KU Children's Services

ABN 89 000 006 137

Financial Report for the
Financial Year Ended 31 December 2017

Annual Financial Report
for the Financial Year Ended 31 December 2017

Contents

Directors' Report

The Directors present their report on KU Children's Services (the company) for the financial year ended 31 December 2017. The Directors report as follows:

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. KU has no subsidiary or related organisations.

At 31 December 2017, KU had a net surplus of $5,738,080 (2016: $5,563,232), assets of $76,715,138 (2016: $69,904,640) and net assets of $33,966,601 (2016: $28,228,521).

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, inclusion and social responsibility.

During 2016, KU extended the implementation of the Strategic Plan 2013- 2015 "Building on the KU Difference" to fully complete the objectives of the plan. The new Strategic Plan 2017 -2019 was also developed and launched at the Annual Conference held in the latter part of 2016. Some of the highlights of this period are detailed in the 122nd Annual Report for the year ended 31 December 2017.

Our Vision

Every child can experience high quality early childhood education, where they can play, discover and learn.

Our Objectives

1. Deliver the best possible outcomes for children and families
2. Inspire a community of professionals
3. The "KU Difference" is understood and valued
4. Develop and operate innovative service models
5. Equitable access and participation
6. Shape sector and government thinking and policies
7. Well managed and sustainable organisation

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.

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.

Directors' Report (continued)

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 5,070 members (2016: 5,739 members).

Directors

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

Directors Name & Qualifications	Special Responsibilities
David McCracken (retired 16 May 2017) BAppSc-BE, KU Life Member	Chair of the Board and Chair of KU Marcia Burgess Foundation Committee until 16 May 2017, Member of Nomination and Remuneration Committee until 16 May 2017. External Member of KU Marcia Burgess Foundation Committee from 30 May 2017
Richard Richards BCom/LLB(Hons), LLM, MAPPFIN, FTIA, CA, Admitted Solicitor NSW	Deputy Chair of the Board until 16 May 2017, Chair of Audit & Risk Management Committee, Member of KU Marcia Burgess Foundation Committee, Member of Nomination and Remuneration Committee until 16 May 2017
Dr Christine Woodrow PhD, M.Ed, B.Ed, DipTch (ECE)	Board Member, Chair of Education Committee
Stacey Brown (Resigned 28/02/17) B.Bus, CA, GAICD	Board Member, Chair of Audit & Risk Management Committee, Member of Marcia Burgess Foundation Committee
Dr Jennifer Skattebol Dip Ed (EC), B.Ed. PhD	Board Member, Member of Education Committee
Laura Hartley BA (Hons), LLB	Chair of the Board from 16 May 2017, Board Member, Member of Audit and Risk Management Committee, Member of Nomination and Remuneration Committee from 16 May 2017
Gareth Bennett BA (Hons) 1st, GAICD, FCIPD	Board Member, Chair of Nomination & Remuneration Committee, Member of Education Committee
Elizabeth Hristoforidis B.Com (Marketing), LLB, Grad Dip Leg Prac, MLM, GAICD	Board Member, Member of Nomination & Remuneration Committee, Member of Marcia Burgess KU Foundation Committee
Sema Musson B.Bus, M.Mngt, GAICD	Deputy Chair of the Board from 16 May 2017, Board Member, Member of Audit and Risk Management Committee until 16 May 2017, Member of Nomination and Remuneration Committee from 16 May 2017, Chair of Marcia Burgess Foundation Committee from 16 May 2017
Janet Verden (reappointed 16 May 2017) BCom (Marketing), GAICD	Board Member, Member of Education Committee, Member of Marcia Burgess Foundation Committee
Peter Roberts (appointed 16 May 2017) B.Fin.Admin, Fellow of Institute of Chartered Accountants (FCA), GAICD, Graduate Diploma - Securities Institute	Board Member, Member of Audit and Risk Management Committee

Directors' Report (continued)

Directors' Attendance at Board Meetings

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		Nomination & Remuneration Committee		KU Marcia Burgess Foundation Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
David McCracken	3	3	1	1			1	1	1	1 *
Richard Richards	9	6	4	3			1	1	1	1
Dr Christine Woodrow	9	5			6	6				
Laura Hartley	9	9	4	4			3	3		
Dr Jennifer Skattebol	9	6			6	6				
Gareth Bennett	9	8			6	5	4	4		
Sema Musson	9	9	1	1			3	3	1	1
Elizabeth Hristoforidis	9	7					4	4	1	1
Peter Roberts	6	6	3	3						
Janet Verden	6	6			3	2			1	1

A Number of meetings held during the year while the Director was a member of the Board or Committee.

B Number of meetings attended by the Director during the year while the Director was a member of the Board or Committee.

* Mr David McCracken attended the KU Marcia Burgess Foundation Committee meeting as an External Committee Member.

Directors' Report (continued)

The auditors' independence declaration is included on page 8 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Laura Hartley

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Laura Hartley
Chair, Board of Directors
Sydney, 27 March 2018

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Richard Richards
Chair, Audit & Risk Management Committee
Sydney, 27 March 2018

Deloitte.

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The Board of Directors
KU Children's Services
129 York Street
Sydney NSW 2000

27 March 2018

Dear Board Members

KU Children's Services

In accordance with Subdivision 60-C Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the directors of KU Children's Services.

As lead audit partner for the audit of the financial statements of KU Children's Services for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) 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) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Timperley

Gaile Timperley
Partner
Chartered Accountants

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Australia

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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 "Entity"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration or assertion statement by Those Charged With Governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and Chartiable Fundraising Act 1991.

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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included in the financial 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 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.

The Board of Directors' Responsibilities for the Financial Report

The Board of Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Australian Charities and Not-for-profits Commission Act 2012 and for compliance with the Charitable Fundraising Act 1991 and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the financial report and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board of Directors are responsible for assessing the Entity'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 Board of Directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the the Board of 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 Entity'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 Entity 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 Board of 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 our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Timperley

Gaile Timperley
Partner
Chartered Accountants
Sydney, 27 March 2018

Directors' Declaration

The Directors declare that:

a) 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

b) 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 2013.

On behalf of the Directors

Laura Hartley

Laura Hartley
Chair, Board of Directors
Sydney, 27 March 2018

R Richards

Richard Richards
Chair, Audit & Risk Management Committee
Sydney, 27 March 2018

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 have been 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.

Laura Hartley
Chair, Board of Directors
Sydney, 27 March 2018

Richard Richards
Chair, Audit & Risk Management Committee
Sydney, 27 March 2018

Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 December 2017

	Note	2017 $	2016 $
Continuing operations			
Revenue from fees	5 (i)	71,416,085	78,218,348
Revenue from non-capital government funding	5 (ii)	59,769,013	44,976,663
Other revenue	5 (iii)	6,611,217	5,927,112
		137,796,315	129,122,123
Employee costs		101,038,160	93,832,304
Operational expenses		14,229,106	13,459,750
Occupancy expenses		5,653,740	5,543,723
Depreciation & amortisation	5 (v)	1,778,827	1,933,337
Administrative expenses		5,372,332	5,428,189
Repairs & maintenance		1,879,398	1,887,880
Marketing expenses		528,338	447,286
Finance costs	5 (v)	24,540	30,770
Other expenses		1,561,772	1,270,062
		132,066,213	123,833,301
Surplus from ordinary operations		**5,730,102**	**5,288,822**
Other Income			
Government capital grant funding	5 (iv)	7,978	274,410
Surplus for the year	5	**5,738,080**	**5,563,232**
Total comprehensive income for the year		**5,738,080**	**5,563,232**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes.

Statement of Financial Position
as at 31 December 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	21 (b)	35,256,075	38,770,776
Term deposits	22	22,000,000	15,000,000
Trade and other receivables	6	1,584,043	1,306,485
Other assets	7	1,274,346	907,457
Total current assets		60,114,464	55,984,718
Non-current assets			
Property, plant and equipment	8	15,578,270	13,027,124
Intangible assets	9	1,022,404	892,798
Total non-current assets		16,600,674	13,919,922
Total assets		76,715,138	69,904,640
Liabilities			
Current liabilities			
Trade and other payables	10	12,969,292	12,791,896
Finance leases	11	379,452	535,252
Unearned income	12	12,130,477	12,534,747
Provisions	13	14,881,044	12,705,383
Total current liabilities		40,360,265	38,567,278
Total non-current liabilities			
Non current provisions	13	2,388,272	3,108,841
Total non-current liabilities		2,388,272	3,108,841
Total liabilities		42,748,537	41,676,119
Net Assets		**33,966,601**	**28,228,521**
Equity			
Retained Earnings			
General funds	14	32,817,471	25,898,504
Fundraising reserve	15	1,149,130	1,213,017
Program reserve	16	-	1,117,000
Total Retained Earnings		**33,966,601**	**28,228,521**

The Statement of Financial Position is to be read in conjunction with the notes.

Statement of Changes in Equity
for the Financial Year Ended 31 December 2017

	General Funds	Fundraising Reserve	Program Reserve	Total
	$	$	$	$
Balance at 1 January 2016	20,396,125	1,204,164	1,065,000	22,665,289
Surplus for the year	5,563,232	-	-	5,563,232
Transfer (from)/to retained earnings	(60,853)	8,853	52,000	-
Balance at 31 December 2016	**25,898,504**	**1,213,017**	**1,117,000**	**28,228,521**
Balance at 1 January 2017	25,898,504	1,213,017	1,117,000	28,228,521
Surplus for the year	5,738,080	-	-	5,738,080
Transfer (from)/to retained earnings	1,180,887	(63,887)	(1,117,000)	-
Balance at 31 December 2017	**32,817,471**	**1,149,130**	**-**	**33,966,601**

The Statement of Changes in Equity is to be read in conjunction with the attached notes.

Statement of Cash Flows
for the Financial Year Ended 31 December 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers, government bodies and centres		116,156,239	117,498,175
Receipts from government brokered programs		22,723,604	16,535,879
Payments to suppliers and employees		(110,916,367)	(110,064,862)
Allocations to recipients of brokered programs		(20,886,206)	(16,946,074)
Net cash generated by operating activities	21(a)	7,077,270	7,023,118
Cash flows from investing activities			
Payment for property, plant and equipment		(4,289,836)	(1,068,176)
Receipts from government capital grants		62,957	63,374
Interest received		961,081	894,997
Finance cost		(24,540)	(30,770)
Payment for/receipt from investments (term deposits)		(7,000,000)	1,000,000
Net cash (utilised in)/generated by investing activities		(10,290,338)	859,425
Cash flows from financing activities			
Payment for finance leases		(301,633)	(281,641)
Net cash utilised by financing activities		(301,633)	(281,641)
Net (decrease)/increase in cash and cash equivalents		(3,514,701)	7,600,902
Cash and cash equivalents at the beginning of the financial year		38,770,776	31,169,874
Cash and cash equivalents at the end of the financial year	21(b)	**35,256,075**	**38,770,776**

The Statement of Cash Flows is to be read in conjunction with the attached notes.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

1. Corporate Information

The financial statements of KU Children's Services (the Company) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 27 March 2018.

2. Application of new and revised Accounting Standards

In the current year, the Company has applied a number of the new and revised AASBs issued by the Australian Accounting Standards Board (AASB) including AASB 2016-1 Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycle. The application of these new and revised Accounting Standards does not have any material impact on the financial statements.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

a) AASB 9 'Financial Instruments', and the relevant amending standards, effective for annual periods beginning 1 January 2018. Expected to be initially adopted for the financial period ending 31 December 2018.

b) AASB 16 'Leases' effective for reporting periods beginning 1 January 2019. Expected to be initially adopted for the financial period ending 31 December 2019.

c) AASB 1058 'Income for Not-For-Profit Entities' effective for annual periods beginning on or after 1 January 2019. Expected to be initially adopted for the financial period ending 31 December 2019.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations when it becomes effective.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

2. Application of new and revised Accounting Standards (continued)

Key requirements of AASB 1058:
This Standard applies when a NFP entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this Standard requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as:
(a) contributions by owners;
(b) revenue, or a contract liability arising from a contract with a customer;
(c) a lease liability;
(d) a financial instrument; or
(e) a provision.
These related amounts are accounted for in accordance with the applicable Australian Accounting Standard.

The Standard also prescribes specific accounting requirements for a transaction which is a transfer of a financial asset to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (i.e. an in-substance acquisition of a non-financial asset) and volunteer services.

Entities can choose to apply this Standard retrospectively (which requires restatement of comparatives with certain practical expedients allowed) or to use a modified approach (where comparatives are not restated but the cumulative effect of initial application will be adjusted through opening retained earnings on the date of initial application).

Consequential amendments to other Standards and Interpretations:
The issuance of AASB 1058 also results in consequential amendments to other Standards and Interpretations, as set out below:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 101 Presentation of Financial Statements
- AASB 116 Property, Plant and Equipment
- AASB 117 Leases
- AASB 138 Intangible Assets
- AASB 1004 Contributions
- AASB 1057 Application of Australian Accounting Standards

2. Application of new and revised Accounting Standards (continued)

Among the amendments listed above, the key amendments to note are the:

· new lessee accounting requirements for leases at significantly below-market terms and conditions (commonly known as 'peppercorn leases') principally to enable the lessee to further its objectives (as amended in AASB 16 and AASB 117). This requires the lessee to recognise the leased asset / right-of-use asset at fair value per AASB 13, the lease liability per AASB 117 / AASB 16 and the residual as income at the inception of the lease;

· requirement to measure inventories (e.g. donated inventories) at current replacement cost where the consideration for those inventories is significantly less than fair value principally to enable the entity to further its objectives (as amended in AASB 102);

· requirement to measure the cost of the asset (e.g. property, plant and equipment, intangible asset or investment property) at fair value per AASB 13 where the consideration for the asset is significantly less than fair value principally to enable the entity to further its objectives (as amended in AASB 116, AASB 138 and AASB 140); and

· removal of all income recognition requirements for private sector NFP entities and majority of income recognition requirements for public sector NFP entities in AASB 1004.

d) AASB 15 'Revenue from Contracts with Customers' effective for annual periods beginning on or after 1 January 2019. Expected to be initially adopted for the financial period ending 31 December 2019.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

· Step 1: Identify the contract(s) with a customer
· Step 2: Identify the performance obligations in the contract
· Step 3: Determine the transaction price
· Step 4: Allocate the transaction price to the performance obligations in the contract
· Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

In May 2016, the AASB issued AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

In December 2016, the AASB issued the following amending Standards that applies to not-for-profit entities:

· AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities which deferred the application date for not-for-profit entities to 1 January 2019

· AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities which introduced not-for-profit-specific implementation guidance on 'enforceability' of a contract (Step 1), 'sufficiently specific' performance obligations (Step 2) and separate recognition of 'donation' element (Step 4).

3. Summary of Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, and Australian Accounting Standards – Reduced Disclosure Requirements and complies with other requirements of the law.

A statement of compliance with IFRS cannot be made due to the application of not for profit sector specific requirements contained in the Australian Accounting Standards.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

3. Summary of Accounting Policies (continued)

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. The following significant 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.

The following estimated useful lives are used in the calculation of depreciation:
- Buildings: 40 years
- Buildings fixtures and fittings: 4-10 years
- Leasehold improvements: lease term or 10 years
- Furniture and office equipment: 4-10 years
- Motor vehicles: 6-7 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. The useful life of leasehold improvements has been assessed to equal the lease term, or 10 years where no lease term was applicable. Land is carried at cost and is not depreciated.

b) Intangible assets

Intangible Assets comprise software assets. The estimated useful lives used to calculate amortisation are between 3-5 years.

c) 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.

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.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

3. Summary of Accounting Policies (continued)

d) 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.

e) Financial Assets

All financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of financial assets are recognised on trade date which is the date on which the Company commits to purchase or sell the asset. Accounting policies for each category of financial assets subsequent to initial recognition are set out below:

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest rate method less impairment. Impairment losses are measured as the difference between the investment's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

<u>Available-for-sale financial assets</u>

Available-for-sale investments are those financial assets that are designated as available-for-sale. When available-for-sale financial investments are recognised initially, they are measured at fair value. Any available-for-sale financial investments donated to the Company are recognised at fair value at the date the Company obtains control of the asset.

After initial recognition available-for-sale financial investments are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the Statement of Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

3. Summary of Accounting Policies (continued)

e) Financial Assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

f) 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.

g) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company’s general policy on borrowing costs.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

3. Summary of Accounting Policies (continued)

h) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts, refunds and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below.

Fundraising
Fundraising is recorded when the income is received or receivable.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Government funding - operational
Government funding agreements are contracted agreements with the Government to provide a variety of early childhood education and care programs in the community. They are received in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Non-reciprocal government funding monies, other than monies held in trust, are credited to income when received in accordance with AASB 1004 "Contributions". Other service revenues from government agencies are recognised upon delivery of services in accordance with AASB 118 "Revenue".

Government funding - capital

Funds are received from government departments in accordance with contracts to undertake capital works programs on behalf of the department. In accordance with AASB 1004 "Contributions", this income is recognised upfront once control of the funds or the commitment to receive funds has been satisfied.

Government Brokered Programs
Funds are received from Government Brokered Programs by KU for the allocation to recipients who provide a variety of early childhood education and care programs in the community. The funds received and allocated are recognised in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 118 "Revenue". Cash flows are included in the Statement of Cash Flows on a gross basis.

Unit trust distributions and interest revenue
Unit trust distributions from investments are recognised when the unit holder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Summary of Accounting Policies (continued)

j) **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.

k) **Trade and other receivables**

Trade receivables, which comprise amounts due from services provided, are recognised and carried at original invoice amount less an allowance for uncollectible amounts. Normal terms of settlement are 7 days. The carrying amount of the receivable is deemed to reflect fair value.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

l) **Income tax**

The Company is exempt from income tax under s50-5 of 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.

m) **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.

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 Financial Year Ended 31 December 2017

3. Summary of Accounting Policies (continued)

n) **Donations in kind**

Over the course of the year the Company has received donations in kind from a number of local councils in the form of the right to use premises at discounted rent. The Company is of the view that it is not feasible to fair value the services received accurately and as such it has not brought to account discounted rent as a donation.

o) **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.

p) **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.

q) **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.

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.

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

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 consolidated 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:

- future increases in wages and salaries;
- 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 Leasehold improvements

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.

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 Make good provision

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

5 Surplus for the year

	2017 $	2016 $
(i) Revenue from fees		
Parent's fees	71,416,085	78,218,348
(ii) Revenue from non-capital government funding		
Government funding	59,769,013	44,976,663
(iii) Other revenue		
Other revenue from ordinary operations consisted of the following items:		
Management fees	1,588,650	1,329,793
Gross fundraising income	391,097	456,947
Interest income	961,081	894,997
Consultancy fees	305,412	33,918
Sales of publications and courses	645,136	445,615
Sponsor support	2,126,631	2,412,987
Loss on disposal of PPE	-	(24,289)
Other sundry revenue	593,210	377,144
	6,611,217	5,927,112
(iv) Other income		
Government capital grant funding	7,978	274,410
(v) Surplus		
Surplus has been arrived at after (charging)/ crediting the following items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(1,778,827)	(1,933,337)
Operating lease rental expenses:		
Minimum lease payments	(2,608,235)	(2,561,976)
Net bad and doubtful debts	10,968	(90,857)
Finance costs	(24,540)	(30,770)

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

	2017	2016
	$	$
6. Trade and Other Receivables		
Trade receivables		
Trade receivables	803,748	1,021,242
Allowance for doubtful debts	(91,456)	(171,554)
Accrued income	649,577	176,370
	1,361,869	1,026,058
Other receivables		
Other receivables	222,174	280,428
	1,584,043	1,306,485
Reconciliation of allowance for doubtful debts		
Balance 1 January	171,554	85,868
Increase to provision	47,724	85,686
Impairment recovery	(127,822)	-
Balance 31 December	91,456	171,554

Parent fees are paid either in advance or weekly. The average credit period on rendering of services is 3 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Company has provided fully for all such receivables outstanding at year end because historical experience is that receivables past due are generally not recoverable.

7. Other Assets

	2017	2016
Prepayments	1,252,822	879,343
Finance lease asset	21,525	28,114
	1,274,346	907,457

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

8. Property, Plant and Equipment

	Land and buildings $	Leasehold improvements $	Furniture and Office equipment $	Motor Vehicles $	Make Good $	Finance Lease Asset $	Total $
Gross Carrying Amount							
Balance at 1 January 2016	6,538,676	16,869,898	2,464,116	256,631	1,589,194	1,222,538	28,941,053
Additions	14,601	548,469	268,558	76,100	-	140,462	1,048,190
Assets under construction (WIP)	14,318		780	-	-	-	15,098
Reclassification	-	-	-	-	-	-	-
Disposals	-	(1,920)	(5,938)	(153,485)	- 66,135	- 16,675	(244,153)
Balance at 31 December 2016	6,567,595	17,416,447	2,727,516	179,246	1,523,059	1,346,325	29,760,188
Additions	2,919,640	477,282	- 84,107	-	17,320	629,404	3,959,539
Assets under construction (WIP)	58,054	68,174	-	-	-	-	126,228
Reclassification and prior year adjustment	151,897	(76,622)	510,694	-	-	(585,969)	-
Disposals	(511,808)	(1,199,727)	(657,643)	1	-	(952,404)	(3,321,581)
Balance at 31 December 2017	**9,185,378**	**16,685,554**	**2,496,460**	**179,247**	**1,540,379**	**437,356**	**30,524,374**
Accumulated Depreciation							
Balance at 1 January 2016	(2,189,228)	(9,005,621)	(1,294,412)	(173,347)	(1,255,900)	(1,178,289)	(15,096,797)
Disposals	-	95	48	85,503	-	5,308	90,954
Reclassification	-	-	-	-	-	(3,748)	(3,748)
Depreciation expense	(193,072)	(979,085)	(368,575)	(18,003)	(88,850)	(75,888)	(1,723,473)
Balance at 31 December 2016	(2,382,300)	(9,984,611)	(1,662,939)	(105,847)	(1,344,750)	(1,252,617)	(16,733,064)
Disposals	511,808	1,199,727	657,643	-	-	952,404	3,321,582
Reclassification and prior year adjustment	(131,691)	85,455	(280,000)	-	-	326,236	-
Depreciation expense	(201,094)	(922,055)	(34,045)	(10,490)	(72,722)	(294,216)	(1,534,622)
Balance at 31 December 2017	**(2,203,277)**	**(9,621,484)**	**(1,319,341)**	**(116,337)**	**(1,417,472)**	**(268,193)**	**(14,946,104)**
Net Book Value							
As at 31 December 2016	4,185,295	7,431,836	1,064,577	73,399	178,309	93,708	13,027,124
As at 31 December 2017	**6,982,101**	**7,064,070**	**1,177,119**	**62,910**	**122,907**	**169,163**	**15,578,270**

8. Property, Plant and Equipment(continued)

	2017	2016
	$	$
Depreciation:		
Land and buildings	201,094	193,072
Leasehold Improvements	922,055	979,085
Furniture and office equipment	34,045	368,575
Motor vehicles	10,490	18,003
Make Good Asset	72,722	88,850
Finance Lease Asset	294,216	75,888
	1,534,622	1,723,473

9. Intangible Assets

	Software	Total
	$	$
Gross Carrying Amount		
Balance at 1 January 2016	1,726,554	1,726,554
Additions	95,984	95,984
Assets under construction (WIP)	178,993	178,993
Reclassification and prior year adjustment	(9,092)	(9,092)
Balance at 31 December 2016	1,992,439	1,992,439
Additions	300,591	300,591
Assets under construction (WIP)	73,220	73,220
Balance at 31 December 2017	**2,366,250**	**2,366,250**
Accumulated Depreciation		
Balance at 1 January 2016	(889,777)	(889,777)
Amortisation expense	(209,864)	(209,864)
Balance at 31 December 2016	(1,099,641)	(1,099,641)
Amortisation expense	(244,205)	(244,205)
Balance at 31 December 2017	**(1,343,846)**	**(1,343,846)**
Net Book Value		
As at 31 December 2016	892,798	892,798
As at 31 December 2017	**1,022,404**	**1,022,404**

10. Trade and Other Payables

	2017	2016
	$	$
Salary and superannuation accruals	1,429,651	1,193,748
Prepaid centre fees and holding deposits	3,775,585	4,390,527
GST Payable	95,850	424,466
Other payables and accruals	1,198,780	335,890
Trade payables	2,682,174	2,234,570
WBS & Brokered program surpluses	3,787,251	4,212,695
	12,969,292	12,791,896

	2017 $	2016 $
11. Finance Leases		
Finance Lease Liability	379,452	535,252
Minimum Lease Payments		
Less than 1 year	196,255	284,619
Between 1 and 5 years	183,197	250,633
	379,452	535,252

In 2017 total lease payments of $301,633 (2016: $281,642) were made.

12. Unearned Income

	2017	2016
Prepaid government funding	11,134,398	11,260,423
Prepaid special education income	996,079	1,274,322
	12,130,477	12,534,746

13. Provisions

	2017	2016
Current		
Employee Benefits:		
Provision for annual leave and rostered days off	8,060,950	7,117,729
Provision for long service leave	5,679,790	5,107,030
	13,740,740	12,224,759
Provision for Make Good Liability:		
Make good liability	1,140,304	480,624
	14,881,044	12,705,383
Non-current		
Employee Benefits:		
Provision for long service leave	1,988,197	2,066,406
Provision for Make Good Liability:		
Make good liability	400,075	1,042,435
	2,388,272	3,108,841

14. General Funds

	2017	2016
Balance at beginning of financial year	25,898,504	20,396,125
Net (deficit)/surplus	5,738,080	5,563,232
Net transfers from General Funds (note 15 & 16)	1,180,887	(60,853)
Balance at end of financial year	32,817,471	25,898,504

15. Fundraising Reserve

	2017	2016
	$	$
Balance at beginning of financial year	1,213,017	1,204,164
Transfer (from)/to general funds	(63,887)	8,853
Balance at end of financial year	1,149,130	1,213,017

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.

Further notes on fundraising are set out in Note 23.

16. Program Reserve

	2017	2016
Balance at beginning of financial year	1,117,000	1,065,000
Transfer (from)/to general funds	(1,117,000)	52,000
Balance at end of financial year	-	1,117,000

The Program reserve relates to reserves set aside by the Company related to the programs. This reserve will be utilised for potential future commitments on this program which the Program owner is not contractually bound to meet.

17. Commitments for Expenditure

Operating Leases

Leasing arrangements

Operating leases relate to centre facilities and computer leases. KU does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease payments

	2017	2016
Not longer than 1 year	1,135,814	1,069,771
Longer than 1 year and not longer than 5 years	321,119	916,470
Longer than 5 years	56,009	62,816
	1,512,942	2,049,057

18. Contingent Liabilities	**2017**	**2016**
	$	**$**
Bank Guarantee 22 October 1998 to Commonwealth	-	191,291
Bank Guarantee 31 January 1995 to Sydney City Council	-	5,000
Bank Guarantee 21 January 2014 to Central Coast Regional Development Corporation	4,796	4,796
Bank Guarantee 30 April 2015 to Marrickville Council	15,400	15,400
Bank Guarantee 8 September 2016 to Clearview Holdings Pty Ltd	2,930	2,930
Bank Guarantee 8 September 2016 to R N & K M REIMIERS	9,350	9,350
Bank Guarantee 12 September 2016 to Abalon Properties Pty Ltd	7,400	7,400
Bank Guarantee 12 September 2016 to Kearley Investments Pty Ltd	9,900	9,900
Bank Guarantee 12 September 2016 to Clearview Holdings Pty Ltd	12,696	12,696
	62,472	258,763

19. 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.

20. Related Party Disclosures

a) Directors' compensation

The Directors act in an honorary capacity and receive no compensation for their services (2016: 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:

Total compensation	1,765,169	1,775,442

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

	2017	2016
	$	$

21. Notes to the Cash Flow Statement

(a) Reconciliation of (Deficit)/Surplus for the period to Net Cash Flows From Operating Activities

	2017 $	2016 $
Surplus for the period	5,738,080	5,563,232
Depreciation and Amortisation of non-current assets	1,778,827	1,933,337
Gain on sale of non current assets	-	24,289
Interest received	(961,081)	(894,997)
Finance costs	24,540	30,770
Government capital funding	(62,956)	(63,374)
Finance Lease adjustments	(6,589)	(13,734)
Make good adjustments	(17,320)	66,135
Movements in working capital:		
Decrease in trade receivables and other assets	(644,448)	(179,078)
Increase/(Decrease) in trade payables and other liabilities	(226,876)	(292,946)
Increase in provisions	1,455,093	849,483
Net cash generated from/(utilised in) operating activities	7,077,270	7,023,118

(b) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, 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:

	2017 $	2016 $
Cash and cash equivalents	35,256,075	38,770,776

22. Term deposits

	2017 $	2016 $
Term deposits	22,000,000	15,000,000
	22,000,000	15,000,000

Term deposits comprise term deposit investments held with various banks. The maturity periods on these investments from the date of purchase range between 3 to 5 months.

23. 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 2017

	2017 $	2016 $
Raffles	23,942	22,223
Functions	192,029	184,225
Sale of Items	134,940	173,377
Interest	541	420
Donations	39,645	76,702
Gross Proceeds from Fundraising	391,097	456,947
Raffles	(370)	(1,618)
Functions	(129,776)	(122,973)
Sale of Items	(60,642)	(87,798)
Total Cost of Fundraising	(190,788)	(212,389)
Net Proceeds from Fundraising	200,309	244,558

(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 2017

	2017	2016
Opening balance	1,213,017	1,204,164
Net proceeds from fundraising	200,309	244,558
Centre Improvement and Equipment	(264,074)	(235,326)
Bank charges	(122)	(379)
Total Reserve	1,149,130	1,213,017

Notes to the Financial Statements for the Financial Year Ended 31 December 2017

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

	2017	2016
	$	$

(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.

	2017	2016
Gross income received from sale of items	134,940	173,377
Total expenditure incurred	60,642	87,798

(e) Forms of Fundraising Appeals Conducted in 2017

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 $190,788 (2016: $212,389) divided by Gross Income from Fundraising $391,097 (2016: $456,947) equals 49% (2016: 46%).

Net Surplus from Fundraising $200,309 (2016: $244,558) divided by Gross Income from Fundraising $391,097 (2016: $456,947) equals 51% (2016: 54%).

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2017

25. Government Grant Funding

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

Program	**Funding $ 31-Dec-17**	**Funding $ 31-Dec-16**
Macarthur Starting Points – NSW Department of Education	185,711	131,932
Penrith Starting Points – NSW Department of Education	15,742	11,216
Early Learning Inclusion Program – NSW Department of Education	76,269	135,400
Marcia Burgess Autism and Specific Early Learning & Care Centre – NSW Department of Education	82,043	82,642
	30-Jun-17	**30-Jun-16**
KU Children's Speech Therapy – NSW Department of Ageing, Disability and Home Care	41,413	40,431
Inner West Play & Chat – NSW Department of Family & Community Services	341,459	357,974
Newcastle Supported Playgroups – NSW Department of Family & Community Services	136,869	135,058
Macarthur Stepping Stones– NSW Department of Ageing, Disability and Home Care	395,936	386,009
KU Starting Points Penrith– NSW Department of Ageing, Disability and Home Care	(188)	174,481
LDC Professional Development Program - NSW Department of Education	1,501,333	-
Marcia Burgess Autism and Specific Early Learning & Care Centre – Australian Government Department of Social Services	845,500	422,750
National Inclusion Support Subsidy- Australian Government Department of Education and Training	2,900,826	2,249,234
Inclusion Support Agency- Australian Government Department of Education and Training	26,657,237	5,331,114
SWS Skills Development - NSW Department of Ageing, Disability and Home Care	617,528	644,787
Supplementary Assistance – Department of the Prime Minister and Cabinet	141,929	132,765
Research Project - Australian Government Department of Social Services	130,434	83,125
Steps to Starting School - The Smith Family	100,980	88,000