

KU Children's Services

ABN 89 000 006 137

Financial Report for the
Year Ended 31 December 2023

Annual Financial Report for the Financial Year Ended 31 December 2023

Contents

| | Page |
|---|------|
| Directors' Report | 3 |
| Auditor's Independence Declaration | 7 |
| Independent Auditor's Report | 8 |
| Directors' Declaration | 11 |
| Declaration by Board of Directors in Respect of Fundraising Appeals | 12 |
| Statement of Profit or Loss and Other Comprehensive Income | 13 |
| Statement of Financial Position | 14 |
| Statement of Changes in Equity | 15 |
| Statement of Cash Flows | 16 |
| Notes to the Financial Statements | 17 |

Directors' Report

The Directors present their report on KU Children's Services (the company) for the financial year ended 31 December 2023.

Operating Result and Cash Flow

KU's finances are overseen by KU's Board of Directors and KU's Audit & Risk Management Committee who review the financial reports regularly and provide strategic direction to KU management.

KU is a financially viable organisation with a strong balance sheet and adequate reserves. KU's long history of responsible financial management confirms KU is financially sound and progressive with a solid balance sheet and cash reserves, enabling it to pursue its strategic objectives. KU has no subsidiary or related organisations.

At 31 December 2023, KU had a net surplus of \$808,482 (2022: deficit \$1,503,830), total assets of \$ 119,422,373 (2022: \$98,614,611) and net assets of \$ 39,009,778 (2022: \$38,201,296).

Short and Long Term Objectives of the Company

KU Children's Services has been operating continually since 1895 and has a strong commitment to the provision of high quality early education and care, inclusion and social responsibility.

The KU Strategic Plan guided operations during 2023 which sets out key priorities (see 'Our Pillars') for the organisation. KU's ongoing focus on those pillars ensured the organisational objectives continued to be pursued and achieved.

Directors' Report (continued)

Our Vision

Is to lead and inspire young children's learning for life.

Our Purpose

Is to partner with families and communities to nurture children's learning, development and wellbeing.

Our Pillars

1. Educational excellence
2. Thriving workforce
3. Financially sustainable
4. Social responsibility

Principal Activities of the Company

The principal activities of KU during the current year have been the provision of early childhood education and care services. There were no changes to the principal activities during the year.

Performance Measurement

The Annual Report of the Company details the achievements and performance over the past year measured against the strategic goals. KU continued to achieve and perform strongly when measured against these strategic goals. KU's key performance indicators are utilisation, staff turnover and financial performance of individual services.

Company Limited by Guarantee

The Company is incorporated as a company limited by guarantee. In accordance with the Constitution, every member of the Company undertakes to contribute \$2 to the assets of the Company in the event of it being wound up, while he/she is a member or within one year after he/she ceases to be a member.

The Company has 3,553 members (2022: 2,526 members).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Directors' Report (continued)

Directors

The names of the Directors of the Company who have held office during or since the end of the financial year are:

| Director's Name & Qualifications | Special Responsibilities |
|---|--|
| Sema Whittle B.Bus, M.Mngt, GAICD | Chair of the Board Board Member Chair of People & Remuneration Committee |
| Helen Argiris BCom (Accounting, Finance & Computer Technology), Fellow of CAANZ, UNSW Business School Alumni Leader, GAICD | Board Member Deputy Chair of the Board (from 30 May 2023 to 21 February 2024) Member of Education Committee (until 30 May 2023) Chair of Audit & Risk Management Committee (from 30 May 2023 to 21 February 2024) Member of People & Remuneration Committee (from 30 May 2023 to 21 February 2024) |
| Norman Pack BCom (Accounting & Finance), MBA, Fellow with Society of Accountants (FCPA), GAICD | Board Member (from 30 May 2023) Deputy Chair of the Board (from 21 February 2024) Chair of Audit & Risk Management Committee (from 21 February 2024) Member of Audit & Risk Management Committee (from 30 May 2023 to 21 February 2024) Member of Education Committee (from 30 May 2023) |
| Prof Patricia Eadie BSpeech Pathology, Grad Dip, PhD, Fellow of Speech Pathology Australia | Board Member Member of Education Committee |
| Joshua Gilbert BComm (Accounting), RG146 Graduate Diploma, MAICD | Board Member Member of KU Marcia Burgess Foundation Committee |
| Prof Linda Harrison BSc (Hons), MSc, DipT (EC), MEd, PhD (Developmental Psychology), MAICD | Board Member Chair of Education Committee (from 30 May 2023) |
| Elisa Holmes LLB (Hons), BA, BCL, MPhil, GAICD | Board Member (from 30 May 2023) Member of KU Marcia Burgess Foundation Committee (from 30 May 2023) |
| Elizabeth Hristoforidis BCom (Marketing), LLB, MLM, GAICD | Board Member Chair of KU Marcia Burgess Foundation Committee Member of People & Remuneration Committee Member of Audit & Risk Management Committee (from 21 February 2024) |
| Ana Marinkovic BSc, MBA, MAICD | Board Member (from 30 May 2023) Member of Audit & Risk Management Committee (from 30 May 2023) |
| Peter Roberts B.Fin.Admin, Fellow of Institute of Chartered Accountants (FCA), GAICD, Graduate Diploma - Securities Institute | Deputy Chair of the Board (until 30 May 2023) Board Member (until 30 May 2023) Chair of Audit & Risk Management Committee (until 30 May 2023) Member of People & Remuneration Committee (until 30 May 2023) |
| Tamara Robinson BCom (Hons) | Board Member (until 30 May 2023) Member of KU Marcia Burgess Foundation Committee (until 30 May 2023) |
| Janet Verden BCom (Marketing), GAICD | Board Member (until 30 May 2023) Chair of Education Committee (until 30 May 2023) Member of Audit & Risk Management Committee (until 30 May 2023) |

Directors' Report (continued)

Directors' Attendance at Board Meetings (1 January to 31 December 2023)

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

| | Board of Directors | | Audit & Risk Management Committee | | Education Committee | | People & Remuneration Committee | | KU Marcia Burgess Foundation Committee | |
|-------------------------|--------------------|---|-----------------------------------|---|---------------------|---|---------------------------------|---|--|---|
| | A | B | A | B | A | B | A | B | A | B |
| Sema Whittle | 9 | 8 | | | | | 4 | 4 | | |
| Helen Argiris | 9 | 7 | 8 | 8 | 1 | 1 | 3 | 3 | | |
| Norman Pack | 6 | 5 | 5 | 5 | 1 | 1 | | | | |
| Prof Patricia Eadie | 9 | 7 | | | 2 | 2 | | | | |
| Joshua Gilbert | 9 | 7 | | | | | | | 3 | 3 |
| Prof Linda Harrison | 9 | 8 | | | 2 | 2 | | | | |
| Elisa Holmes | 6 | 6 | | | | | | | 2 | 1 |
| Elizabeth Hristoforidis | 9 | 7 | | | | | 4 | 4 | 3 | 3 |
| Ana Marinkovic | 6 | 5 | 5 | 3 | | | | | | |
| Peter Roberts * | 3 | 2 | 3 | 3 | | | 1 | 1 | | |
| Tamara Robinson * | 3 | 3 | | | | | | | 1 | 1 |
| Janet Verden * | 3 | 3 | 3 | 3 | 1 | 1 | | | | |

A Meetings held during the year Director was a member of Board or Committee.

B Meetings attended by Director during year Director was a member of Board or Committee.

Please note:

* Director retired from the Board and Committee(s) at AGM

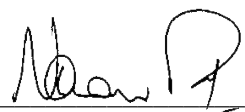
The auditors' independence declaration is included on page 7 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Sema Whittle
Chair, Board of Directors
Sydney, 26 March 2024



Norman Pack
Chair, Audit & Risk Management Committee
Sydney, 26 March 2024

Auditor's Independence Declaration to the Directors of KU Children's Services

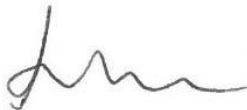
I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012*, in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Crowe Audit Australia

Crowe Audit Australia



Alison Swansborough
Partner

26 March 2024
Sydney

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.

© 2024 Findex (Aust) Pty Ltd

Independent Auditor's Report to the Members of KU Children's Services

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KU Children's Services (the "Company"), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the declaration by the Board of Directors.

In our opinion, the accompanying financial report of the Company is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year then ended;
- (b) and complying with Australian Accounting Standards - Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 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 Company in accordance with the auditor independence requirements of the 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.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.
© 2024 Findex (Aust) Pty Ltd

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2023, 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, 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.

Other Matter

The financial report of the Company for the year ended 31 December 2022 was audited by another auditor who expressed an unmodified opinion on the financial report on 20 April 2023.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

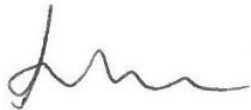
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Crowe Audit Australia

Crowe Audit Australia



Alison Swansborough

Partner

26 March 2024
Sydney

Directors' Declaration

The Directors declare that:

- (i) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- (ii) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 (Cth) and Charitable Fundraising Act 1991, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Directors made pursuant to S.60.15 of the Australian Charities and Not-for-profits Commission Regulations 2022.

On behalf of the Directors



Sema Whittle
Chair, Board of Directors
Sydney, 26 March 2024



Norman Pack
Chair, Audit & Risk Management Committee
Sydney, 26 March 2024

Declaration by Board of Directors in Respect of Fundraising Appeals

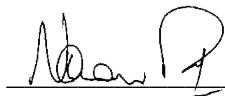
In the opinion of the Board of Directors:

- (i) the financial statements give a true and fair view of all income and expenditure of the Company with respect to fundraising appeals;
- (ii) the Statement of Financial Position gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (iii) the provisions of the Charitable Fundraising Act 1991 and the regulations under that Act and the conditions attached to the authority are complied with; and
- (iv) the internal controls exercised by the Company are appropriate and effective in accounting for all income received.

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



Sema Whittle
Chair, Board of Directors
Sydney, 26 March 2024



Norman Pack
Chair, Audit & Risk Management Committee
Sydney, 26 March 2024

**Statement of Profit or Loss and
Other Comprehensive Income
for the Year Ended 31 December 2023**

| | Note | 2023 \$ | 2022 \$ |
|---|---------|-----------------------|---------------------------|
| Revenue from fees | 5 (i) | 58,474,331 | 57,410,441 |
| Revenue from non-capital government funding | 5 (ii) | 100,619,437 | 85,537,446 |
| Other revenue | 5 (iii) | 7,128,989 | 5,658,019 |
| | | <u>166,222,757</u> | <u>148,605,906</u> |
| Employee costs | | 127,811,748 | 118,559,073 |
| Operational expenses | | 13,257,927 | 10,305,066 |
| Occupancy expenses | | 6,263,766 | 6,249,410 |
| Depreciation | 8 | 2,359,328 | 2,911,916 |
| Amortisation | | 2,389,456 | 2,014,569 |
| Depreciation & amortisation | 5 (v) | 4,748,784 | 4,926,485 |
| Administrative expenses | | 6,716,133 | 6,125,464 |
| Repairs & maintenance | | 2,781,714 | 2,200,211 |
| Marketing expenses | | 576,187 | 699,691 |
| Finance costs | 5 (v) | 214,649 | 228,674 |
| Disposals and Asset Write-off | | 1,835,150 | - |
| Other expenses | | 1,441,322 | 1,230,478 |
| | | <u>165,647,380</u> | <u>150,524,552</u> |
| Surplus (deficit) from ordinary operations | | <u>575,377</u> | <u>(1,918,646)</u> |
| Other Income | | | |
| Government capital grant funding | 5 (iv) | 233,105 | 414,816 |
| Surplus (deficit) for the year | | <u>808,482</u> | <u>(1,503,830)</u> |
| Total comprehensive income for the year | | <u>808,482</u> | <u>(1,503,830)</u> |

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

Statement of Financial Position as at 31 December 2023

| | Note | 2023 \$ | 2022 \$ |
|--------------------------------|------|--------------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 19 | 63,915,364 | 50,019,155 |
| Term deposits | 20 | 7,500,000 | 2,500,000 |
| Trade and other receivables | 6 | 3,577,498 | 1,900,636 |
| Other assets | 7 | 1,437,648 | 951,348 |
| Total current assets | | <u>76,430,510</u> | <u>55,371,139</u> |
| Non-current assets | | | |
| Right-of-use assets | 15 | 4,461,202 | 3,276,661 |
| Property, plant and equipment | 8 | 38,530,661 | 39,966,811 |
| Total non-current assets | | <u>42,991,863</u> | <u>43,243,472</u> |
| Total assets | | <u>119,422,373</u> | <u>98,614,611</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 22,546,399 | 15,667,933 |
| Lease Liabilities | 10 | 1,980,385 | 2,479,790 |
| Unearned income | 11 | 28,983,466 | 17,100,056 |
| Provisions | 12 | 20,322,449 | 19,619,561 |
| Total current liabilities | | <u>73,832,699</u> | <u>54,867,340</u> |
| Non-current liabilities | | | |
| Non current provisions | 12 | 3,295,599 | 3,056,036 |
| Lease Liabilities | 10 | 3,284,297 | 2,489,940 |
| Total non-current liabilities | | <u>6,579,896</u> | <u>5,545,976</u> |
| Total liabilities | | <u>80,412,595</u> | <u>60,413,316</u> |
| Net Assets | | <u>39,009,778</u> | <u>38,201,296</u> |
| Equity | | | |
| Retained Earnings | | | |
| General funds | | 37,971,822 | 37,163,340 |
| Fundraising reserve | | 1,037,956 | 1,037,956 |
| Total Retained Earnings | | <u>39,009,778</u> | <u>38,201,296</u> |

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

Statement of Changes in Equity for the Year Ended 31 December 2023

| | General Funds | Fundraising Reserve | Total |
|----------------------------------|--------------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ |
| Balance at 1 January 2022 | 38,665,097 | 1,040,029 | 39,705,126 |
| Deficit for the year | (1,503,830) | - | (1,503,830) |
| Transfer from/(to) general funds | 2,073 | (2,073) | - |
| Balance at 31 December 2022 | 37,163,340 | 1,037,956 | 38,201,296 |
| Balance at 1 January 2023 | 37,163,340 | 1,037,956 | 38,201,296 |
| Surplus for the year | 808,482 | - | 808,482 |
| Balance at 31 December 2023 | 37,971,822 | 1,037,956 | 39,009,778 |

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

Statement of Cash Flows Year Ended 31 December 2023

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers, government bodies and centres | 138,382,899 | 120,299,530 |
| Receipts from Brokered Programs | 36,076,399 | 27,756,567 |
| Payments to suppliers and employees | (122,717,844) | (117,913,228) |
| Allocations to recipients of brokered programs | (28,828,746) | (27,116,405) |
| | <hr/> | <hr/> |
| Net cash generated by operating activities | 22,912,709 | 3,026,464 |
| Cash flows from investing activities | | |
| Payment for property, plant and equipment | (2,791,241) | (3,473,840) |
| Receipts from government capital grants | 252,372 | 984,928 |
| Interest received | 1,624,025 | 492,074 |
| Finance costs | (19,497) | (29,198) |
| Investments - term deposits | (5,000,000) | (2,000,000) |
| Proceeds from disposal of fixed assets | 1,000 | - |
| | <hr/> | <hr/> |
| Net cash (utilised in)/generated by investing activities | (5,933,342) | (4,026,035) |
| Cash flows from financing activities | | |
| Payment of lease liabilities | (3,083,158) | (2,370,877) |
| | <hr/> | <hr/> |
| Net cash (utilised)/generated by financing activities | (3,083,158) | (2,370,877) |
| Net increase in cash and cash equivalents | 13,896,209 | (3,370,448) |
| Cash and cash equivalents at the beginning of the financial year | 50,019,155 | 53,389,604 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial period | 63,915,364 | 50,019,156 |

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

Notes to the Financial Statements for the Year Ended 31 December 2023

1. Corporate Information

The financial statements of KU Children's Services (the Company) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 26 March 2024.

The Company is incorporated as a company limited by guarantee. The financial statements are presented in Australian dollars, which is KU Children's Services functional and presentation currency.

2. Application of new and revised Australian Accounting Standards

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2023.

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

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies

Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act 2012, the Charitable Fundraising Act 1991, and associated regulations as appropriate for the not-for-profit oriented entities.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. The following material accounting policies have been adopted in the preparation and presentation of the financial report:

a) Property, plant and equipment

Land and buildings, leasehold improvements, furniture and office equipment, motor vehicles and computers are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on furniture and office equipment, motor vehicles and computers, including freehold and leasehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

a) Property, plant and equipment (*continued*)

The useful life of an asset is determined by Management in line with guidelines as specified in AASB 16, Property, Plant and Equipment. The below estimates of useful life per class of asset are provided as a guide only. The actual estimation and application of the useful life and salvage value of the asset is a reasonable judgement made by Management based on the experience of the entity with similar assets.

The following estimated useful lives are used as a guide in the calculation of depreciation:

- Buildings owned: 33-50 years
- Buildings fixtures and fittings: 5-40 years
- Leasehold improvements: lease term or 5-15 years
- Furniture and fittings: 5-40 years
- Computers and hardware: 3-5 years
- Motor vehicles: 4-10 years

The Company reviews its estimate of the useful lives of leasehold improvements at each reporting date, based on the period over which an asset is expected to be available for use by the Company. Land is carried at cost and is not depreciated.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and rostered days off when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

b) Employee benefits (*continued*)

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

The Company pays contributions to certain defined contribution plans. Contributions are recognised in profit or loss in the periods during which services are rendered by employees.

c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

d) Financial Instruments

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Impairment of trade and other receivables

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

e) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item of plant and equipment less, where applicable, accumulated depreciation to date, calculated on the basis of such cost.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

f) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

f) Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Company has the right to use certain buildings for children's services under concessionary lease terms up to 10 years each. The Company applies the accounting policy choice under AASB16 to measure the right-of-use-assets at cost.

g) Revenue recognition

The Company recognises income from its main revenue/income streams, as listed below:

- Government grants
- Donations
- Capital grants
- Parent Fees

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

g) Revenue recognition (*continued*)

Government grants and donations

When the Company receives government grants, donations and bequests that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the Company to further its objectives), it performs an assessment to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not 'enforceable' or the performance obligations are not 'sufficiently specific'), the transaction is accounted for under AASB 1058 where the Company:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards e.g. AASB 9, AASB 16, AASB 116 and
- Considers whether any other financial statement elements should be recognised ('related amounts') in accordance with the relevant applicable Australian Accounting Standard including:
 - contributions by owners (AASB 1004)
 - a lease liability (AASB 16)
 - a financial instrument (AASB 9)
 - a provision (AASB 137)
- Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

g) Revenue recognition (*continued*)

Capital grants

For capital grants received under an enforceable agreement where it includes a transfer to enable the Company to acquire or construct a recognisable non-financial asset to identified specifications which will be controlled by the Company when completed, the Company recognises a liability for the excess of the fair value of the transfer over any related amounts recognised and recognises income as it satisfies its obligations under the transfer.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

i) Term deposits

Term deposits comprise investment deposits held with banks with short to medium term maturity periods. The investments are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

j) Income tax

The Company is exempt under the Income Tax Assessment Act, as it is an income tax exempt charitable entity. As a consequence, there is no income tax attributable to the operating result.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

***k)* General funds and reserves**

General Funds

The general funds represent the retained earnings of the Company that are not designated for particular purposes.

Fundraising Reserve

The fundraising reserve arises from the accumulated surpluses generated as a result of the efforts of parents and staff to allow services to purchase toys and equipment, to assist the service to expand and develop to meet local needs and to allow parents to share in the life of the service and to make a concrete contribution to their children's lives.

***l)* Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. These amounts are usually settled within 30 days. The carrying amount of the creditors and payables is deemed to reflect fair value.

***m)* Program Reserve**

The Program reserve arises from surpluses on the programs that have been allocated to the Company for future liabilities that may arise which the Company will be accountable for.

Notes to the Financial Statements for the Year Ended 31 December 2023

3. Summary of Accounting Policies (continued)

***n)* Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

***o)* Unearned income**

The liability for unearned income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted and presented as non-current.

***p)* Comparatives**

Comparatives have been realigned where necessary, to agree with current year presentation. There was no change in the profit or net assets.

Notes to the Financial Statements for the Year Ended 31 December 2023

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

4.1 Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- discounted future increases in wages and salaries;
- discounted future on-cost rates; and
- experience of employee departures and period of service including future years in which long service leave is expected to be taken.

4.2 Estimation of useful lives of assets

As described at 3(a) above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

Notes to the Financial Statements for the Year Ended 31 December 2023

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.3 Impairment

In assessing impairment, the Company estimates the recoverable amount of each asset based on the depreciable replacement cost in accordance with AASB 136 "Impairment of assets".

4.4 Impairment of trade and other receivables

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4.5 Make good provision

Provisions for make good are included where applicable, using the anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises.

4.6 Revenue Recognition

To determine if a grant contract should be accounted for under AASB 1058 or AASB 15, the Company has to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations. When assessing if the performance obligations are 'sufficiently specific', the Company has applied significant judgement in this regard by performing a detailed analysis of the terms and conditions contained in the grant contracts, review of accompanying documentation (e.g. activity work plans) and holding discussions with relevant parties.

Income recognition from grants received by the Company have been appropriately accounted for under AASB 1058 or AASB 15 based on the assessment performed.

Determining the timing of satisfaction of performance obligations (and therefore whether to use an output or input method to recognises revenue over time) requires particular judgement in the case of grant contracts not directly linked to enrolment numbers. In most cases the best measure of performance obligations being satisfied was determined to be the Input method. As such revenue is recognised on these types of contracts as costs are incurred as this was determined to be the most accurate measure of satisfaction of performance obligations.

Notes to the Financial Statements for the Year Ended 31 December 2023

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.7 Leases (Company as a lessee)

Concessionary leases

The Company leases various buildings from local councils with significantly below-market terms and conditions principally to enable it to further its objectives in the provision of childcare services.

The Lease terms are between 1 - 10 years for buildings including any fixtures & improvements, to operate site as childcare centres or related services. The lease payments are typically \$1 per annum, plus outgoings contributions as agreed in each instance.

As outlined in the Company's accounting policy in note 3, the Company has elected to measure these leases at cost.

Notes to the Financial Statements for the Period Ended 31 December 2023

5 (Deficit)/Surplus for the year

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Revenue from contracts with customers | | |
| Disaggregation of revenue | | |
| The disaggregation of revenue from contracts with customers is as follows: | | |
| (All revenue is derived from within Australia) | | |
| (i) Revenue from fees | | |
| Parent's fees | 58,474,331 | 57,410,441 |
| (ii) Revenue from non-capital government funding | | |
| Government funding | 100,619,437 | 85,537,446 |
| (iii) Other revenue | | |
| Other revenue from ordinary operations consisted of the following items: | | |
| Management fees | 4,272,878 | 1,821,935 |
| Gross fundraising income | 90,152 | 177,623 |
| Interest income | 1,624,025 | 492,074 |
| Consultancy fees | 979,278 | 902,800 |
| Sales of publications and courses | 86,779 | 69,078 |
| Sponsor support | (68,022) | 1,799,112 |
| Other sundry revenue | 143,899 | 395,397 |
| | <u>7,128,989</u> | <u>5,658,019</u> |
| (iv) Other income | | |
| Government capital grant funding | 233,105 | 414,816 |
| (v) Surplus | | |
| Surplus has been arrived at after charging the following items: | | |
| Depreciation | | |
| Property, plant and equipment | (2,359,328) | (2,911,916) |
| Right-of-Use Assets | (2,389,456) | (2,014,569) |
| Total depreciation | <u>(4,748,784)</u> | <u>(4,926,485)</u> |
| Net expected credit losses and bad debts written off | (3,621) | 15,124 |
| Finance costs | | |
| Interest charges paid/payable | - | (473) |
| Interest on Right-of-Use assets | (214,649) | (228,201) |
| | <u>(214,649)</u> | <u>(228,674)</u> |
| Gain/(Loss) on disposal of assets | (1,835,150) | 5,610 |

**Notes to the Financial Statements
for the Period Ended 31 December 2023**

| | 2023 | 2022 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| 6. Trade and Other Receivables | | |
| Trade receivables | | |
| Trade receivables | 1,669,018 | 1,754,654 |
| Allowance for expected credit losses | (32,106) | (41,566) |
| Accrued income | 328,938 | 158,621 |
| | <u>1,965,850</u> | <u>1,871,709</u> |
| Other receivables | | |
| Other receivables | 50,705 | 28,927 |
| Grants due from Government | 1,560,943 | - |
| | <u>3,577,498</u> | <u>1,900,636</u> |
| 7. Other Assets | | |
| Prepayments | <u>1,437,648</u> | <u>951,348</u> |
| | <u>1,437,648</u> | <u>951,348</u> |

**Notes to the Financial Statements
for the Period Ended 31 December 2023**

8. Property, Plant and Equipment

| | Land and buildings \$ | Leasehold improvements \$ | Furniture and Office equipment \$ | Motor Vehicles \$ | Make Good \$ | Total \$ |
|--|--------------------------------------|--|--|----------------------------------|-------------------------|---------------------|
| Gross Carrying Amount | | | | | | |
| Balance at 1 January 2023 | 28,481,466 | 28,003,851 | 5,422,797 | 73,438 | 1,866,658 | 63,848,210 |
| Additions | 1,039,553 | 1,840,749 | 617,997 | 0 | - | 3,498,299 |
| Reverse Assets under construction (WIP) 2022 | (818,111) | (219,698) | (15,617) | 0 | - | (1,053,426) |
| Current WIP uncapitalised | 27,763 | 278,055 | 7,636 | 0 | - | 313,454 |
| Disposals | (1,280,369) | (973,857) | (111,348) | 0 | - | (2,365,574) |
| As at 31 December 2023 | 27,450,302 | 28,929,100 | 5,921,465 | 73,438 | 1,866,658 | 64,240,963 |
| Accumulated Depreciation | | | | | | |
| Balance at 1 January 2023 | (3,168,834) | (15,600,059) | (3,404,807) | (73,438) | (1,634,260) | (23,881,398) |
| Disposals | 23,088 | 407,500 | 99,836 | 0 | - | 530,424 |
| Depreciation expense | (426,952) | (1,338,086) | (565,828) | 0 | (28,462) | (2,359,328) |
| As at 31 December 2023 | (3,572,698) | (16,530,645) | (3,870,799) | (73,438) | (1,662,722) | (25,710,302) |
| Net Book Value | | | | | | |
| As at 31 December 2022 | 25,312,632 | 12,403,792 | 2,017,990 | 0 | 232,398 | 39,966,812 |
| As at 31 December 2023 | 23,877,604 | 12,398,455 | 2,050,666 | 0 | 203,936 | 38,530,661 |

**Notes to the Financial Statements
for the Period Ended 31 December 2023**

| 9. Trade and Other Payables | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Salary and superannuation accruals | 4,637,506 | 3,053,427 |
| Prepaid centre fees and holding deposits | 3,479,460 | 3,160,539 |
| GST Payable | 629,902 | 414,638 |
| Other payables and accruals | 3,527,610 | 4,020,422 |
| Trade payables | 3,815,175 | 2,578,879 |
| WBS & Brokered program surpluses | 6,456,746 | 2,440,028 |
| | <u>22,546,399</u> | <u>15,667,933</u> |

Lease Payments

| | | |
|---------------------------------|------------------|------------------|
| Short-term and Low value leases | <u>2,171,293</u> | <u>2,446,836</u> |
|---------------------------------|------------------|------------------|

**Notes to the Financial Statements
for the Period Ended 31 December 2023**

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| 10. Lease Liabilities | | |
| (a) Current Liabilities - lease liabilities - right-of use-assets | | |
| Lease Liability | 1,980,385 | 2,479,790 |
| (b) Non-current Liabilities - lease liabilities - right-of use-assets | | |
| Lease Liability | 3,284,297 | 2,489,940 |
| Future Lease Payments | | |
| Future Lease Payments are due as follows : | | |
| within one year | 1,980,385 | 2,479,790 |
| one to five years | 3,061,208 | 1,942,366 |
| more than five years | 223,089 | 547,574 |
| | <u>5,264,682</u> | <u>4,969,730</u> |
| 11. Unearned Income | | |
| Prepaid government funding | 24,347,212 | 14,458,724 |
| Prepaid special education income | 4,636,254 | 2,641,332 |
| | <u>28,983,466</u> | <u>17,100,056</u> |

Notes to the Financial Statements for the Period Ended 31 December 2023

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| 12. Provisions | | |
| Current | | |
| Employee Benefits: | | |
| Provision for annual leave and rostered days off | 10,685,502 | 10,258,070 |
| Provision for long service leave | 8,643,062 | 8,221,043 |
| | <u>19,328,564</u> | <u>18,479,113</u> |
| Provision for Make Good Liability: | | |
| Make good liability | 993,885 | 1,140,448 |
| | <u>20,322,449</u> | <u>19,619,561</u> |
| Non-current | | |
| Employee Benefits: | | |
| Provision for long service leave | 2,422,866 | 2,329,866 |
| Provision for Make Good Liability: | | |
| Make good liability | 872,733 | 726,170 |
| | <u>3,295,599</u> | <u>3,056,036</u> |
| 13. General Funds | | |
| Balance at beginning of financial year | 37,163,340 | 38,665,097 |
| Net surplus | 808,482 | (1,503,830) |
| Transfers from Fundraising Reserve | - | 2,073 |
| Balance at end of financial year | <u>37,971,822</u> | <u>37,163,340</u> |

Notes to the Financial Statements for the Period Ended 31 December 2023

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| 14. Fundraising Reserve | | |
| Balance at beginning of financial year | 1,037,956 | 1,040,029 |
| Transfer to general funds | - | (2,073) |
| Balance at end of financial year | <u>1,037,956</u> | <u>1,037,956</u> |

The fundraising reserve arises from the accumulated efforts of parents and staff to allow services to purchase optional toys and equipment, to assist the service to expand and develop to meet local needs and to allow parents to share in the life of the service and to make a concrete contribution to their children's lives.

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| 15. Non-current assets - right-of-use assets | | |
| Right-of-use assets | 13,006,827 | 9,495,709 |
| Less: Accumulated depreciation | (8,545,625) | (6,219,048) |
| Balance at end of financial year | <u>4,461,202</u> | <u>3,276,661</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial period are set out below

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Balance at beginning of year | 3,276,661 | 5,123,369 |
| Additions | 1,249,877 | 167,861 |
| Adjustments | 2,324,120 | - |
| Depreciation Expense | (2,389,456) | (2,014,569) |
| Balance at end of year | <u>4,461,202</u> | <u>3,276,661</u> |

Notes to the Financial Statements for the Period Ended 31 December 2023

16. Contingent Liabilities

2023

2022

The Company has given the following bank guarantees to various landlords

| | \$ | \$ |
|---|--------|---------|
| Bank Guarantee 21 Jan 2014 to Central Coast Regional Dev. Corp. | - | 4,796 |
| Bank Guarantee 30 April 2015 to Marrickville Council | 15,400 | 15,400 |
| Bank Guarantee 12 Sept 2016 to Abalon Properties Pty Ltd | 7,400 | 7,400 |
| Bank Guarantee 12 Sept 2016 to Kearley Investments Pty Ltd | 9,900 | 9,900 |
| Bank Guarantee 18 May 2020 to Ku-ring-gai Council (expired) | - | 262,487 |
| Bank Guarantee 31 Mar 2021 to James Tsun-Ming Wong | 22,000 | 22,000 |
| Bank Guarantee 19 June 2021 to Monarch (Sales) Pty Limited | 36,300 | 36,300 |
| | 91,000 | 358,283 |

At various times claims are made against the entity in regards to historical events. These claims are managed by management and directors in conjunction with legal representatives and insurers.

17. Economic Dependency

As disclosed at note 5, a significant source of revenue is government funding. This funding supports programs for early childhood education and care.

18. Related Party Disclosures

a) Directors' compensation

The Directors act in an honorary capacity and receive no compensation for their services (2022: nil).

b) Transactions with Director-related entities

During the year, no amounts were paid to Director-related parties. No amounts are payable to or receivable from Directors or Director related entities at the reporting date. If a Director utilises the services of KU Children's Services they pay the arms length market rates for provision of these services.

c) Key Management Personnel Remuneration

The aggregate compensation of the key executive management personnel of the Company is set out below:

| | | |
|------------------------|-----------|-----------|
| Aggregate compensation | 1,869,173 | 1,950,590 |
|------------------------|-----------|-----------|

KU Executive salaries are independently benchmarked regularly by a specialist remuneration consultancy firm, against open market and not for profit sector trends.

Notes to the Financial Statements for the Period Ended 31 December 2023

19. Cash and Cash equivalents

Cash and cash equivalents include cash at bank and on hand. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

| | 2023 | 2022 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Cash and cash equivalents | 63,915,364 | 50,019,155 |

The cash balances include maturing term deposits with a term of 3 months or less.

| | 2023 | 2022 |
|---|-------------|-------------|
| | \$ | \$ |
| 20. Term deposits | | |
| Term deposits with a term of more than 3 months | 7,500,000 | 2,500,000 |

Notes to the Financial Statements for the Period Ended 31 December 2023

21. Information & Declarations to be Furnished Under the Charitable Fundraising Act 1991

Under this Act, KU Children's Services holds a single authority to fundraise for KU centres. The authority does not extend to services which KU manages on behalf of another organisation. Preparation of the following information reflects the level of disclosure existing in management systems in use by the organisation.

(a) Statement of Fundraising Income and Expenditure

Detailed income statement for the year ended 31 December 2023

| | 2023 | 2022 |
|---------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Raffles | 360 | 6,222 |
| Functions | 76,541 | 60,160 |
| Sale of Items | 9,941 | 85,964 |
| Interest | 29 | 78 |
| Donations | 3,280 | 25,199 |
| Gross Proceeds from Fundraising | <u>90,152</u> | <u>177,623</u> |
| Raffles | (1,660) | (11) |
| Functions | (54,427) | (63,813) |
| Sale of Items | (29,403) | (34,386) |
| Total Cost of Fundraising | <u>(85,490)</u> | <u>(98,210)</u> |
| Net Proceeds from Fundraising | <u>4,662</u> | <u>79,413</u> |

(b) Accounting Principles and Methods adopted in Fundraising accounts

The fundraising financial statements have been prepared on an accrual basis and in accordance with Australian Accounting Standards as per Note 3.

(c) Application of Fundraising Proceeds in 2023

| | | |
|----------------------------------|------------------|------------------|
| Opening balance | 1,037,956 | 1,040,029 |
| Net proceeds from fundraising | 4,662 | 79,413 |
| Centre Improvement and Equipment | (4,662) | (81,486) |
| Total Reserve at at year end | <u>1,037,956</u> | <u>1,037,956</u> |

Notes to the Financial Statements for the Period Ended 31 December 2023

21. Information & Declarations to be Furnished Under the Charitable Fundraising Act 1991 (continued)

(d) Details of Gross Income and Aggregate Expenditure of Appeals Conducted Jointly with Traders

For the purpose of this note all fundraising involving the Sale of Items (e.g. chocolates, sun hats, sunscreen, etc) is deemed to have involved a trader.

| | 2023 | 2022 |
|--|-------------|-------------|
| | \$ | \$ |
| Gross income received from sale of items | 9,941 | 85,964 |
| Total expenditure incurred | 29,403 | 34,386 |

(e) Forms of Fundraising Appeals Conducted in 2023

For the purposes of reporting under the requirements of the Charitable Fundraising Act 1991, KU Children's Services classifies all fundraising activities under five categories; raffles, functions, sale of items, donations and interest.

(f) Key Indicators for Fundraising Activities

Total Cost of Fundraising \$85,490 (2022: \$98,210) divided by Gross Income from Fundraising \$90,152 (2022: \$177,623) equals 95% (2022: 55%).

Net Surplus from Fundraising \$4,662 (2022: \$79,413) divided by Gross Income from Fundraising \$90,152 (2022: \$177,623) equals (5%) (2022: 45%).

Notes to the Financial Statements for the Period Ended 31 December 2023

22. Government Grant Funding

During the course of the calendar year specific Government Funding that required acquittal reporting included the following Programs:

| Program | Funding \$ 31/12/2023 | Funding \$ 31/12/2022 |
|---|----------------------------------|----------------------------------|
| Acquittal for the year ended | 30/06/2023 | 30/06/2022 |
| KU Inner West Supported Playgroups – NSW Department of Communities & Justice | 432,223 | 406,506 |
| KU Newcastle Supported Playgroups – NSW Department of Communities and Justice | 163,071 | 154,570 |
| Inclusion Development Fund Manager- Commonwealth Department of Education | 5,263,292 | 4,642,512 |
| Inclusion Agency- Commonwealth Department of Education | 30,590,308 | 23,606,751 |
| Steps to Starting School - The Smith Family | 115,000 | 110,207 |
| COVID-19 Innovation Program - Multicultural NSW | - | 50,000 |
| KU Starting Points - 1 - Start Strong Pathways Program NSW D.O.E | 155,805 | 155,805 |
| KU Starting Points - 2 - Start Strong Pathways Program NSW D.O.E | 362,655 | 362,655 |

23. Remuneration of auditors

During the year the following fees were paid or payable for services provided by Crowe Audit Australia, and prior year by Deloitte Touche Tohmatsu.

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Audit of the financial statements & acquittals | | |
| Crowe Audit Australia | 150,027 | - |
| Deloitte Touche Tohmatsu | 134,475 | 185,929 |
| | <u>284,502</u> | <u>185,929</u> |
| Other services (file access fees) | | |
| Deloitte Touche Tohmatsu | - | 1,575 |
| | <u>284,502</u> | <u>187,504</u> |

24. Additional Company Information

KU Children's Services is a public company limited by guarantee, incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business

129 York Street
Sydney NSW 2000