

SDN Children's Services

Annual 20 Report 24

Your child,
supported by
our village.



sdn
children's services

ABN: 23 000 014 335

Welcome to our SDN village,
where everyone belongs.



About SDN

Page 4 to 11

Our Impact in 2023-24

Page 12 to 15

Financial Position

Page 16 to 23

Information on Directors

Page 24 to 29

Financial Statements

Page 30 to 63

SDN Children's Services

Annual Report 2024

ABN 23 000 014 335

t 1300 831 445

e sdn@sdn.org.au

Level 3, 19–37 Greek Street
Glebe NSW 2037

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

Directors & Officers

Directors

The Directors as at publication at 30 September 2024 were:

Helen Hamilton-James
President

Angela Donohoe
Director

Darren Mitchell
Director

Kirsty Albert
Director

Glenn Hughes
Director

Tom Taylor
Director

Linda Cassidy
Director

Tamara Johnston
Director

Barbara Wise
Director

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

CEO
Kay Turner

**Registered Office &
Principal Place of Business**

Auditor
BDO Audit Pty Ltd
Level 11
1 Margaret Street
Sydney NSW 2000

Company Secretary
Dianne Speakman

Level 3
19-37 Greek Street
Glebe NSW 2037

Senior Leadership Team

The Senior Leadership Team as at publication at 30 September 2024 was:

Kay Turner
Chief Executive Officer

Zarin Medhora
*Head of People and
Organisational Development*

Adrienne Jerram
*Director of Marketing
and Customer Experience*

Rod Nadwie-Smith
Head of Services

Glynis Chang
*Director of Organisational
Development*

Bryan Mattes
*Director of Environment, Social
and Governance (ESG)*

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

Sumit Chugani
A/Chief Financial Officer

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





Our Purpose

is to promote and enhance **the wellbeing, learning and development of children**, in inclusive environments.

Our Values

In carrying out our purpose we commit ourselves to being:



Trustworthy + Reliable

Inclusive + Respectful

Creative + Innovative

President's & CEO's *report*

The financial year ended 30 June 2024 was another year of challenge for the sectors that we operate in with ongoing workforce shortages, flattening demand from families for places in our centres, regulatory uncertainty and increased pressure on costs across the board. Despite this, **SDN supported more children and families than last year, particularly those facing additional challenges and ended the year with a small financial surplus.**

Our new five-year strategic plan was approved by the Board in October 2023 and kicked off in January 2024. The work to implement our new initiatives has reinvigorated our focus on our purpose – the wellbeing, learning and development of children in inclusive environments.

Our strategic plan commits us to building on the strengths, values, capabilities and assets of the whole SDN village to deliver safe, inclusive, evidence-informed and co-ordinated services that create lasting positive impact for children and young people and a legacy for the future. To deliver this strategy we have five key goals:

1. Our services for children and young people go **beyond baseline quality**
2. Our services are **desirable for families and carers**
3. We provide an **enriching experience** for our staff
4. We are **ethically sustainable**
5. We **extend our impact** through **advocacy** and **sharing our expertise**.

While COVID is still actively circulating in the community, it's been a relief to not have the distraction of dealing with it in our decision making and planning. We're now well past the financial and operational implications of COVID and can return to prioritising our work with children and young people, and supporting our staff in their practice and their professional development.

During 2022 and 2023, we responded to a number of federal and state government inquiries into the early childhood education and care sector and its workforce, and the review of the NDIS. Those inquiries published their reports during the year and some of the recommendations are slowly being implemented, such as from the NDIS review.

We expect policy and therefore funding changes from these reports, however many of those decisions are still up in the air and will be influenced by the upcoming Federal election likely in May 2025.

There have also been industrial relations reforms which will affect the sectors we work in as well as SDN directly. SDN has an Enterprise Agreement (EA) in place which provides above award pay and conditions, however the early childhood education sector is the first sector to be part of new industrial relations laws allowing multi-employer bargaining to create above-award pay and conditions across the sector more broadly. SDN can't participate in this because we already have an EA, and we are waiting to see the outcome of this bargaining to determine our own next steps.

The Federal Government has just announced its worker retention payment for staff in long day care centres. We're pleased that the importance of the work our staff do with children and young people is being recognised, but as an organisation we always need to balance this with affordability for families. Details have yet to be released at the time of writing but we

know this will be a two year grant to subsidise additional payments to long day care staff for 2025 and 2026 only. We currently have no detail on what will happen at the end of this two year grant. As a result we will need to manage staff expectations and there will continue to be upwards pressure on fees.

A major project for SDN over the past twelve months has been the implementation of a new wide-ranging human resources management system. This has been a significant technology transformation project. The first phase was the development and implementation of the core HR system, payroll and a new rostering system, all of which successfully went live on 11 July. The second phase will roll out over 2024-25, and will include integrated modules for recruitment and onboarding, performance reviews, and learning and development. As well as improving efficiencies for the People team by removing manual processes and workarounds, the system will be a much better experience for our leaders and improve transparency for all staff.

Against this background we've been doing some exciting work. For example, we've developed and piloted a framework for listening and responding to children that has allowed us to collect and share with the organisation information about what children like and don't like about being with us. While this is daily practice for our educators, it's been challenging to create a rigorous way

of collating this information meaningfully so children's voices can be heard at all levels of the organisation.

We're excited to have leased a new centre at Macquarie Park that will be opening in January 2025 and which will offer our Autism Specific Preschool program supporting transition to school. This is the first time we've been able to refurbish a centre using design principles and concepts of inclusion and neurodiversity and the environment has been designed to create a safe and welcoming space that supports the inclusion of every child. All of the staff at this centre will be recruited and trained for inclusion practice to support each child and family with an individual approach.

The SDN and CFS Boards continue to be engaged and energised by the opportunities for growth and change that we're encountering. SDN has a solid financial foundation built on the properties that we own, with professional management and governance structures and processes, and passionate and committed board members and staff.

The coming year will be challenging, but when is it ever not? Next year we'll be celebrating our 120th anniversary and our longevity rests on our commitment to our purpose, caring for the wellbeing of our people, our willingness to change and innovate, and prudent financial management.

We look forward to celebrating with you in 2025.



Helen Hamilton James
President

*Helen Hamilton-James, President;
and Kay Turner, Chief Executive Officer*

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 services, and programs funded by donations.

This report is our consolidated report for the 2023-24 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:

1

Early Learning

2

Children's Therapies

3

Family Preservation & Support



Our Impact *in* 2023-24

5,235

children and families
positively impacted.

This year we positively impacted 5,235 children and families, compared with 4,785 children last year. This is a 9% increase on last year, mainly driven through an increase in the number of children and families facing additional challenges who we supported.

Last year: 4,785

We provided 3,117 children with
high quality early learning through
our 26 centres.

3,117

children supported
through our 26 centres.

Last year: 3,007

137

additional children
facing challenges
supported.

We supported an additional 137 children facing challenges to be enrolled in mainstream settings.

Last year: 73

As at 30 June 2024, we were
providing early intervention services
for 593 children with disabilities or
developmental delays.

593

children with
disabilities
or developmental
delays.

Last year: 594

138

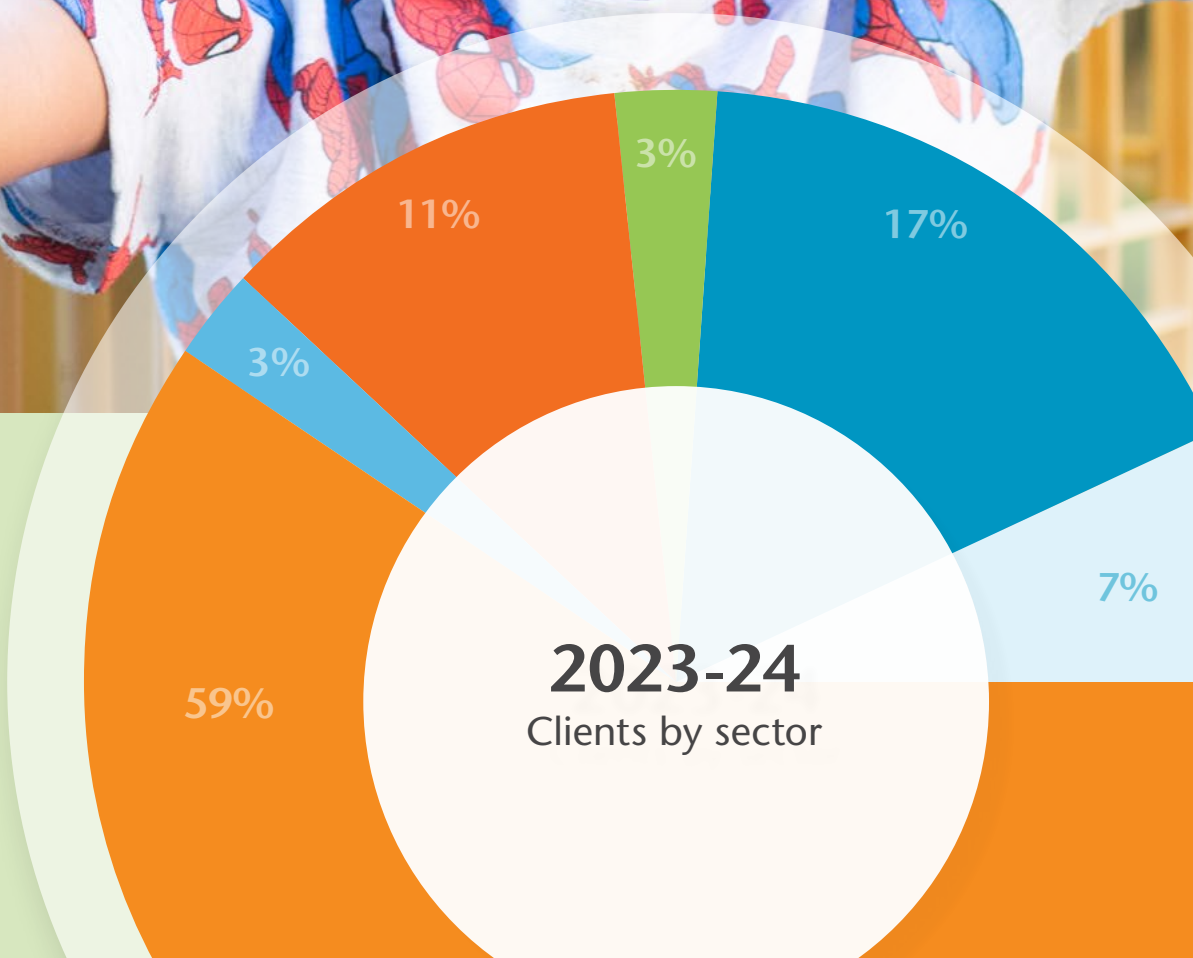
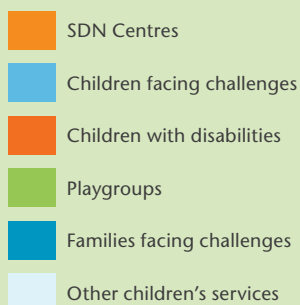
children in supported
playgroups and
activities.

Last year: 115

887

families facing
challenges supported.

Last year: 731



SDN actively supports the children's services sector to be

more inclusive of children.

In 2023-24, we supported
363 other service
providers through the
following programs:

(compared with 244 last year)

Family
Preservation

233
services

Last year: 114

Child &
Parenting
Program

22
agencies

Last year: 20



Playlinks

28
agencies

Last year: 45

Child & Family
Interagency
Inner & Eastern Sydney

74
agencies

Last year: 78

Start Strong
Pathways

6
agencies

Last year: 8

Financial Position

The SDN group maintained a **strong financial position** over a challenging year.

Net Assets
2023-24

\$49,576,250

2022-23 - \$49,256,939

Cash Equivalents
2023-24

\$14,717,154

2022-23 - \$13,031,659



Operating Result for 2023-24

The SDN group delivered a small surplus as utilisation levels remained flat and while revenue increased from higher fees expenditure also increased due to higher wages for staff so we could remain competitive.

2023-24 - Surplus of

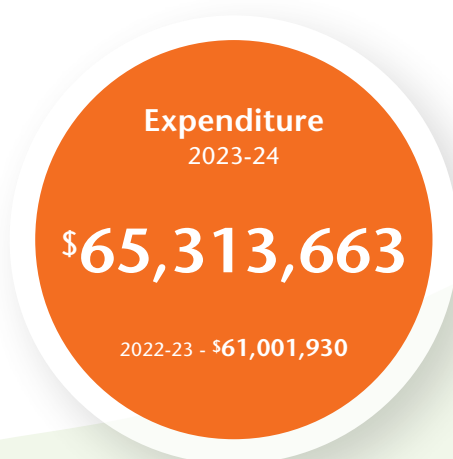
\$319,311

2022-23 - Surplus of \$666,451

The consolidated surplus includes SDN Child and Family Services Pty Limited, which reported a surplus of \$68,787 higher than the surplus of \$28,226 in 2022-23.

Revenue

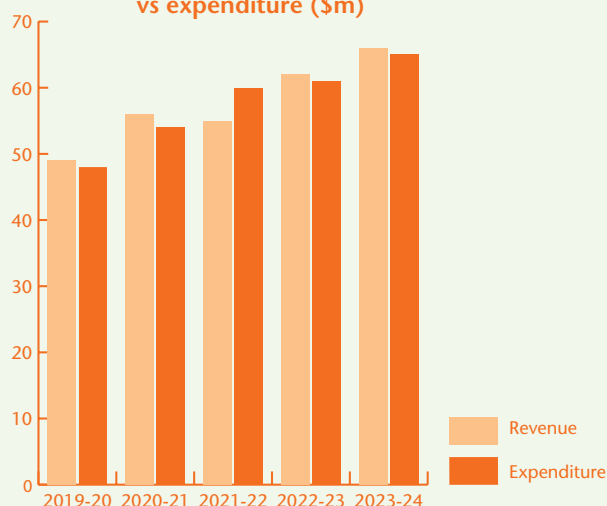
There was a strengthening of revenue when compared to the prior year's performance, with increases experienced across all revenue streams. The impact to utilisation from changes to family work patterns and expectations is ongoing as remote and hybrid working models endure for many families, as are the effects of cost of living pressures. Revenue from Children's Therapies services improved, this however remains a challenging market in which to be involved, with significant staffing challenges continuing to impact on service delivery. Revenue from the delivery of our government funded programs remained steady.



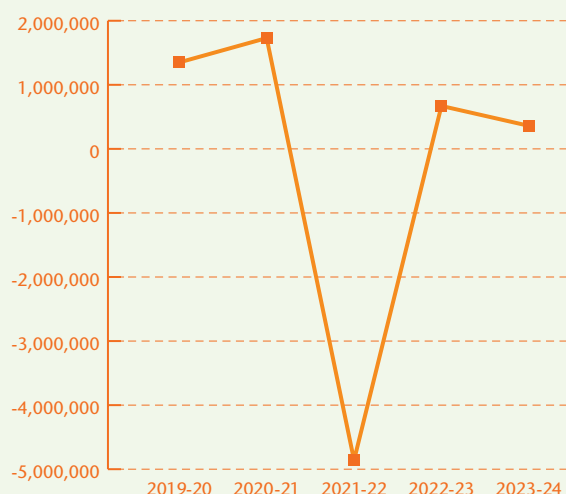
Expenditure

Expenditure was tightly controlled throughout the year. Staffing challenges continued to be experienced in all sectors of SDN operations as services competed in highly competitive job markets. This has an impact on staff turnover levels and an ongoing upward pressure on wages. The current inflationary and cost of living pressures have been felt across SDN's cost base with upward pressure on both direct and indirect expenses experienced throughout the year.

Five year consolidated revenue vs expenditure (\$m)



Consolidated surplus / (deficit) over 5 years



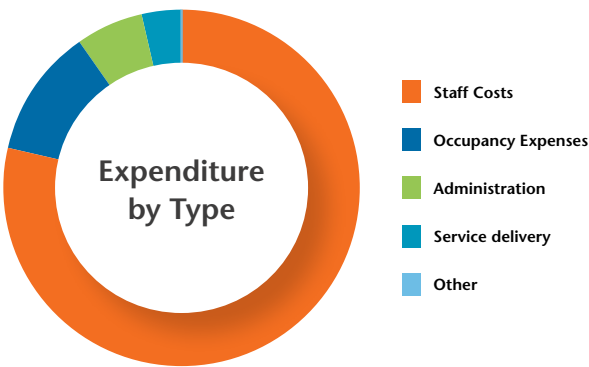
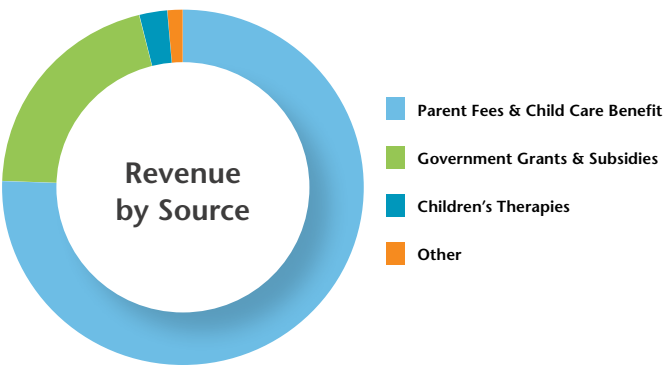


Revenue and Expenditure

Fees from our early Childhood Education and Care Centres continue to be our most significant source of revenue. Adding to changes in community expectations, lifestyles and work patterns are the sustained impacts of cost of living pressures, all of which are having an adverse impact on utilisation patterns across our centres.

During 2023-24, revenue from our fee-for-service therapies for children with a disability or developmental delay increased on prior year levels. We are seeing some payback from the capacity building focus on improvement of work practices, systems and processes.

Federal and state government funding is for the delivery of specific programs and projects resulting from successful tenders and grant applications. The majority of this comes from our delivery of the Family Preservation program.



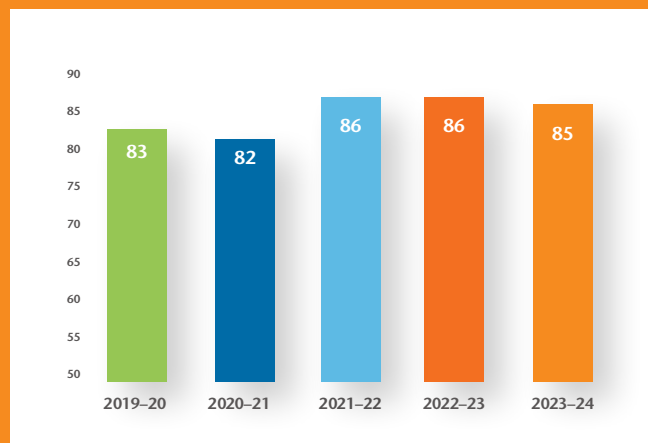
Children's Education and Care Centres

Revenue has increased over prior year levels, largely based on cost-driven fee increases. We continue to experience strong utilisation levels, albeit slightly down on last year's, in a market of sustained competition and supply with pressures on service delivery from market-induced resourcing challenges as we maintain our ongoing commitment to "beyond quality" delivery of early education outcomes via the SDN Way.



Centre Utilisation

as a % of approved places over 5 years



Revenue
2023-24

\$1,705,000

2022-23 - \$1,290,603

Children's Therapies

Fee-for-service revenue for Children's Therapies has increased on prior year levels as we see a payoff for the sustained focus on processes to improve back-end efficiencies and enhance the customer experience for the children and families supported. Recruitment and retention of experienced staff remains a key challenge and continues to contribute to a reduced level of service delivery that is not reflective of the demand for support for children and their families or carers.

Revenue
2023-24

\$9,687,840

2022-23 - \$9,204,868

Family Preservation & 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 Family Preservation program which is in its third year of the current commissioning contract. The NSW Government is currently redesigning this program and we expect to be tendering for a new program and contract for effect from 1 July 2025. Funding for our other programs was maintained during the year.

Other resources

Philanthropy

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

2023-24

\$87,811

2022-23 - \$85,695



Fundraising

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

2023-24
\$6,832

2022-23 - \$6,068

Scholarships for Children

During 2023-24 we supported:

23 children

with Aboriginal and Torres Strait Islander Scholarships totalling **\$138,000.**

Last year: 13

+

9 children

with Access and Inclusion Scholarships children totalling **\$54,000.**

Last year: 4

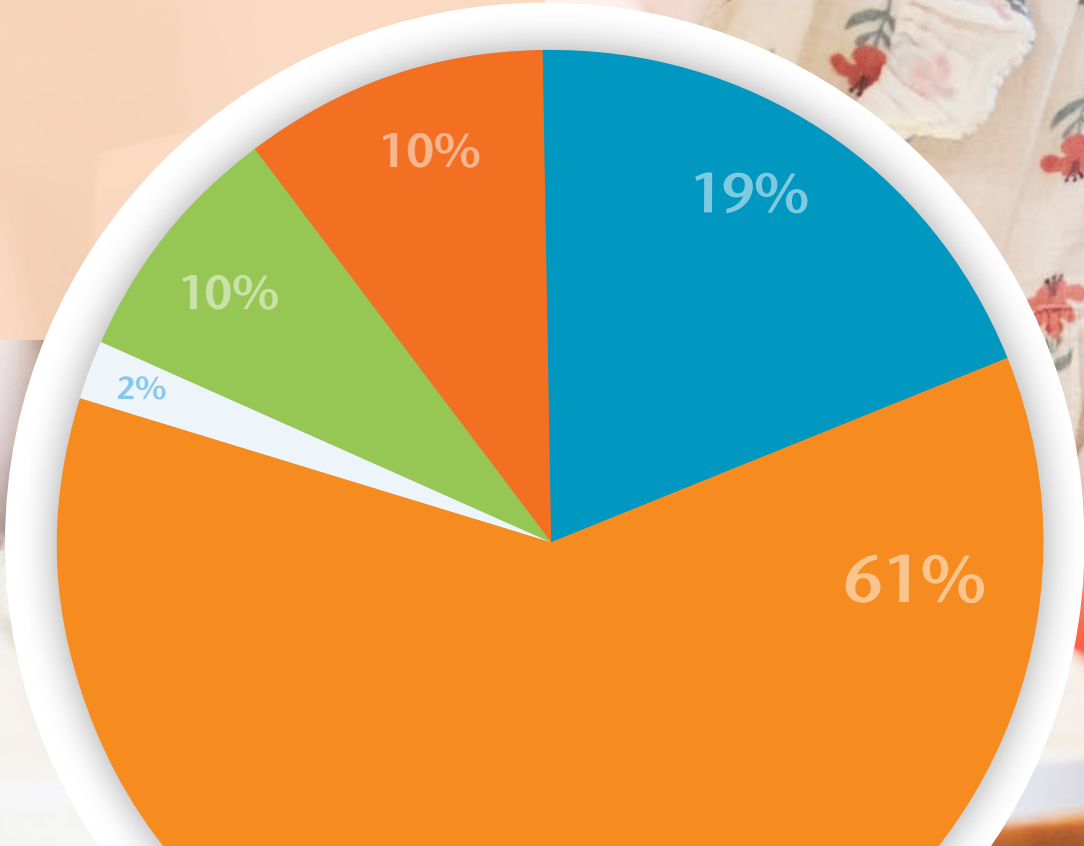


Our staff

As at June 2024, we employed 748 staff. Of these, 66% are permanent, 15% are on maximum term contracts (in line with our funded programs), and 19% are casual. This represents a decrease in the proportion of permanent staff compared with 2022-23 as we have more staff on maximum term contracts due to funding timings.

Staff by service stream 2023-24

- Centres (456)
- Children’s Therapies (15)
- Family Preservations and Family Support (64)
- Shared Services (72)
- Casuals (141)





Students and trainees

We supervised **124 students on placements in our services**, an increase from 104 in 2022-23 and includes a marked increase in the number of SDN staff (permanent and casual) requiring student placements. There were nine student placements who converted to casual employment.

Information on Directors

during 2023-24



Helen Hamilton-James

President from November 2022 to current

Member of Governance and Remuneration Committee
Director since July 2019

Bachelor of Law (Hons) (Aberd); Member of Chartered Accountants Australia and New Zealand; Graduate of the Australian Institute of Company Directors

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; Fellow of the 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

Angela Donohoe

Chair of the Property Committee
Member of Risk and Audit Committee
Director since June 2014

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

Julie Hourigan (resigned Nov 2023)

Director of SDN Child and Family Services Board
since June 2022

Master of Law (Human Rights and Social Justice) (UNSW);
Graduate Diploma in Legal Practice (CL); Diploma in Law (LPAB); Associate Diploma in Business (SIT)

Glenn Hughes

Member of Governance and Remuneration Committee
Member of the Property Committee
Director since August 2014

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

Tamara Johnston

Member of Risk and Audit Committee
Member of the Property 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

Raagni (Rani) Kumar

(resigned Dec 2023)

Member of Governance and Remuneration Committee
Director since August 2022

Masters in Cultural Studies (Syd); Graduate Certificate in International Development (Syd); Bachelor of Social Science in Economics & Social Policy University of New South Wales (UNSW)

Darren Mitchell

Chair of Research Ethics Committee
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
Member of the Property 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)

Directors' attendance at SDN Board Meetings for the 2023-24 financial year

Name	N° of Meetings Attended	N° of Meetings Eligible to Attend
Helen Hamilton-James <i>(President)</i>	12	13
Kirsty Albert	12	13
Linda Cassidy	11	13
Angela Donohoe	12	13
Julie Hourigan <i>(resigned November 2023)</i>	1	4
Glenn Hughes	12	13
Tamara Johnston	12	13
Raagni (Rani) Kumar <i>(resigned December 2023)</i>	2	7
Darren Mitchell	12	13
Tom Taylor	12	13
Barbara Wise	8	13

Work of Board Committees

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

Risk and Audit Committee

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

Governance and Remuneration Committee

This committee assists and advises the Boards in fulfilling its responsibilities in governing both organisations and the SDN group collectively, including consideration of board composition, Board renewal and development, CEO appointment, succession planning and review. This committee also works with the CEO to determine the overarching remuneration policy.

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. This Committee includes external committee members as well as at least one SDN board director.

Property Committee

This committee assists and advises the SDN Board in fulfilling its responsibilities in decision making regarding the proposed major development and/or divestment of specific properties owned by SDN.





Other items to report

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 8 and 9 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

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

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 group 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 group 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 group or any related entity.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2024 has been received and is on page 32.

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



Helen Hamilton-James

President

Dated: 23 October 2024



Financial Statements

Contents

Auditor's independence declaration	32
Consolidated statement of profit or loss and other Comprehensive income	33
Consolidated statement of financial position	34
Consolidated statement of changes in equity	35
Consolidated statement of cash flows	36
Notes to the financial statements	37
A. Where do our funds come from and how are they spent?	
A1. What are our sources of revenue?	37
A2. Where has the funding been spent?	39
B. What assets do we have and how do we manage them?	
B1. Non-current assets	40
C. How do we manage our risk and working capital?	
C1. Capital management	45
D. Appendices	
D1. Reserves and retained earnings	51
D2. Unrecognised items	52
D3. Impairment	52
E. Other information	
E1. Key management personnel compensation	53
E2. Controlled entities	54
E3. Related party transactions	54
E4. Parent entity disclosures	55
E5. Summary of significant accounting policies	55
E6. Other required disclosures	56
Directors' declaration	59
Independent auditor's report	60

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 2024, 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-profits 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

23 October 2024

Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Revenue	A1	65,632,974	61,668,381
Employee benefits expenses	A2	(50,759,111)	(47,818,890)
Occupancy expenses	A2	(2,859,440)	(3,064,100)
Administration expenses	A2	(5,603,654)	(4,331,228)
Service delivery expenses	A2	(3,096,930)	(2,781,394)
Depreciation expenses	A2	(2,994,528)	(3,006,318)
Surplus/(deficit) before income tax expense		319,311	666,451
Income tax expense	E5 (v)	—	—
Surplus/(deficit) for the year		319,311	666,451
Other comprehensive income, net of tax <i>Will not be reclassified to profit or loss</i>			
Revaluation gain on land and buildings	B1	—	6,042,890
Total comprehensive income for the year		319,311	6,709,341

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 2024

	Notes	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	C1 (ii)	14,717,154	13,031,659
Trade and other receivables		547,519	547,148
Financial assets		403,805	377,628
Other current assets		957,933	699,781
Total current assets		16,626,411	14,656,216
Non-current assets			
Property, plant and equipment	B1	51,318,845	51,590,848
Right-of-use-assets	B1	2,898,520	3,747,786
Total non-current assets		54,217,365	55,338,634
Total assets		70,843,776	69,994,850
Current liabilities			
Trade and other payables	C1 (iii)	9,958,854	8,346,255
Provisions	C1 (iv)	6,243,919	5,489,718
Lease liabilities - current	C1 (v)	1,122,142	1,365,132
Borrowings - current	C1 (vii)	322,767	300,899
Total current liabilities		17,647,682	15,502,004
Non-current liabilities			
Provisions	C1 (iv)	267,405	889,884
Lease liabilities - non-current	C1 (vi)	2,238,587	2,909,404
Borrowings - non-current	C1 (vii)	1,113,852	1,436,619
Total non-current liabilities		3,619,844	5,235,907
Total liabilities		21,267,526	20,737,911
Net assets		49,576,250	49,256,939
Equity			
Reserves	D1 (i) (ii)	39,790,387	39,787,829
Retained earnings	D1 (iii)	9,785,863	9,469,110
Total equity		49,576,250	49,256,939

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 2024

	Notes	Retained earnings	Asset revaluation reserve	Fundraising reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2022		8,801,972	33,720,611	25,015	42,547,598
Other comprehensive income		—	—	—	—
Revaluation gain		—	6,042,890	—	6,042,890
Surplus for the year		666,451	—	—	666,451
Total comprehensive income for the year		666,451	6,042,890	—	6,709,341
Transfers to and from reserves					
— fundraising reserve	D1 (i)	687	—	(687)	—
Balance at 30 June 2023		9,469,110	39,763,501	24,328	49,256,939
Other comprehensive income		—	—	—	—
Revaluation gain		—	—	—	—
Surplus for the year		319,311	—	—	319,311
Total comprehensive income for the year		319,311	—	—	319,311
Transfers to and from reserves					
— fundraising reserve	D1 (i)	(2,558)	—	2,558	—
Balance at 30 June 2024	D1	9,785,863	39,763,501	26,886	49,576,248

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 2024

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers and government (inclusive of GST)		72,532,713	68,600,919
Payments to suppliers and employees (inclusive of GST)		(67,455,537)	(66,404,142)
Interest paid		(276,556)	—
Net cash from/(used in) operating activities		4,800,620	2,196,777
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,363,173)	(805,218)
Proceeds from sale of property, plant and equipment		20,000	—
Payments for financial assets		(26,177)	(1,061)
Net cash used in investing activities		(1,369,350)	(806,279)
Cash flows from financing activities			
Repayments of lease liabilities		(1,444,876)	(1,307,540)
Repayment of borrowings		(300,899)	(281,050)
Net cash from/(used in) financing activities		(1,745,775)	(1,588,590)
Net decrease in cash held		1,685,995	(198,092)
Cash and cash equivalents at beginning of financial year		13,031,659	13,229,751
Cash and cash equivalents at end of financial year	C1 (ii)	14,717,154	13,031,659

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 scholarships and other revenue for student placement.

	2024	2023
	\$	\$
Rendering of services – parent fees and child care benefit	49,780,267	47,012,484
Rendering of services – children’s therapies	1,705,000	1,290,603
Grants and subsidies – Commonwealth government	352,487	344,611
Grants and subsidies – NSW state government	13,034,884	12,445,340
Grants and subsidies – ACT government	70,814	52,576
Donations for scholarships and centre operations	87,811	85,695
Other revenue	601,711	437,072
Total revenue	65,632,974	61,668,381

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 Income¹

	2024	2023
	\$	\$
SDN Child and Family Services Pty Limited — early learning fees ¹	82,711	80,135
SDN Children’s Services Incorporated Building Fund — general donations ²	5,100	5,560
Total donations	87,811	85,695

¹ Revenue from donations that are directed for use in payment of early learning fees.

² Donations disclosed as donations and bequests under revenue, which are general donations not directed towards a specific purpose.

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.

	2024	2023
	\$	\$
Provide high quality early childhood education and care services	49,540,020	46,557,298
Support children who face challenges	7,012,937	6,127,242
Strengthen families and communities	8,760,706	8,317,390
Total expenditure	65,313,663	61,001,930

The main categories of expenditure were as follows:

	2024	2023
	\$	\$
Superannuation expense	4,575,348	4,034,614
Other employee benefits expense	46,183,763	43,784,276
Employee benefits expense	50,759,111	47,818,890
Rent expenses	97,663	31,087
Repairs and maintenance expenses	2,678,703	2,932,047
Furniture and appliance expenses	83,074	100,966
Occupancy expenses	2,859,440	3,064,100
Operating expenditure	1,895,320	1,153,118
IT and equipment expense	1,363,117	1,225,519
Other expenses	488,473	35,434
Marketing expenses	610,160	625,433
Professional fees	920,740	846,433
Finance costs	325,844	445,291
Administration expenses	5,603,654	4,331,228
Childcare expenses	1,985,163	1,902,512
Consulting expenses	617,259	571,394
Training and Program expenses	494,508	307,488
Service delivery expenses	3,096,930	2,781,394
Depreciation expenses	2,994,528	3,006,318
Total expenditure	65,313,663	61,001,930

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

B1. Non-current assets

	2024	2023
Property, Plant and Equipment	\$	\$
Land and buildings		
Freehold land — at fair value	34,930,500	34,930,500
Total land	34,930,500	34,930,500
Buildings — at fair value	15,950,465	15,669,552
Less: accumulated depreciation	(3,031,123)	(2,263,342)
Capital works in progress — at cost	1,098,373	517,156
Total freehold and leasehold buildings	14,017,715	13,923,366
Plant and equipment — at cost	8,315,177	7,913,904
Less: accumulated depreciation	(6,026,027)	(5,176,922)
Total plant and equipment	2,289,150	2,736,982
Motor vehicle - at cost	99,771	—
Less: accumulated depreciation	(18,291)	—
Total motor vehicle	81,480	—
Total property, plant and equipment	51,318,845	51,590,848
	2024	2023
Right-of-use Assets	\$	\$
Right-of-use Assets – Land – at cost	441,804	441,084
Less: accumulated depreciation	(169,433)	(135,501)
	272,371	306,303
Right-of-use Assets – Property – at cost	4,911,193	4,464,581
Less: accumulated depreciation	(2,566,685)	(1,502,803)
	2,344,508	2,961,778
Right-of-use Assets – Office – at cost	222,008	252,127
Less: accumulated depreciation	(130,100)	(104,872)
	91,908	147,255

Right-of-use Assets – Car Park – at cost	124,867	124,867
Less: accumulated depreciation	(48,657)	(38,928)
	76,210	85,939
	2024	2023
Right-of-use Assets	\$	\$
Right-of-use Assets – Vehicle - at cost	190,350	190,351
Less: accumulated depreciation	(161,860)	(110,252)
	28,490	80,099
Right-of-use Assets – Equipment - at cost	309,699	309,699
Less: accumulated depreciation	(224,667)	(143,287)
	85,032	166,412
Total right-of-use Assets	2,898,520	3,747,786
Total non-current assets	54,217,365	55,338,634

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:

	<i>Property, plant and equipment</i>				
	Land	Buildings	Plant and Equipment	Motor Vehicle	Total
2024	\$	\$	\$	\$	\$
Balance at the beginning of year	34,930,500	13,923,366	2,736,982	—	51,590,848
Additions	—	862,130	401,272	99,771	1,363,173
Depreciation expense	—	(767,781)	(849,105)	(18,291)	(1,635,177)
Carrying amount at the end of year	34,930,500	14,017,715	2,289,150	81,480	51,318,845

	<i>Property, plant and equipment</i>			
	Land	Buildings	Plant and Equipment	Total
2023	\$	\$	\$	\$
Balance at the beginning of year	31,117,750	11,889,793	3,203,104	46,210,647
Additions	—	512,051	293,167	805,218
Depreciation expense	—	(708,618)	(759,289)	(1,467,907)
Revaluation gain	3,812,750	2,230,140	—	6,042,890
Carrying amount at the end of year	34,930,500	13,923,366	2,736,982	51,590,848

Asset revaluations

The freehold land and buildings were last independently valued as at 30 June 2023 by AssetVal Pty Ltd. The valuation was based on fair value and an increment of \$6,042,890 was recorded in other comprehensive income in the comparative period.

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 2023. The Directors have considered market data available and have concluded that there has not been a material movement in fair value since the revaluation date.

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 transferable;
- ▶ 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 licensed place;
- ▶ Net operating surplus; and
- ▶ Surplus capitalisation rate.

Impairment

The majority of non-current assets comprise land and buildings. The freehold land and buildings were independently valued at 30 June 2023 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% - 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.

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 surpluses.

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. The external debt held by the group at 30 June 2024 is \$1,436,619 (2023: \$1,737,518).

(i) Working Capital

	2024	2023
	\$	\$
Current assets	16,626,411	14,656,216
Current liabilities	17,647,682	15,502,004
Net current (liabilities)	(1,021,271)	(845,788)

Refer to going concern considerations in note E5(i).

(ii) Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	7,843,742	10,160,848
Short-term bank deposits	6,873,412	2,870,811
	14,717,154	13,031,659

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**

	2024	2023
	\$	\$
Current		
Trade payables	558,957	339,285
Sundry payables and accrued expenses	7,131,703	6,045,003
Unearned income – grant revenue	1,633,989	1,330,456
Unearned income – child care fees in advance	634,205	631,511
	9,958,854	8,346,255

Financial liabilities at amortised cost classified as trade and other payables

	2024	2023
	\$	\$
Trade and other payables:		
Total current	9,958,854	8,346,255
Less: unearned income	(2,268,194)	(1,961,967)
Financial liabilities as trade and other payables	7,690,660	6,384,288

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 2024 \$735,940 (2023: \$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

	2024	2023
	\$	\$
Current:		
Annual leave	3,083,923	2,908,100
Long service leave	2,178,879	2,242,033
Rostered days off	176,882	185,584
Contract termination	650,234	—
Make-good	154,001	154,001
	6,243,919	5,489,718
Non-current:		
Long service leave	218,052	184,882
Contract termination	—	655,649
Make-good	49,353	49,353
	267,405	889,884
	6,511,324	6,379,602

Movement in provisions

	2024	2023
	\$	\$
Make-good		
Balance brought forward	203,354	367,645
Reversals	—	(164,291)
Balance carried forward	203,354	203,354
Contract termination		
Balance brought forward	655,649	707,239
Reversals	(5,415)	(51,590)
Balance carried forward	650,234	655,649

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 \$550,290 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 as there is a legal and constructive obligation at the reporting date. 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 contractually 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

	2024	2023
	\$	\$
Lease Liabilities – Land	30,211	27,623
Lease Liabilities – Property	960,550	1,125,677
Lease Liabilities – Office	74,387	64,088
Lease Liabilities – Car Park	8,777	8,026
Lease Liabilities – Equipment	22,081	86,799
Lease Liabilities – Vehicle	26,136	52,919
	1,122,142	1,365,132

(vi) Lease liabilities – Non - Current

	2024	2023
	\$	\$
Lease Liabilities – Land	289,248	319,459
Lease Liabilities – Property	1,773,855	2,294,073
Lease Liabilities – Office	25,637	89,031
Lease Liabilities – Car Park	82,539	91,316
Lease Liabilities – Equipment	64,881	86,962
Lease Liabilities – Vehicle	2,427	28,563
	2,238,587	2,909,404

Future lease payments

Future lease payments are due as follows.

	2024	2023
	\$	\$
Within one year	1,122,142	1,365,132
One to five years	2,049,463	2,684,530
More than five years	189,124	224,874
	3,362,753	4,274,536

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 to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(vii) Borrowings

	2024	2023
	\$	\$
Bank loans (current)	322,767	300,899
Bank loans (non-current)	1,113,852	1,436,619
Total borrowings	1,436,619	1,737,518

On 28 June 2022, the Group entered into a loan to finance the purchase of furniture and fit outs for the Greek Street office. The term of the loan is 72 months and the interest rate is 6.95%. There are no covenants related to the loan.

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 method.

D1. Reserves and retained earnings

(i) Reserves and retained earnings

	2024	2023
	\$	\$
Fundraising reserve		
Opening balance	24,328	25,015
Transfers to fundraising reserve	2,558	(687)
Closing balance	26,886	24,328

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

	2024	2023
	\$	\$
Asset revaluation reserve	39,763,501	39,763,501

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

	2024	2023
	\$	\$
Opening balance	9,469,110	8,801,972
Surplus/(deficit) during the year	319,311	666,451
Transfers from fundraising reserve	(2,558)	687
Closing balance	9,785,863	9,469,110

D2. Unrecognised items

Contingent liabilities and contingent assets

Contingent Assets

There were no contingent assets as at 30 June 2024 (2023: \$nil).

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 Communities and Justice. 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 \$564,660 (2023: \$490,410). SDN Child and Family Services Pty Limited has provided performance and rental guarantees amounting to \$69,575 (2023: \$47,575).

D3. Impairment

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.

E. Other Information

E1. Key management personnel compensation

Key management personnel (as at 30 June 2024)

Directors

Helen Hamilton-James (*President*)

Kirsty Albert

Linda Cassidy

Angela Donohoe

Julie Hourigan (up to November 2023)

Glenn Hughes

Tamara Johnston

Raagni (Rani) Kumar (up to December 2023)

Darren Mitchell

Thomas 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 (up to 28 June 2024)

Dianne Speakman, Head of Communication & Corporate Affairs, Company Secretary

Zarin Medhora, Head of People & Organisational Development

Rodney Nadwie-Smith, Head of Services

Glynis Chang, Director of Organisational Development

Adrienne Jerram, Director of Marketing and Customer Experience

Sumit Chugani, Finance Director (from November 2023)

Joy Edwards, Director People & Performance (February 2024 to August 2024)

Bryan Mattes, Director of Environment, Social & Governance (ESG)

	Short-term benefits	Post-employment benefits	Other long term benefits	Termination Benefits	Total
	\$	\$	\$	\$	\$
2024					
Total compensation	1,787,066	173,521	169,805	—	2,130,393
2023					
Total compensation	1,673,217	151,984	152,342	—	1,977,543

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 \$130,134 (2023: \$124,319).

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 2024, trade payables in SDN Children's Services included an amount of \$231,992 (2023: \$267,935) payable to its subsidiary, SDN Child and Family Services Pty Limited. The trade receivables balance included an amount receivable of \$308,086 (2023: \$282,839) 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 8.27% per annum (2023: 4.77%). No repayments of capital have been made.

E4. Parent entity disclosures

Parent entity disclosure

	2024	2023
	\$	\$
Current assets	13,510,413	11,452,778
Total assets	66,839,573	66,042,161
Current liabilities	14,351,832	13,301,908
Total liabilities	17,810,995	17,263,163
Equity	49,028,578	48,778,998
Surplus/(deficit) for the year	247,712	638,748
Other comprehensive income		
Revaluation gain on land and buildings	—	5,809,600
Total comprehensive income for the year	247,712	6,448,348

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

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for-profit oriented entities.

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" and "loss" is not applicable and the term "surplus" and "deficit" is used where required. The financial statements are presented in Australian Dollars.

Going Concern Basis

As disclosed in the consolidated financial statements, the group incurred a profit after tax of \$319,311 for the year ended 30 June 2024. As at 30 June 2024, the Group also had net current liabilities of \$1,021,271 and incurred net cash inflows for operating activities of \$4,800,620. 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:

- ▶ Cashflow projections demonstrate that there is sufficient working capital to maintain a positive cash balance;
- ▶ The group holds cash reserves at 30 June 2024 of \$14,717,154; and
- ▶ The group holds unencumbered property assets of \$40,512,402 which can be used as security on an operating overdraft facility if required.

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

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

(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 is one controlled entity, being SDN Child and Family Services Pty Limited. Refer to Note E2 for further information. 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

	2024	2023
	\$	\$
Remuneration of the auditor of the consolidated group for:		
- audit services	93,000	89,000
- assistance with the preparation of financial statements	17,000	16,000
	110,000	105,000

(ii) 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 group, the results of those operations, or the state of affairs of the group in future financial years.

(iii) 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.

	2024	2023
	\$	\$
Statement of fundraising income and expenditure:		
Gross proceeds from fundraising	6,832	6,068
Less: total cost of fundraising	(2,371)	(2,359)
Net surplus from fundraising	4,462	3,709
Application of fundraising proceeds:		
Opening balance	24,328	25,015
Net proceeds from fundraising	4,462	3,709
Contributions towards equipment	—	(2,587)
Contributions towards childcare fees	—	—
Contributions towards excursions / entertainment	—	—
Contributions towards children's materials	(794)	(1,604)
Contributions towards playground enhancement	—	—
Contributions towards staffing costs	—	—
Contributions towards donation (other)	(210)	—
Contribution towards functions	(900)	(205)
Total fundraising reserve	26,886	24,328

Forms of Fundraising Appeals conducted for the year ended 30 June 2023

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 2024. 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	2024	2024
	\$	%
Total cost of fundraising/gross proceeds from fundraising	2,371/6,832	35%
Net surplus from fundraising/gross proceeds from fundraising	4,462/6,832	65%
Comparisons	2023	2023
	\$	%
Total cost of fundraising/gross proceeds from fundraising	2,359/6,068	39%
Net surplus from fundraising/gross proceeds from fundraising	3,709/6,068	61%

(iv) Company details

The registered office and the principal place of business is:

SDN Children's Services

Level 3
19-37 Greek Street
Glebe NSW 2037

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:

1. The consolidated statement of profit and loss and other comprehensive income gives a true and fair view of all income and expenditure of SDN Children's Services with respect to fundraising appeals; and
2. The consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals; and
3. The provisions of the Charitable Fundraising Act 1991 (NSW), the regulations under the Act and the conditions attached to the authority have been complied with; and
4. The internal controls exercised by SDN Children's Services are appropriate and effective in accounting for all income received and applied by SDN Children's Services from any of its fundraising appeals.

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



.....
Helen Hamilton-James
President

23 October 2024

Director's Declaration for the year ended 30 June 2024

In the directors' opinion:

1. the attached financial statements and notes comply with the Australian Accounting Standards - Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
3. 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:



.....
Helen Hamilton-James
President

23 October 2024

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 2024, 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 material accounting policy information, 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 2024 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022*.

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

The responsible entities of the registered entity 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 – Simplified Disclosures 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.

The responsible entities of the registered entity are responsible for overseeing the Group'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.

BDO Audit Pty Ltd



Elysia Rothwell
Director

Sydney, 23 October 2024



SDN Acknowledges

the unique position of Aboriginal and Torres Strait Islander peoples in our culture and history, and expresses this by recognising the Traditional Custodians of the many lands our services are situated on, and paying respect to Elders, past and present.



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