good	—	201,399
	742,757	797,704
	5,684,525	4,679,842

Movement in provisions

	2021	2020
	$	$
Make-good		
Balance brought forward	278,386	326,171
Addition/(reduction) in provision	57,686	(47,785)
Balance carried forward	336,072	278,386

Provision for employee entitlements

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

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed term contracts and staff employed in SDN managed centres based on the amount expected to be settled in the event that funding programs and centre leases 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 group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of $277,729 reflects 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 the group. This amount represents the expected amount 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 group 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 group contributes to a number of superannuation funds which exist to provide benefits to employees and their dependants on retirement, disability or death. The group's commitment in respect of the superannuation funds (which are all accumulation funds) is limited to making the specified contributions. The group'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 judgments

Provision for long service leave

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for termination liabilities

The group recognises termination benefits for employees employed to work for specific grant funded programs where on-going 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 and assumes program funding is not renewed in perpetuity.

(v) Lease liabilities – Current

	2021	2020
	$	$
Lease Liabilities – Land	42,801	40,871
Lease Liabilities – Property	575,062	754,735
Lease Liabilities – Office	25,591	28,150
Lease Liabilities – Car Park	13,568	7,624
Lease Liabilities – Equipment	87,316	80,371
Lease Liabilities – Vehicle	27,169	41,547
	771,507	950,297

(vi) Lease liabilities – Non - Current

	2021	2020
	$	$
Lease Liabilities – Land	436,064	459,614
Lease Liabilities – Property	199,450	494,815
Lease Liabilities – Office	4,180	31,634
Lease Liabilities – Car Park	138,011	90,606
Lease Liabilities – Equipment	28,867	104,428
Lease Liabilities – Vehicle	27,454	56,183
	834,026	1,237,280

What is the relevant accounting policy?

Lease liabilities

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 consolidated entity.

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 consolidated entity under residual value guarantees;
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity 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 consolidated entity, 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 consolidated entity 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.

C2. Financial risk management

The group'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** as detailed in the accounting policies to these financial statements are as follows:

	Notes	2021	2020
		$	$
Financial assets			
Cash and cash equivalents	C1(ii)	15,514,708	11,556,941
Loans and receivables		958,740	1,715,701
Assets held to maturity		28,711	28,571
Total financial assets at amortised cost		16,502,159	13,301,213
Financial liabilities			
Trade and other payables		7,222,577	4,764,462
Total financial liabilities at amortised cost		7,222,577	4,764,462

What is the relevant accounting policy?

Financial instruments

Financial assets and financial liabilities are recognised when the group 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).

As at 30 June 2021, the group'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 2021, the group'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 group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. 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.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

D. Appendices

D1. Reserves and retained earinings

(i) Reserves and retained earnings

Fundraising reserve	**2021**	**2020**
	$	**$**
Opening balance	31,609	43,497
Transfers to fundraising reserve	(869)	(11,888)
Closing balance	30,740	31,609

The fundraising reserve reflects accumulated fundraising revenue due to be expended on costs of fundraising, entertainment, functions and children's equipment.

(ii) Asset revaluation reserve

	2021	**2020**
	$	**$**
Asset revaluation reserve	33,720,611	28,720,911

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

(iii) Retained earnings

	2021	**2020**
	$	**$**
		(restated)
Opening balance	11,935,584	9,411,067
Prior year restatement	—	1,161,777
Surplus during the year	1,725,519	1,350,852
Transfers from fundraising reserve	869	11,888
Closing balance	13,661,972	11,935,584

D2. Unrecognised items

Contingent liabilities and contingent assets

Contingent Assets

There were no contingent assets as at 30 June 2021.

Contingent Liability

SDN Child and 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 and 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 group 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.

A potential contingent liability exists for rent on childcare premises where leases have expired. Management is unable to reliably estimate the value of this liability at the date of these financial statements.

Bank guarantees

SDN Children's Services has provided performance and rental guarantees amounting to $35,457. SDN Child and Family Services Pty Limited has provided performance and rental guarantees amounting to $87,450.

E. Other information

E1. Key management personnel compensation

Key management personnel

Directors

Tamara Johnston

Cynthia à Beckett

Kirsty Albert

Linda Cassidy

Theresa Collignon (resigned 27 November 2020)

Angela Donohoe

Helen Hamilton-James

Glenn Hughes

Darren Mitchell

Tom Taylor

Barbara Wise

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.

Other key management personnel

Kay Turner, Chief Executive Officer

Peter Rae, Chief Financial Officer

Jodie Ledbrook, Head of Services

Dianne Speakman, Head of Communications and Corporate Affairs, Company Secretary

Zarin Medhora, Head of Human Resources

Glynis Chang, Director of Professional Practice

Adrienne Jerram, Director of Marketing and Customer Experience

Freddy Ortega, Director of Finance (until 21 April 2021)

Bryan Mattes, Finance Manager (from 29 March 2021)

	Short-term benefits	Post-employment benefits	Other long term benefits	Termination Benefits	Total
	$	$	$	$	$
2021					
Total compensation	1,425,265	130,846	—	96,875	1,652,986
2020					
Total compensation	1,455,284	135,011	2,623	—	1,592,918

E2. Controlled entities

Controlled entities

SDN Children's Services is the sole beneficiary of SDN Children's Services Building Fund. This fund is intended to subsidise capital projects for the construction and maintenance of pre-school buildings. The balance of the fund including cash at bank and investments was $121,177 (2020: $115,772).

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

E3. Related party transactions

Related party transactions

Disclosures relating to key management personnel are set out in Note E1.

Transactions between related parties are on a cost basis.

All staff are eligible for a discount on childcare fees in SDN Children's Education and Care Centres for their children.

As at 30 June 2021, trade payables in SDN Children's Services included an amount of $332,803 (2020: $355,521) payable to its subsidiary, SDN Child and Family Services Pty Limited. The trade receivables balance included an amount receivable of $449,824 (2020: $739,039) from SDN Child and Family Services Pty Limited. These balances have been eliminated on consolidation.

In 2016, SDN Children's Services, the parent entity, provided an unsecured at-call loan of $500,000 to SDN Child and 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 4.52% per annum (2020: 5.37%). No repayments of capital have been made.

E4. Parent entity disclosures

Parent entity disclosures

	2021 $	2020 $ (restated)
Current assets	13,789,425	11,749,755
Total assets	59,563,844	51,823,002
Current liabilities	11,774,090	10,533,553
Total liabilities	12,790,075	12,094,599
Equity	46,773,796	39,728,403
Surplus for the year	2,162,273	509,654
Other comprehensive income		
Revaluation gain on land and buildings	4,999,700	—
Total comprehensive income for the year	7,161,973	509,654

Parent entity contingencies

The details of all contingencies in respect of SDN Children's Services are disclosed in Note D2.

E5. Summary of significant accounting policies

(i) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the Charitable Fundraising Act 1991 and associated regulations and the *Australian Charities and Not-for-Profit Commission Act 2012.*

Material accounting policies adopted in the preparation of these financial statements are presented below. Refer to Note E7 for change in accounting policy. Otherwise, they have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The group 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.

Going Concern Basis

As disclosed in the consolidated financial statements, the group generated a surplus after tax of $1,726,388 for the year ended 30 June 2021. The Directors remain confident that the group will be able to continue as a going concern with debts able to be paid as and when they fall due, and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report for the following reasons:

- Over the next 12 months, the group anticipates revenue to be similar to the current financial year and in line with its planned objectives;
- The group holds cash reserves of $15,514,708;
- The group holds unencumbered property assets of $44,666,698 which can be used as security on an operating overdraft facility if required;

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

The group 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.

(iii) Principles of consolidation

The consolidated financial statements incorporate the results of entities controlled by SDN Children’s Services during the reporting period and the assets and liabilities of entities controlled at the end of the reporting period. A controlled entity is any entity over which SDN Children’s Services has the power to govern the financial and operating policies so as to derive benefits from its activities.

There are two controlled entities, being SDN Children’s Services Building Fund and SDN Child and Family Services Pty Limited. Refer to Note E2 for further information on these entities. All inter-group balances and transactions, including any unrealised surpluses or deficits, have been eliminated on consolidation.

(iv) Intercompany loans

Where the loan is between a parent and subsidiary the interest income/discount is initially recognised as an increase in investments in the parent and an equity contribution in the subsidiary. Loans between the parent and the subsidiary are excluded on consolidation.

(v) Income tax

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

(vi) Goods and services tax (GST)

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

E6. Other required disclosures

(i) Auditor's remuneration

	2021	2020
	$	$
Remuneration of the auditor of the consolidated group for:		
- audit services	81,500	81,500
- assistance with the preparation of financial statements	14,500	14,500
	96,000	96,000

(ii) Cash flow information

	2021	2020
	$	$
Reconciliation of cash flow from operations with surplus/ (deficit) from ordinary activities after income tax:		
Surplus from ordinary activities after income tax	1,725,519	1,204,012
- Depreciation	2,174,937	2,334,521
- PPE Write off	353,789	—
- Expected credit loss	—	(30,423)
- Impairment of leasehold assets	—	610,115
Changes in assets and liabilities		
- Increase in trade and other receivables	757,119	(1,201,566)
- Decrease / (increase) in other assets	(583,231)	(55,238)
- Decrease in trade and other payables	792,813	2,818,869
- Decrease in provisions	1,172,308	(280,442)
Net cash used in operating activities	6,393,254	5,399,848

(iii) Events occurring after reporting date

The COVID-19 pandemic continues to have an impact on SDN. In late June 2021, the NSW government issued health orders that resulted in a lockdown for much of the state. Through the course of the lockdown there have been a number of business and government initiatives undertaken to support and retain children in early learning services. The period of the lockdown has extended until October 2021 and there remains uncertainty as to how COVID-19 will continue to impact SDN's services. The Board and Management continue to fine-tune their response to this evolving situation.

(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.

	2021	**2020**
	$	**$**
Statement of fundraising income and expenditure:		
Gross proceeds from fundraising	5,753	8,672
Less: total cost of fundraising	(1,696)	(2,301)
Net surplus from fundraising	4,057	6,371
Application of fundraising proceeds:		
Opening balance	31,609	43,497
Net proceeds from fundraising	4,057	6,371
Contributions towards equipment	(2,113)	(1,391)
Contributions towards childcare fees	—	(7,752)
Contributions towards excursions / entertainment	—	(1,780)
Contributions towards children's materials	(1,193)	(5,138)
Contributions towards playground enhancement	436	(1,930)
Contributions towards staffing costs	—	—
Contribution towards functions	(2,056)	(268)
Total fundraising reserve	30,740	31,609

Forms of Fundraising Appeals conducted for the year ended 30 June 2021

For the purpose of reporting under the requirements of the *Charitable Fundraising Act 1991,* the group has detailed the forms of fundraising activities conducted for the year ended 30 June 2021. 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	**2021**	**2021**
	$	**%**
Total cost of fundraising/gross proceeds from fundraising	1,696/5,753	29.5%
Net surplus from fundraising/gross proceeds from fundraising	4,057/5,753	70.5%

Comparisons	**2020**	**2020**
	$	**%**
Total cost of fundraising/gross proceeds from fundraising	2,301/8,672	26.5
Net surplus from fundraising/gross proceeds from fundraising	6,371/8,672	73.5

(v) **Company details**

The registered office and the principal place of business is:

SDN Children's Services
Level 2
86 – 90 Bay Street,
Broadway, NSW, 2007

E7. Change in accounting policy and correction of error

Change in accounting policy

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the April 2021 IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. The change in accounting policy resulted in a retrospective adjustment to reverse the intangible assets of $555,145 disclosed in 2020FY accounts (2020FY opening balance $701,985) which should have been expensed as the services were received. Historical financial information has been restated to account for the impact of the change as shown below.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Correction of prior year error

During the year ended 30 June 2021, a prior year error was discovered in respect to the appropriate accounting treatment of deferred grant revenue from the 2011 capital grant for Milperra construction with consideration to the application of Australian Accounting Standards. As a result, an amount of deferred grant revenue recognised in the prior year of $1,863,762 should have been reversed in the prior year to the opening retained earnings on transition to the new accounting standards AASB15 and AASB 1058. The error resulted in an understatement of net assets of $1,863,762 as shown below.

Restatement due to change in accounting policy and correction of prior year error

Historical financial information has been restated to account for the impact of the change in accounting policy and correction of prior year error, as follows:

Extract from statement of profit or loss and other comprehensive income:

	2020 $ (reported)	2020 $ (adjustment)	2020 $ (restated)
Administration expenses	(4,243,431)	(175,995)	(4,419,426)
Depreciation expenses	(2,334,521)	322,835	(2,011,686)
Surplus before income tax expense	**1,204,012**	146,840	**1,350,852**

Extract from statement of financial position

	2020 $ (reported)	2020 $ (adjustment)	2020 $ (restated)
Intangible assets	555,145	(555,145)	—
Total non-current assets	**42,600,432**	(555,145)	**42,045,287**
Total assets	**56,129,709**	(555,145)	**55,574,561**
Trade and other payables (non-current)	1,863,762	(1,863,762)	—
Total non-current liabilities	**3,898,746**	(1,863,762)	**2,034,984**
Total liabilities	**16,750,219**	(1,863,762)	**14,886,457**
Net assets	**39,379,487**	1,308,617	**40,688,104**
Equity			
Retained losses	10,626,967	1,308,617	11,935,584
Total equity	**39,379,487**	1,308,617	**40,688,104**

	2019	2019	2019
	$	$	$
	(reported)	(adjustment)	(restated)
Intangible assets	701,895	(701,985)	—
Total non-current assets	**41,627,207**	(701,985)	**40,925,222**
Total assets	**50,199,689**	(701,985)	**49,497,704**
Trade and other payables (non-current)	1,863,762	(1,863,762)	—
Total non-current liabilities	**2,674,666**	(1,863,762)	**810,904**
Total liabilities	**12,024,214**	(1,863,762)	**10,160,452**
Net assets	**38,175,475**	1,161,777	**39,337,252**
Equity			
Retained losses	9,411,067	1,161,777	10,572,844
Total equity	**38,175,475**	1,161,777	**39,377,252**

Declaration by Directors in respect of fundraising appeals

In the opinion of the Board of Directors of SDN Children's Services and its controlled entities:

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 group for the year ended 30 June 2021 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 group as at 30 June 2021, and in respect to fundraising appeals;

c. There are reasonable grounds to believe the group 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 group are appropriate and effective in accounting for income and expenditure for the year ended 30 June 2021.

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

....

Tamara Johnston
Director

29 October 2021

Directors' Declaration

The directors of SDN Children's Services and Controlled Entities 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:

   — 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

   — give a true and fair view of the group's financial position as at 30 June 2021 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 group 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:

....

Tamara Johnston
Director

29 October 2021

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Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of SDN Children's Services

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SDN Children's Services (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Children's Services, 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 Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Group 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.

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 responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

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/ar3.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 2021;

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

Rothwell

Elysia Rothwell
Director

Sydney, 29 October 2021

SDN Children's Services

Level 2, 86–90 Bay Street, Broadway, NSW 2007

View our full Annual Report at www.sdn.org.au/corporate-publications