

KU Children's Services

ABN 89 000 006 137

Financial Report for the
Year Ended 31 December 2022

Annual Financial Report for the Financial Year Ended 31 December 2022

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Directors' Report

The Directors present their report on KU Children's Services (the company) for the financial year ended 31 December 2022. 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 with a solid balance sheet and cash reserves, enabling it to pursue its strategic objectives. KU has no subsidiary or related organisations.

KU continued to navigate the ongoing COVID-19 pandemic throughout 2022, both organisationally and financially.

At 31 December 2022, KU had a net deficit of (\$1,503,830) (2021: deficit \$3,815,346), total assets of \$98,614,611 (2021: \$100,301,768) and net assets of \$38,201,296 (2021: \$39,705,126).

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 2021-2022 Strategic Plan guided operations during 2022 which sets out 4 key priorities (see 'Our Priorities') for the organisation. Despite the need for agility and responsiveness to the pandemic, KU's ongoing focus on the key priority areas ensured the organisational objectives continued to be pursued and achieved.

Highlights for the year ended 31 December 2022 are detailed in the 127th Annual Report.

Directors' Report (continued)

Our Vision

Every young child experiences excellence in early education and care, inspiring learning for life.

Our Purpose

At KU we nurture and grow children's learning. We partner with families and communities, and value children as citizens who create, think, and do.

Our Priorities

1. We deliver, lead and inspire educational excellence
2. We have a thriving professional workforce
3. We are financially sustainable and scalable
4. We make a positive social impact

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 2,526 members (2021: 3,682 members).

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 (formerly Musson) B.Bus, M.Mngt, GAICD	Chair of the Board Board Member Chair of People & Remuneration Committee
Peter Roberts B.Fin.Admin, Fellow of Institute of Chartered Accountants (FCA), GAICD, Graduate Diploma - Securities Institute	Deputy Chair of the Board Board Member Chair of Audit & Risk Management Committee Member of People & Remuneration Committee
Helen Argiris BCom (Accounting, Finance & Computer Technology), Fellow of CAANZ, UNSW Business School Alumni Leader, MAICD	Board Member Member of Audit & Risk Management Committee Member of Education Committee
Prof Patricia Eadie BSpeech Pathology, Grad Dip, PhD, Fellow of Speech Pathology Australia	Board Member Member of Education Committee (from 31 May 2022)
Joshua Gilbert BComm (Accounting), RG146 Graduate Diploma	Board Member Member of KU Marcia Burgess Foundation Committee
Prof Linda Harrison BSc (Hons), MSc, DipT (EC), MEd, PhD (Developmental Psychology), MAICD	Board Member Member of Education Committee
Elizabeth Hristoforidis BCom (Marketing), LLB, MLM, GAICD	Board Member Chair of KU Marcia Burgess Foundation Committee Member of People & Remuneration Committee
Tamara Robinson BCom (Hons)	Board Member Member of KU Marcia Burgess Foundation Committee
Janet Verden BCom (Marketing), GAICD	Board Member Chair of the Education Committee Member of Audit & Risk Management Committee

Directors' Report (continued)

Directors' Attendance at Board Meetings (1 January to 31 December 2022)

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).

Directors	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 (formerly Musson)	11	11					4	4		
Peter Roberts	11	9	4	3			4	3		
Helen Argiris	11	8	4	4	4	3				
Prof Patricia Eadie	11	10			3	3				
Joshua Gilbert	11	9							5	5
Prof Linda Harrison	11	10			4	4				
Elizabeth Hristoforidis	11	11					4	4	5	5
Tamara Robinson	11	10							5	5
Janet Verden	11	11	4	3	4	4				

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.

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, 20 April 2023



Peter Roberts
Chair, Audit & Risk Management Committee
Sydney, 20 April 2023

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

20 April 2023

Dear Board Members

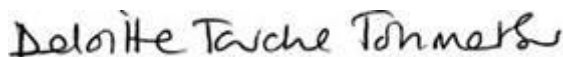
Auditor's Independence Declaration to KU Children's Services

In accordance with Subdivision 60-C section 60-40 of 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 2022, I declare that to the best of my knowledge and belief, there have been 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
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Gaile Timperley
Partner
Chartered Accountants

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

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 2022, 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 a summary of significant accounting policies, and the declaration by the Board of Directors.

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

- (i) giving a true and fair view of the Entity's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 31 December 2022, 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.

Responsibilities of the Board of Directors for the Financial Report

The Directors of the Entity 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 Entity 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 Entity or to cease operations, or has 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 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 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.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Gaile Timperley".

Gaile Timperley
Partner
Chartered Accountants
Sydney, 20 April 2023

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 2013.

On behalf of the Directors



Sema Whittle
Chair, Board of Directors
Sydney, 20 April 2023



Peter Roberts
Chair, Audit & Risk Management Committee
Sydney, 20 April 2023

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.



Sema Whittle
Chair, Board of Directors
Sydney, 20 April 2023



Peter Roberts
Chair, Audit & Risk Management Committee
Sydney, 20 April 2023

Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2022

	Note	2022 \$	2021 \$
Revenue from fees	5(i)	57,410,441	55,860,347
Revenue from non-capital government funding	5(ii)	85,537,446	77,709,332
Other revenue	5(iii)	5,658,019	6,530,065
		<u>148,605,906</u>	<u>140,099,744</u>
Employee costs		118,559,073	114,231,652
Operational expenses		10,305,066	10,429,149
Occupancy expenses		6,249,410	4,645,037
Depreciation		2,911,916	2,309,391
Amortisation		2,014,569	3,070,980
Depreciation	5(v)	4,926,485	5,380,371
Administrative expenses		6,125,464	5,817,639
Repairs & maintenance		2,200,211	1,989,407
Marketing expenses		699,691	614,770
Finance costs	5(v)	228,674	327,260
Disposal and Asset Write-off		-	601,241
Other expenses		1,230,477	928,380
		<u>150,524,551</u>	<u>144,964,906</u>
Deficit from ordinary operations		<u>(1,918,646)</u>	<u>(4,865,162)</u>
Other Income			
Government capital grant funding	5(iv)	414,816	1,049,816
Deficit for the year		<u>(1,503,830)</u>	<u>(3,815,346)</u>
Total comprehensive income for the year		<u>(1,503,830)</u>	<u>(3,815,346)</u>

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 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	18(b)	50,019,155	53,389,604
Term deposits	19	2,500,000	500,000
Trade and other receivables	6	1,900,636	464,495
Other assets	7	951,348	1,425,022
Total current assets		<u>55,371,139</u>	<u>55,779,121</u>
Non-current assets			
Right-of-use assets	15	3,276,661	5,123,369
Property, plant and equipment	8	39,966,811	39,399,278
Total non-current assets		<u>43,243,472</u>	<u>44,522,647</u>
Total assets		<u>98,614,611</u>	<u>100,301,768</u>
Liabilities			
Current liabilities			
Trade and other payables	9	15,667,933	14,654,215
Lease Liabilities	10(a)	2,479,790	2,521,485
Unearned income	11	17,100,056	16,236,791
Provisions	12	19,619,561	20,172,212
Total current liabilities		<u>54,867,340</u>	<u>53,584,703</u>
Non-current liabilities			
Non current provisions	12	3,056,036	3,060,884
Lease Liabilities	10(b)	2,489,940	3,951,055
Total non-current liabilities		<u>5,545,976</u>	<u>7,011,939</u>
Total liabilities		<u>60,413,316</u>	<u>60,596,642</u>
Net Assets		<u>38,201,296</u>	<u>39,705,126</u>
Equity			
Retained Earnings			
General funds	13	37,163,340	38,665,097
Fundraising reserve	14	1,037,956	1,040,029
Total Retained Earnings		<u>38,201,296</u>	<u>39,705,126</u>

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

Statement of Changes in Equity
for the Year Ended 31 December 2022

	General Funds	Fundraising Reserve	Total
	\$	\$	\$
Balance at 1 January 2021	42,442,541	1,077,931	43,520,472
Deficit for the year	(3,815,346)	-	(3,815,346)
Transfer from/(to) general funds	37,902	(37,902)	-
Balance at 31 December 2021	38,665,097	1,040,029	39,705,126
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

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

Statement of Cash Flows
for the Year Ended 31 December 2022

	2022	2021
	\$	\$
Cash flows from operating activities		
Receipts from customers, government bodies and centres	120,299,530	117,192,520
Receipts from Brokered Programs	27,756,567	28,578,964
Payments to suppliers and employees	(117,913,228)	(115,554,126)
Allocations to recipients of brokered programs	(27,116,405)	(28,347,613)
	<hr/>	<hr/>
Net cash generated by operating activities	3,026,464	1,869,745
	<hr/>	<hr/>
Cash flows from investing activities		
Payment for property, plant and equipment	(3,473,840)	(9,721,989)
Receipts from government capital grants	984,928	1,180,205
Interest received	492,074	98,095
Finance costs	(29,198)	(28,301)
Investments in term deposits	(2,000,000)	5,000,000
	<hr/>	<hr/>
Net cash (utilised in)/generated by investing activities	(4,026,035)	(3,471,990)
	<hr/>	<hr/>
Cash flows from financing activities		
Payment of lease liabilities	(2,370,877)	(3,443,404)
Additions to lease liabilities	-	285,094
Movement in leases liabilities	(2,370,877)	(3,158,310)
	<hr/>	<hr/>
Net cash (utilised)/generated by financing activities	(2,370,877)	(3,158,310)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(3,370,449)	(4,760,555)
Cash and cash equivalents at the beginning of the financial year	53,389,604	58,150,159
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	50,019,155	53,389,604

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

Notes to the Financial Statements

for the Year Ended 31 December 2022

1. Corporate Information

The financial statements of KU Children's Services (the Company) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 28 March 2023.

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

2.1 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 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities
- AASB 2021-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures
- AASB 2022-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
<i>AASB 2021-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2021-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1-Jan-23
AASB 2022-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1-Jan-23
AASB 2022-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1-Jan-23

Notes to the Financial Statements

for the Year Ended 31 December 2022

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 and the Charitable Fundraising Act 1991.

The entity previously prepared general purpose financial statements under Tier 2-Reduced Disclosure Requirements. There were no transition adjustments other than some limited disclosure changes on the adoption of Australian Accounting Standards-Simplified Disclosures.

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.

Notes to the Financial Statements for the Year Ended 31 December 2022

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: 5-14 years
- Leasehold improvements: lease term or 10 years
- Furniture and fittings: 5-10 years
- Computers and hardware: 3-5 years
- Motor vehicles: 8-10 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 2022

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 2022

3. Summary of Accounting Policies (continued)

d) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets - Initial recognition and measurement

At initial recognition, financial assets are classified and measured at fair value. Financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of the financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

Financial assets subsequently measured at amortised cost

Debt instruments are measured subsequently at amortised cost when the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise to on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Notes to the Financial Statements for the Year Ended 31 December 2022

3. Summary of Accounting Policies (continued)

d) Financial Instruments (*continued*)

Financial assets designated at fair value through other comprehensive income (FVTOCI)

Debt instruments are subsequently measured at fair value through profit or loss if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- 1) The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- 2) The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, 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.

Notes to the Financial Statements for the Year Ended 31 December 2022

3. Summary of Accounting Policies (continued)

d) Financial Instruments (continued)

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.

De-recognition of Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, 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 2022

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 incentives receivable.
- 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 consolidated 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 2022

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 consolidated 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.

For the concessionary leases, the Company applies the option under AASB 2018-8 to measure the right-of-use-assets at cost on initial recognition.

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 2022

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 AASB 138)

- 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 2022

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 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.

Notes to the Financial Statements for the Year Ended 31 December 2022

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 2022

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 2022

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 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.

Notes to the Financial Statements for the Year Ended 31 December 2022

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 present value of 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 recognise 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 2022

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.

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

Notes to the Financial Statements

for the Year Ended 31 December 2022

5. Deficit for the year

	2022	2021
	\$	\$
(i) Revenue from fees		
Parent's fees	57,410,441	55,860,347
(ii) Revenue from non-capital government funding		
Government funding	85,537,446	77,709,332
(iii) Other revenue		
Other revenue from ordinary operations consisted of the following items:		
Management fees	1,821,935	1,883,424
Gross fundraising income	177,623	153,777
Interest income	492,074	98,095
Consultancy fees	902,800	847,260
Sales of publications and courses	69,078	196,500
Sponsor support	1,799,112	2,781,821
Other sundry revenue	395,397	569,188
	<u>5,658,019</u>	<u>6,530,065</u>
(iv) Other income		
Government capital grant funding	414,816	1,049,816
(v) Deficit		
Deficit has been arrived at after charging the following items:		
Depreciation		
Property, plant and equipment	(2,911,915)	(2,309,391)
Right-of-Use Assets	(2,014,569)	(3,070,980)
Total depreciation	<u>(4,926,484)</u>	<u>(5,380,371)</u>
Total depreciation	<u>(4,926,484)</u>	<u>(5,380,371)</u>
Net expected credit losses and bad debts written off	(15,124)	(19,762)
Finance costs		
Interest and finance charges paid/payable	(473)	(656)
Interest on Right-of-Use assets	(228,201)	(326,604)
	<u>(228,674)</u>	<u>(327,260)</u>
Gain/(Loss) on disposal of assets	5,610	(601,241)

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	\$	\$
6. Trade and Other Receivables		
Trade receivables		
Trade receivables	1,754,654	439,336
Allowance for expected credit losses	(41,566)	(61,251)
Accrued income	158,621	(10,000)
	<u>1,871,709</u>	<u>368,084</u>
Other receivables		
Other receivables	28,926	96,410
	<u>1,900,636</u>	<u>464,495</u>
Reconciliation of allowance for expected credit losses		
Balance 1 January	61,251	92,414
(Decrease)/Increase to allowance for expected credit losses	(19,685)	9,995
Impairment recovery	-	(41,158)
Balance 31 December	<u>41,566</u>	<u>61,251</u>

No interest is charged on the trade receivables. The expected credit losses for other receivables is NIL as it relates mainly to interest receivable from banking institutions with low default rates.

7. Other Assets

Prepayments	951,348	1,425,022
	<u>951,348</u>	<u>1,425,022</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

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 2021	21,765,740	24,674,328	3,796,186	103,147	1,888,058	52,227,459
Additions	4,949,527	1,559,987	499,915	-	30,000	7,039,429
Assets under construction (WIP)	5,443,925	1,265,073	11,140	-	-	6,720,138
Reverse Assets under construction (WIP) 2020	(3,252,437)	(843,807)	(64,744)	-	-	(4,160,988)
Disposals	924,688	354,785	(96,092)	-	51,400	(1,426,965)
Balance at 31 December 2021	27,982,067	26,300,796	4,146,405	103,147	1,866,658	60,399,073
Additions	5,125,212	2,735,554	1,271,915	-	-	9,132,682
Reverse Assets under construction (WIP) 2021	(5,443,925)	(1,265,073)	(11,140)	-	-	(6,720,138)
Assets under construction (WIP)	818,111	234,384	15,617	-	-	1,068,112
Disposals	-	(1,810)	-	(29,709)	-	(31,519)
As at 31 December 2022	28,481,465	28,003,851	5,422,797	73,438	1,866,658	63,848,210
Accumulated Depreciation						
Balance at 1 January 2021	(2,930,028)	(12,986,076)	(1,919,637)	(103,147)	(1,577,241)	(19,516,129)
Disposals	509,990	232,829	31,506	-	-	774,325
Write-offs	-	-	-	-	51,400	51,400
Depreciation expense	(311,113)	(1,332,064)	(606,787)	-	(59,427)	(2,309,391)
Balance at 31 December 2021	(2,731,151)	(14,085,311)	(2,494,918)	(103,147)	(1,585,268)	(20,999,795)
Disposals	-	754	-	29,709	-	30,463
Depreciation expense	(437,683)	(1,515,502)	(909,889)	-	(48,993)	(2,912,067)
As at 31 December 2022	(3,168,834)	(15,600,059)	(3,404,807)	(73,438)	(1,634,260)	(23,881,399)
Net Book Value						
As at 31 December 2021	25,250,916	12,215,485	1,651,487	-	281,390	39,399,278
As at 31 December 2022	25,312,631	12,403,792	2,017,990	-	232,398	39,966,811

Notes to the Financial Statements
for the Year Ended 31 December 2022

8. Property, Plant and Equipment(continued)

	2022	2021
	\$	\$
Depreciation:		
Land and buildings	437,683	311,113
Leasehold Improvements	1,515,502	1,332,063
Furniture and office equipment	909,738	606,788
Make Good Asset	48,992	59,427
	<u>2,911,915</u>	<u>2,309,391</u>

9. Trade and Other Payables

	2022	2021
	\$	\$
Salary and superannuation accruals	3,053,427	2,768,915
Prepaid centre fees and holding deposits	3,160,539	3,157,211
GST Payable	414,638	329,773
Other payables and accruals	4,020,422	2,111,744
Trade payables	2,578,879	3,031,856
WBS & Brokered program surpluses	2,440,028	3,254,716
	<u>15,667,933</u>	<u>14,654,215</u>

Notes to the Financial Statements
for the Year Ended 31 December 2022

	2022	2021
	\$	\$

10. Lease Liabilities

(a) Current Liabilities - lease liabilities - right-of use-assets

Lease Liability	2,479,790	2,521,485
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(b) Non-current Liabilities - lease liabilities - right-of use-assets

Lease Liability	2,489,940	3,951,055
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Total lease liabilities (current and non-current) are set out below:

Current	2,479,790	2,521,485
Non-current	2,489,940	3,951,055
	<u>4,969,730</u>	<u>6,472,540</u>

Reconciliations

Reconciliations of lease liabilities (current and non-current) at the beginning and end of the financial year are set out below:

Balance at beginning of year	6,472,540	8,143,411
Additions	639,866	1,473,035
Repayment of lease liabilities	(2,370,877)	(3,470,510)
Interest	228,201	326,604
Balance at end of year	<u>4,969,730</u>	<u>6,472,540</u>

11. Unearned Income

Prepaid government funding	14,458,724	14,209,210
Prepaid special education income	2,641,332	2,027,581
	<u>17,100,056</u>	<u>16,236,791</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2022**

	2022	2021
	\$	\$
12. Provisions		
Current		
Employee Benefits:		
Provision for annual leave and rostered days off	10,258,070	11,010,208
Provision for long service leave	8,221,043	8,021,556
	<u>18,479,113</u>	<u>19,031,764</u>
Provision for Make Good Liability:		
Make good liability	1,140,448	1,140,448
	<u>19,619,561</u>	<u>20,172,212</u>
Non-current		
Employee Benefits:		
Provision for long service leave	2,329,866	2,334,714
Provision for Make Good Liability:		
Make good liability	726,170	726,170
	<u>3,056,036</u>	<u>3,060,884</u>
13. General Funds		
Balance at beginning of financial year	38,665,097	42,442,541
Net deficit	(1,503,830)	(3,815,346)
Transfers from Fundraising Reserve (note 14)	2,073	37,902
Balance at end of financial year	<u>37,163,340</u>	<u>38,665,097</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	\$	\$
14. Fundraising Reserve		
Balance at beginning of financial year	1,040,029	1,077,931
Transfer to general funds	(2,073)	(37,902)
Balance at end of financial year	<u>1,037,956</u>	<u>1,040,029</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.

	2022	2021
	\$	\$
15. Non-current assets - right-of-use assets		
Right-of-use assets	9,495,709	10,285,952
Less: Accumulated depreciation	(6,219,048)	(5,162,583)
Balance at end of financial year	<u>3,276,661</u>	<u>5,123,369</u>

Reconciliations

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

	2022	2021
	\$	\$
Balance at beginning of year	5,123,369	6,708,409
Additions	167,861	1,485,940
Depreciation Expense	(2,014,569)	(3,070,980)
Balance at end of year	<u>3,276,661</u>	<u>5,123,369</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

16. Contingent Liabilities	2022	2021
	\$	\$
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 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 15 May 2018 to Hornsby Shire Council	-	20,196
Bank Guarantee 28 May 2018 to Hornsby Shire Council	-	12,733
Bank Guarantee 28 May 2018 to Hornsby Shire Council	-	21,791
Bank Guarantee 18 May 2020 to Ku-ring-gai Council	262,487	262,488
Bank Guarantee 31 March 2021 to James Tsun-Ming Wong	22,000	22,000
Bank Guarantee 19 June 2021 to Monarch (Sales) Pty Limited	36,300	36,300
	358,283	413,004

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 (2021: 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	1,950,590	1,725,745
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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 Year Ended 31 December 2022

19. Note to the Statement of Cash Flows

(a) Reconciliation of Deficit for the year to Net Cash Flows From Operating Activities

	2022	2021
	\$	\$
Deficit for the period	(1,503,828)	(3,815,346)
Depreciation and Amortisation of non-current assets	4,926,485	5,380,371
Interest received	(492,074)	(98,095)
Finance costs	29,198	28,301
Government capital funding	(984,928)	(1,049,816)
Decrease/(Increase) in trade receivables and other assets	(962,467)	470,630
Increase/(Decrease) in trade payables and other liabilities	2,577,187	(456,196)
Increase in provisions	(557,499)	838,655
Gain on disposal of fixed assets	(5,610)	601,241
Make Good Adjustments	-	(30,000)
Net cash generated from operating activities	3,026,464	1,869,745

(b) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, 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:

	2022	2021
	\$	\$
Cash and cash equivalents	50,019,155	53,389,604
The cash balances include maturing term deposits with a term of 3 months or less.		
20. Term deposits	2022	2021
	\$	\$
Term deposits with a term of more than 3 months	2,500,000	500,000

Notes to the Financial Statements for the Year Ended 31 December 2022

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 2022

	2022	2021
	\$	\$
Raffles	6,222	21,810
Functions	60,160	38,712
Sale of Items	85,964	58,812
Interest	78	69
Donations	25,199	34,375
Gross Proceeds from Fundraising	<u>177,623</u>	<u>153,778</u>
Raffles	(11)	(115)
Functions	(63,813)	(53,441)
Sale of Items	(34,386)	(24,875)
Total Cost of Fundraising	<u>(98,210)</u>	<u>(78,431)</u>
Net Proceeds from Fundraising	<u>79,413</u>	<u>75,347</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 2022

Opening balance	1,040,029	1,077,930
Net proceeds from fundraising	79,413	75,347
Centre Improvement and Equipment	(81,486)	(113,248)
Total Reserve as at year end	<u>1,037,956</u>	<u>1,040,029</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

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.

	2022	2021
	\$	\$
Gross income received from sale of items	85,964	58,812
Total expenditure incurred	34,386	24,875

(e) Forms of Fundraising Appeals Conducted in 2022

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 \$98,210 (2021: \$78,431) divided by Gross Income from Fundraising \$177,623 (2021: \$153,778) equals 55% (2021: 52%).

Net Surplus from Fundraising \$79,413 (2021: \$75,347) divided by Gross Income from Fundraising \$177,623 (2021: \$153,778) equals 45% (2021: 48%).

22. 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 Year Ended 31 December 2022

23. Government Grant Funding

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

Program	Funding \$ 31/12/2022	Funding \$ 31/12/2021
Specialised Equipment and Resources for Kindergartens- Queensland Government Department of Education	-	370,000
	30/06/2022	30/06/2021
Inner West Play & Chat – NSW Department of Communities & Justice	406,506	398,725
Newcastle Supported Playgroup – NSW Department of Communities & Justice	154,570	150,433
Marcia Burgess Autism and Specific Early Learning & Care Centre – Australian Government Department of Social Services	-	727,500
Inclusion Development Fund Manager- Australian Government Department of Education, Skills and Employment	4,642,512	3,273,071
Inclusion Agency- Australian Government Department of Education, Skills and Employment	23,606,751	26,343,691
Steps to Starting School - The Smith Family	110,207	108,047
COVID-19 Innovation Program – Multicultural NSW	50,000	
Specialised Equipment and Resources for Kindergartens – Queensland Government Department of Education	-	185,000
KU Starting Points – 1 – Start Strong Pathways Program – NSW Department of Education	155,805	155,805
KU Starting Points – 2 – Start Strong Pathways Program – NSW Department of Education	362,655	362,655