SDN Children's Services

Annual Report 2023

Your child, supported by *our village*

Our preschool children exploring the outdoors at **SDN Batemans Bay.**

sdn children's services

Welcome to our SDN village,
where everyone belongs.

contents

SDN Children's Services

Annual Report 2023

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Level 3, 19–37 Greek Street
Glebe NSW 2037

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

Directors & Officers

Directors

The Directors as at publication at 30 September 2023 were:

Helen Hamilton-James
President

Kirsty Albert
Director

Linda Cassidy
Director

Angela Donohoe
Director

Julie Hourigan
Director

Glenn Hughes
Director

Tamara Johnston
Director

Rani Kumar
Director

Darren Mitchell
Director

Tom Taylor
Director

Barbara Wise
Director

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

CEO
Kay Turner

Company Secretary
Dianne Speakman

Registered Office & Principal Place of Business
Level 3
19-37 Greek Street
Glebe NSW 2037

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

Senior Leadership Team

The Senior Leadership Team as at publication at 30 September 2023 was:

Kay Turner
Chief Executive Officer, Executive Director SDN Child and Family Services

Rod Nadwie-Smith
Head of Services

Peter Rae
Chief Financial Officer

Dianne Speakman
Head of Communications and Corporate Affairs, Company Secretary

Zarin Medhora
Head of People and Organisational Development

Glynis Chang
Director of Organisational Development

Adrienne Jerram
Director of Marketing and Customer Experience

Bryan Mattes
Strategic Project Manager

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

Our Purpose

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

Our Values

In carrying out our purpose we commit ourselves to being:


sdn
Trustworthy + Reliable
Inclusive + Respectful
Creative + Innovative

President's & CEO's *report*

This year we're reporting a surplus, which is a pleasing turnaround following a year of consolidation with a focus on financial sustainability and re-embedding our practices with children and families. Our financial turnaround follows the significant loss we incurred last financial year due to our commitment to helping families by waiving the out-of-pocket gap fee for children in our centres who were not attending due to COVID.

It has been a relief not to have COVID lockdowns and to be able to visit our services, talk with children and families, and meet with staff. We've spent the year successfully responding to changes in community expectations, lifestyles and working patterns and re-establishing systems and processes.

Our five year strategic plan expires at the end of 2023 and our focus on children and families will remain strong in our new five year plan. Throughout late 2022 and 2023 we balanced the need to manage pressing operational issues while thinking about the future. We spent a large part of 2023 consulting on and discussing our proposed strategy across the whole organisation. Members were invited to give feedback during August, and the new plan was approved by the Board at its October 2023 meeting.

Every strategic plan is a chance to take into account changes in the community and government landscapes, apply new evidence and learnings, sharpen our focus, and lift our game. While this is a new strategic plan, our strategy is not new – evidence-based and play-based services that prioritise the earliest intervention when additional support is required so we enhance children and young people's wellbeing, that are offered in sustainable and inclusive environments, that are responsive to the needs of families, and are delivered by skilled, committed staff.

Our purpose remains unchanged: to enhance children's wellbeing, learning and development in inclusive environments. We're extending our commitment to children and young people to not only being a child safe organisation, but to go beyond just meeting quality standards and doing what we have to do, to being leaders in practices that champion 'children as citizens'.

We also aim to offer value for families. We know that the quality and skills of our staff drive the quality of the services we offer, and our annual centre family survey tells us that consistency of staffing is extremely important for families. This was challenging to achieve during 2022-23 as workforce issues dominated the year. We had significantly increased staff turnover and high staff vacancy rates, meaning lots of new faces in services and the need to employ more casual and agency staff, making it difficult for us to always meet the expectations of families.

Despite this our Net Promotor Score (NPS) in our 2023 annual family survey was 67.7, consistent with our NPS in 2022 of 68.6. Additionally, 94% of families agreed or strongly agreed that SDN offers high quality services. These are excellent results in a challenging year and reflect our commitment to placing children at the centre of everything we do.

Our success is determined by our ability to attract and retain highly talented, committed staff who are leaders in their field. This is even more true now after the COVID pandemic as staff expectations have evolved and continue to be more complex, with staff seeking a personalised experience in the workplace.

There continues to be strong employee alignment with SDN's values and purpose and, while pay and benefits are still a significant issue, the results for our annual staff survey conducted in March were positive, although lower than the previous survey. Our engagement and progress scores were 75% compared with 80% on the previous survey; and our wellbeing was 68%, down 6% on the previous year. We thank all of our staff for supporting each other as well as the children and families they work with.

We chose to deliver additional wage increases in January and June 2023 over and above our Enterprise Agreement that already guarantees above award wages and annual wage increases. We did this to acknowledge and reward staff and to stay competitive in the employment market.

A key part of our organisational strategy is to use our expertise to advocate for policies that support children and young people. That commitment was put to the test during 2022 and 2023 with SDN making submissions to a number of federal and state government inquiries including the ACCC, Productivity Commission and NSW IPART reviews into early childhood education and care; the review of the NDIS; the National Early Years Strategy; and the ACECQA review of staffing and qualifications for the early childhood education and care sector.

More than ever SDN is working in collaborative relationships with like-minded organisations, driven by the number of inquiries and changes of government and therefore changes of policy direction at both federal and state level. For example, SDN contributed to a joint submission to the NDIS review from a new collaboration of not-for-profit providers and continues to work with that group on other emerging policy issues.

We have worked hard to generate a surplus this year while also continuing to support children and families with complex needs and experiencing disadvantage. Our expectations of the coming financial year are positive, with a new strategic plan and new opportunities on the horizon.

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

Kay Turner
Chief Executive Officer

Helen Hamilton-James
President

*Additional message from the **President***

Tam Johnston stepped down as President in November 2022 at the end of her three year term and I was elected President in her place. As well as overseeing the financial performance of SDN, staff wellbeing, management of major risks especially our cybersecurity risks, and sustainable management of our property portfolio were key focus areas for the Board across the year. I would like to thank my Board director colleagues for their contributions and support since I became President. We had two new directors, Julie Hourigan and Rani Kumar, join the Board, and farewelled long term director Cynthia à Beckett. Board renewal is important to ensure we don't become complacent and to bring in fresh thinking, but the Board is also conscious of the benefits of retaining organisational memory and ensuring continuity of values and vision. I look forward to continuing working with the Board, management and staff.

Helen Hamilton-James, President

Directors' Report

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

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

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

This report is our consolidated report for the 2022-23 financial year and contains the information required as part of our regulatory reporting requirements. Our reporting on our progress against our strategy is contained in our Annual Review.

Our activities are:

1

Early Learning

2

Children's Therapies

3

Family Preservation & Support

4,785

children and families positively impacted.

Our Impact in 2023

4,785
children and families positively impacted.

This year we positively impacted **4,785 children and families,** compared with 4,803 children last year. This is a decrease on last year as we continued to experience workforce shortages across all of our services which meant we could not deliver at full capacity.

We provided **3,007 children with high quality early learning** through our 26 centres.

Last year: 3,121

3,007
children supported through our 26 centres.

73
additional children facing challenges supported.

We supported an **additional 73 children facing challenges** to be enrolled in mainstream settings.

Last year: 123

We provided early intervention services for **594 children with disabilities or developmental delays.**

Last year: 566

594
children with disabilities or developmental delays.

115

children in supported playgroups and activities.

Last year: 23

731

families facing challenges supported.

Last year: 750

SDN actively supports the children's services sector to be

more inclusive of children.

In 2022-23, we **supported 244 other service providers** through the following programs:

(compared with 239 last year)

Family Preservation

114 services

Last year: 112

Child & Parenting *Program*

20 agencies

Last year: 15

Start Strong Pathways

8 agencies

Last year: 9

Child & Family Interagency

Inner & Eastern Sydney

78 agencies

Last year: 82

Playlinks

45 agencies

Last year: 21

Financial Position 2022-23

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

Net Assets 2022-23	Cash Equivalents 2022-23
$49,256,939	$13,031,659
2021-22 - $42,547,598	2021-22 - $13,229,751

Operating Result **for 2022-23**

The SDN group's operating result was a significant turnaround from the prior year's result, delivering a surplus as revenue and utilisation levels returned to pre-COVID levels with a full year of uninterrupted operations and service delivery.

2022-23 - Surplus of

$666,451

2021-22 - Deficit of (**$4,865,725**)

The consolidated surplus includes **SDN Child and Family Services Pty Limited**, which reported a surplus of $28,226, a significant improvement on the deficit of ($421,175) in 2021-22.

Revenue

There was a strengthening of revenue when compared to the prior year's performance from a year of full operations with no interruptions from lockdowns or revenue impacts of gap-fee waivers experienced in previous years, including our first full year of standard operations for the three University of NSW centres added to the SDN portfolio at the start of 2021. The impact of the last couple of years is being felt in terms of new utilisation patterns as families working conditions and expectations change. Revenue from our Children's Therapies services was negatively impacted throughout the year, with significant staffing challenges limiting service delivery. Revenue from our government funded programs remained steady.

Expenditure

Expenditure was tightly controlled throughout the year as operations returned to pre-COVID activity levels. Staffing challenges continued to be experienced in all sectors of SDN operations as services competed in a tightening job market, leading to higher staff turnover and upward pressure on wages. The impact of the current inflationary and cost of living pressures has been felt across SDN's cost base with upward pressure on direct and indirect expenses.

Revenue
2022-23

$61,668,381

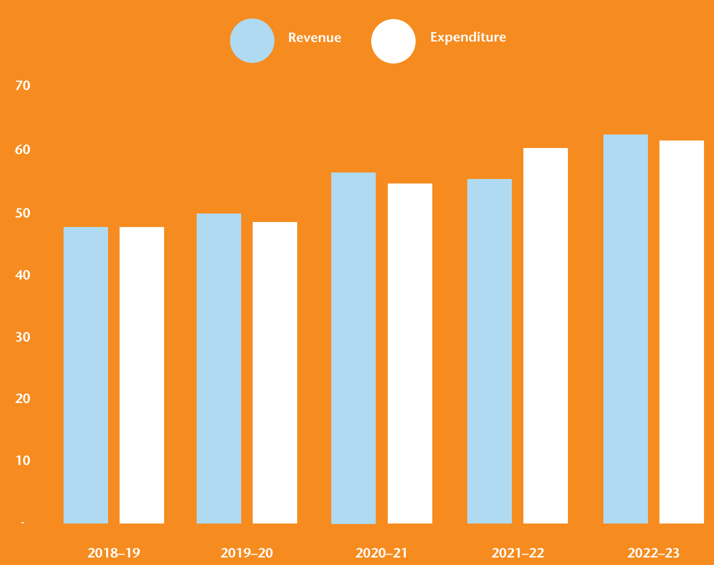
2021-22 - **$54,806,502**

Expenditure
2022-23

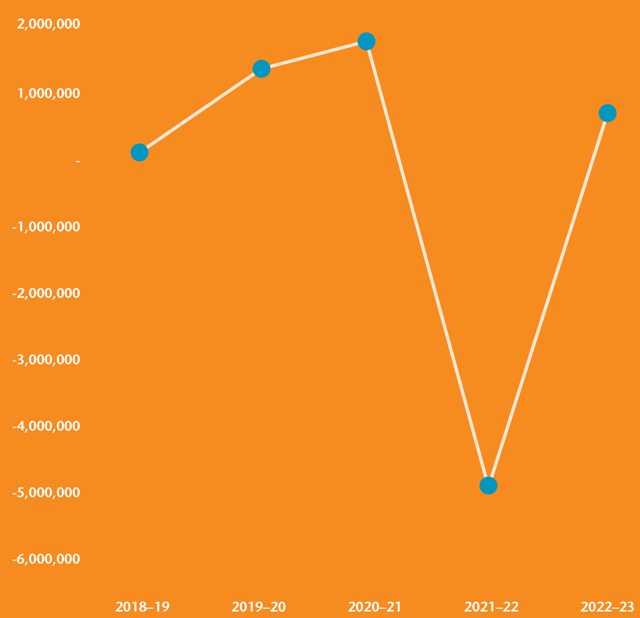
$61,001,930

2021-22 - **$59,672,227**

5-year consolidated revenue vs expenditure ($m)



Consolidated surplus/(deficit) over 5 years

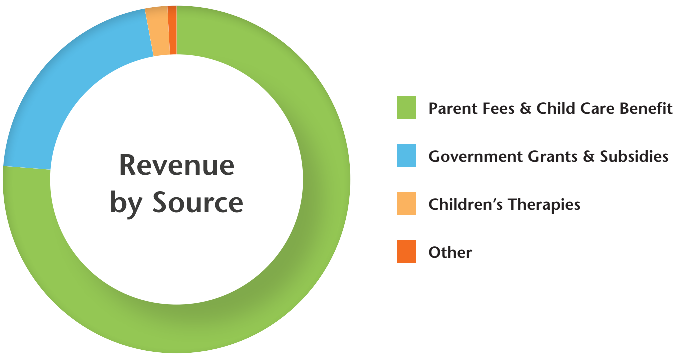


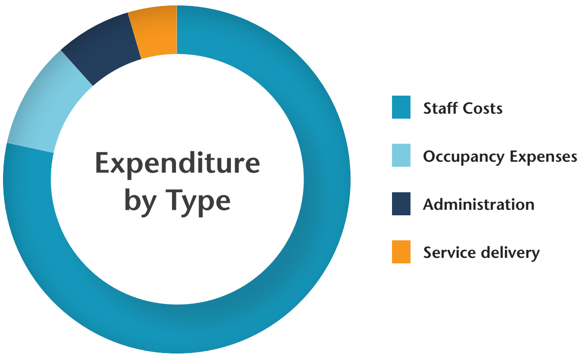
Revenue and Expenditure

Fees from our Early Learning Centres continue to be our most significant source of revenue. 2022-23 has been the first year of uninterrupted service delivery across the portfolio since before COVID-19. There has been a change in preschool funding models from free preschool back to partially supported preschool, which saw the introduction of fees for SDN's preschools during the year. Changes to community expectations, lifestyles, work patterns and cost of living pressures have all impacted utilisation patterns.

During 2022-23, revenue from our fee-for-service therapies for children with a disability or developmental delay continued to decline, with the availability of an experienced workforce in this sector continuing to be a significant factor impeding growth. During the year, the focus turned to improvement of work practices, systems and processes to build capacity to deliver optimal results in future years ahead of focussing on expansion through increased staffing.

Federal, state and territory government funding is for the delivery of specific programs and projects resulting from successful tenders and grant applications. In 2022-23, this includes funding for our delivery of the Family Preservation program.





Early Learning Centres

Revenue has increased over the previous year from a full year of uninterrupted service delivery without the impacts of last year's lockdowns and gap-fee waiver initiatives. We continue to maintain strong utilisation levels and increasing revenue at a time of sustained competition and supply with pressures on service delivery coming from market induced staff resourcing challenges as we maintain our commitment to "beyond quality" delivery of early learning outcomes.

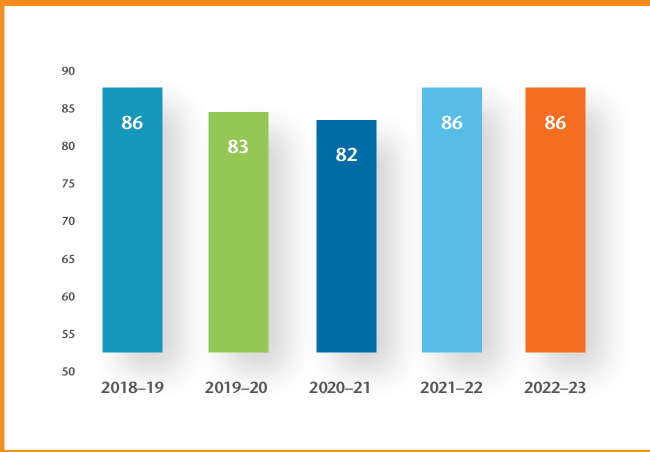
Revenue
2022-23

$47,012,484

2021-22 - **$40,071,969**

Centre Utilisation

as a % of approved places over 5 years



Revenue
2022-23

$1,290,603

2021-22 - $1,712,655

Children's Therapies

Fee-for-service revenue for Children's Therapies, including revenue through NDIS, has decreased over 2022-23.

The challenges of recruiting and retaining experienced staff led to a reduced ability to deliver our services. The decline is not indicative of demand in this area.

Revenue
2022-23

$9,204,868

2021-22 - $8,752,563

Family Preservation & Support

We have sustained our level of support for families and continue to be a trusted adviser.

Our largest government-funded contract is for the NSW Family Preservation program in its second year of the current commissioning contract. Funding for our other programs was maintained during the year.

Other sources

Philanthropy

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

2022-23

$85,695

2021-22 - **$95,640**

Fundraising

Many of our Early Learning Centres benefit from the additional equipment purchased for centres from fundraising activities of families.

2022-23

$6,068

2021-22 - **$9,537**

Scholarships for Children

During **2022-23** we supported:

13 children with Aboriginal and Torres Strait Islander Scholarships totalling **$78,000.**

Last year: 12

+

4 children with Access and Inclusion Scholarships children totalling **$12,000.**

Same as last year.

+

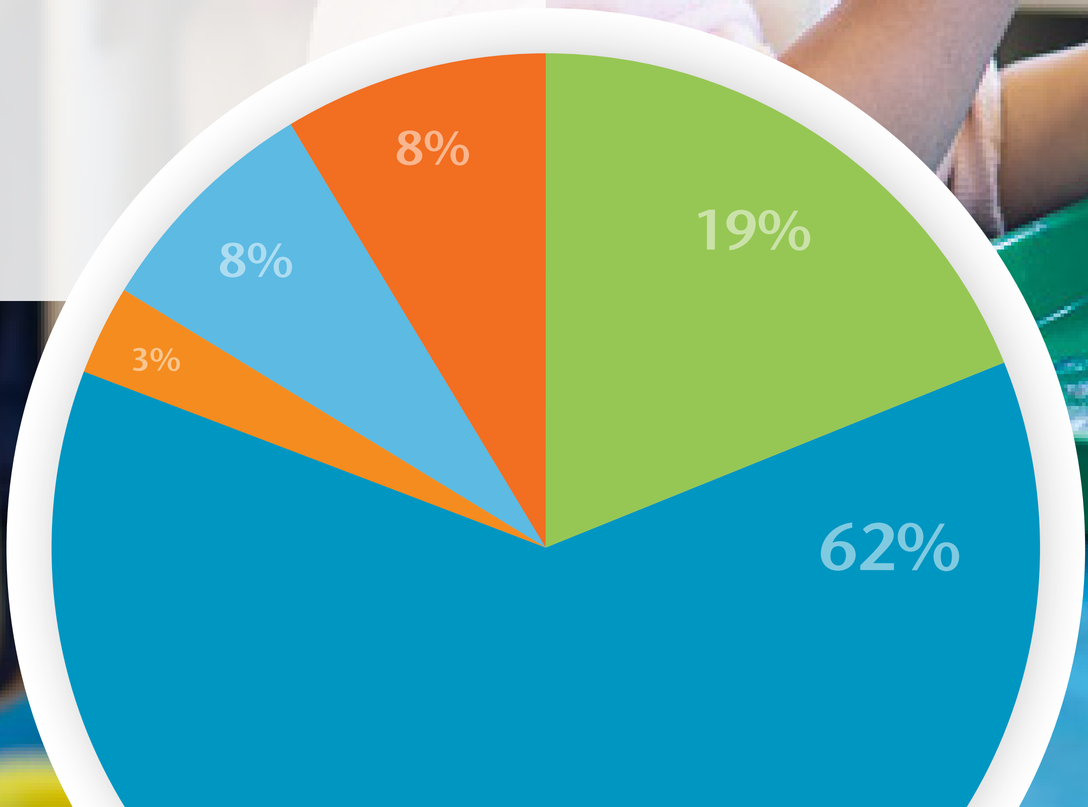
5 children from refugee backgrounds fully funded to enrol in our centres.

Our Staff

As at June 2023, we employed **700 staff.**
Of these, 71% are permanent, 10% are on maximum term contracts (in line with our funded programs), and 19% are casual. This represents a slight decrease in the number of permanent staff compared with 2021-22 as more staff are choosing to become casuals.

Staff by service stream 2022-23

- **Centres** *(434)*
- **Centre Casuals** *(132)*
- **Shared Services** *(60)*
- **Family Preservation & Other Programs** *(54)*
- **Children's Therapies** *(20)*



Students & Trainees

We supervised

104 students on placements

in our services, significantly higher when compared with 57 in 2021-22. This was partly due to many student placements that had been delayed because of COVID restrictions.

Information on **Directors**

as at 30 September 2023

Helen Hamilton-James

President from November 2022 to current

Member of Governance and Remuneration Committee
Director since July 2019

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

Cynthia à Beckett (resigned Nov 2022)

Continues as Co-Chair of Research Ethics Committee
Director since August 2013

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

Kirsty Albert

Chair of Governance and Remuneration Committee
Director since February 2010

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

Linda Cassidy

Director of SDN Child and Family Services Board
Member of Risk and Audit Committee
Director since February 2018

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

Angela Donohoe

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

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

Julie Hourigan

Director of SDN Child and Family Services Board
Co-Chair of Research Ethics Committee
Director since June 2022

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

Glenn Hughes

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

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

Tamara Johnston

Member of Risk and Audit Committee
Member of the Property Committee
Director since November 2017

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

Raagni (Rani) Kumar

Member of Governance and Remuneration Committee
Director since August 2022

Masters in Cultural Studies (Syd); Graduate Certificate in International Development (Syd); Bachelor of Social Science (Economics and Social Policy) (UNSW)

Darren Mitchell

Director of SDN Child and Family Services Board
Director since November 1996

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

Tom Taylor

Chair of Risk and Audit Committee
Member of the Property Committee
Director since July 2019

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

Barbara Wise

Chair of SDN Child and Family Services Board
Director since December 2014

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

Directors' attendance at SDN Board Meetings

for the 2022-23 financial year

Name	N° of Meetings Attended	N° of Meetings Eligible to Attend
Helen Hamilton-James *(President)*	11	13
Cynthia à Beckett *(resigned Nov 2022)*	6	6
Kirsty Albert	13	13
Linda Cassidy	11	13
Angela Donohoe	11	13
Julie Hourigan	11	13
Glenn Hughes	10	13
Tamara Johnston	13	13
Rani Kumar *(appointed August 2022)*	7	12
Darren Mitchell	9	13
Tom Taylor	13	13
Barbara Wise	9	13

Work of Board Committees

The SDN Board appoints committees to assist it in carrying out its work and currently has **three standing committees and one ad hoc committee in place.**

Risk and Audit Committee

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

Governance and Remuneration Committee

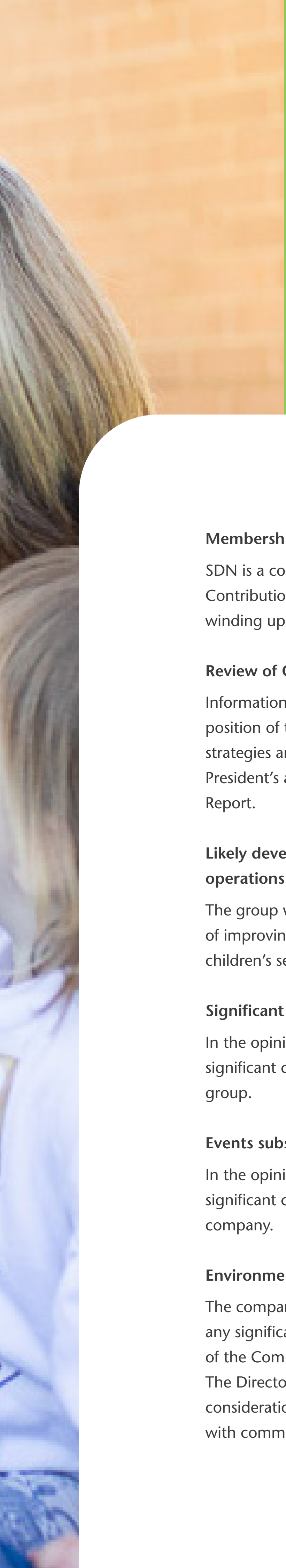
This committee assists and advises the Boards in fulfilling its responsibilities in governing both organisations and the SDN group collectively, including consideration of board composition, Board renewal and development, CEO appointment, succession planning and review. This committee also works with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

Research Ethics Committee

This committee makes decisions regarding the approval or otherwise of Applications for Research and Evaluation at SDN in accordance with ethical principles identified in the Guidelines for Research and Evaluation at SDN, monitors compliance by those granted approval, and provides advice on policies and procedures relating to research and evaluation at SDN. This Committee includes external committee members as well as at least one SDN board director.

Property Committee

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



Other items to report

Membership

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

Review of Operations

Information on the operations and financial position of the SDN group and its business strategies and prospects are set out in the President's and CEO'S Report on page 8 of this Report.

Likely developments and expected results of operations

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

Significant changes in state of affairs

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

Events subsequent to the balance date

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

Environmental issues

The company's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a State or Territory. The Directors are aware of general environmental considerations and believe the company complies with community standards.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the group or any related entity.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2023 has been received and is on page 60.

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

....

Helen Hamilton-James
President Dated: 17 October 2023

Contents of **Financial Statements**

Tel: +61 2 9251 4100
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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

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

As lead auditor of SDN Children's Services for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Elysia Rothwell
Director

BDO Audit Pty Ltd

Sydney

17 October 2023

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2023

	Notes	2023 $	2022 $
Revenue	A1	61,668,381	54,806,502
Employee benefits expenses	A2	(47,818,890)	(46,452,782)
Occupancy expenses	A2	(3,064,100)	(2,724,644)
Administration expenses	A2	(4,331,228)	(5,166,122)
Service delivery expenses	A2	(2,781,394)	(3,020,475)
Depreciation expenses	A2	(3,006,318)	(2,308,204)
Surplus/(deficit) before income tax expense		666,451	(4,865,725)
Income tax expense	E5 (v)	—	—
Surplus/(deficit) for the year		666,451	(4,865,725)
Other comprehensive income, net of tax			
Will not be reclassified to profit or loss			
Revaluation gain on land and buildings	B1		
		6,042,890	—
Total comprehensive income for the year		**6,709,341**	**(4,865,725)**

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

Consolidated Statement of Financial Position
as at 30 June 2023

	Notes	2023	2022
		$	$
Current assets			
Cash and cash equivalents	C1 (ii)	13,031,659	13,229,751
Trade and other receivables		547,148	1,454,528
Financial assets		377,628	376,568
Other current assets		699,781	176,959
Total current assets		14,656,216	15,237,806
Non-current assets			
Property, plant and equipment	B1	51,590,848	46,210,647
Right-of-use-assets	B1	3,747,786	3,588,793
Total non-current assets		55,338,634	49,799,440
Total assets		**69,994,850**	**65,037,246**
Current liabilities			
Trade and other payables	C1 (iii)	8,346,255	9,870,033
Provisions	C1 (iv)	5,489,718	5,678,064
Lease liabilities - current	C1 (v)	1,365,132	845,421
Borrowings - current	C1 (vii)	300,899	281,050
Total current liabilities		15,502,004	16,674,568
Non-current liabilities			
Provisions	C1 (iv)	889,884	887,532
Lease liabilities - non-current	C1 (vi)	2,909,404	3,190,030
Borrowings - non-current	C1 (vii)	1,436,619	1,737,518
Total non-current liabilities		5,235,907	5,815,080
Total liabilities		**20,737,911**	**22,489,648**
Net assets		**49,256,939**	**42,547,598**
Equity			
Reserves	D1 (i) (ii)	39,787,829	33,745,626
Retained earnings	D1 (iii)	9,469,110	8,801,972
Total equity		**49,256,939**	**42,547,598**

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

Consolidated Statement of Changes in Equity
for the year ended 30 June 2023

	Notes	Retained earnings	Asset revaluation reserve	Fundraising reserve	Total
		$	$	$	$
Balance at 1 July 2021		**13,661,972**	**33,720,611**	**30,740**	**47,413,323**
Other comprehensive income		—	—	—	—
Deficit for the year		(4,865,725)	—	—	(4,865,725)
Total comprehensive income for the year		**—**	**—**	**—**	**—**
Transfers to and from reserves					
— fundraising reserve	D1 (i)	5,725	—	(5,725)	—
Balance at 30 June 2022		**8,801,972**	**33,720,611**	**25,015**	**42,547,598**
Other comprehensive income		—	—	—	—
Revaluation gain		—	6,042,890	—	6,042,890
Surplus for the year		666,451	—	—	666,451
Total comprehensive income for the year		**666,451**	**6,042,890**	**—**	**6,709,341**
Transfers to and from reserves					
— fundraising reserve	D1 (i)	687	—	(687)	—
Balance at 30 June 2023	D1	**9,469,110**	**39,763,501**	**24,328**	**49,256,939**

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

Consolidated Statement of Cash Flows
for the year ended 30 June 2023

	Notes	2023	2022
		$	$
Cash flows from operating activities			
Receipts from customers and government (inclusive of GST)		68,600,919	60,304,424
Payments to suppliers and employees (inclusive of GST)		(66,404,142)	(60,420,867)
Net cash from/(used in) operating activities		**2,196,777**	**(116,443)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(805,218)	(2,630,976)
Payments for financial assets		(1,061)	(347,857)
Net cash used in investing activities		**(806,279)**	**(2,978,833)**
Cash flows from financing activities			
Repayments of lease liabilities		(1,307,540)	(1,207,098)
Proceeds from borrowings		—	2,017,417
Repayment of borrowings		(281,050)	—
Net cash from/(used in) financing activities		**(1,588,590)**	**810,319**
Net decrease in cash held		**(198,092)**	**(2,284,957)**
Cash and cash equivalents at beginning of financial year		13,229,751	15,514,708
Cash and cash equivalents at end of financial year	**C1 (ii)**	**13,031,659**	**13,229,751**

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

A. Where do our funds come from and how are they spent?

A1. What are our sources of revenue?

Our primary sources of revenue are from child care fees, disability services fees and State, Territory and Federal Government grants. We also receive donations for children scholarships and other revenue for student placement.

	2023	2022
	$	$
Rendering of services – parent fees and child care benefit	47,012,484	40,071,969
Rendering of services – children's therapies	1,290,603	1,712,655
Grants and subsidies – Commonwealth government	344,611	358,953
Grants and subsidies – NSW state government	12,445,340	12,327,730
Grants and subsidies – ACT government	52,576	44,075
Donations for scholarships and centre operations	85,695	95,640
Other revenue	437,072	195,480
Total revenue	**61,668,381**	**54,806,502**

As part of its activities, SDN Children's Services and its controlled entities receive donations from philanthropic foundations, businesses and individuals for our work with our four priority areas:

- Aboriginal and Torres Strait Islander Early Childhood Scholarships
- Working with children with disability, including our Access and Inclusion Scholarships and our work at SDN Beranga
- Working with children and families facing challenges
- SDN Building Fund

Donations received

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

	2023	2022
	$	$
SDN Child and Family Services Pty Limited — early learning fees[1]	80,135	89,230
SDN Children's Services Incorporated Building Fund — general donations[2]	5,560	6,410
Total donations	**85,695**	**95,640**

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

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

What is the relevant accounting policy?

Revenue recognition

Revenue from the rendering of childcare and disability services is recognised over time as performance obligations are satisfied, which is upon delivery of the service, primarily on a daily or monthly basis. Revenue from childcare benefit is recognised in the period to which the benefit relates.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Grant revenue is recognised at a point in time in the statement of profit or loss and other comprehensive income when the company obtains control of the grant. If conditions are attached to the grant which must be satisfied, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the performance obligation has been delivered to the contributor, otherwise the grant is recognised as revenue at a point in time on receipt.

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

A2. Where has the funding been spent?

We have spent the income we received over the course of this financial year on programs that support the following goals.

	2023 $	2022 $
Provide high quality early childhood education and care services	46,557,298	44,527,496
Support children who face challenges	6,127,242	5,423,525
Strengthen families and communities	8,317,390	9,721,206
Total expenditure	**61,001,930**	**59,672,227**

The main categories of expenditure were as follows:

	2023 $	2022 $
Superannuation expense	4,034,614	3,745,201
Other employee benefits expense	43,784,276	42,707,581
Employee benefits expense	**47,818,890**	**46,452,782**
Rent expenses	31,087	195,331
Repairs and maintenance expenses	2,932,047	2,451,929
Furniture and appliance expenses	100,966	77,384
Occupancy expenses	**3,064,100**	**2,724,644**
Operating expenditure	1,153,118	1,891,803
IT and equipment expense	1,225,519	1,210,647
Other expenses	35,434	702,305
Marketing expenses	625,433	507,811
Professional fees	846,433	700,793
Finance costs	445,291	152,763
Administration expenses	**4,331,228**	**5,166,122**
Childcare expenses	1,902,512	1,588,427
Consulting expenses	571,394	988,148
Training and Program expenses	307,488	443,900
Service delivery expenses	**2,781,394**	**3,020,475**
Depreciation expenses	**3,006,318**	**2,308,204**
Total expenditure	**61,001,930**	**59,672,227**

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

B1. Non-current assets

	2023	2022
Property, Plant and Equipment	**$**	**$**
Land and buildings		
Freehold land — at fair value	34,930,500	31,117,750
Total land	**34,930,500**	**31,117,750**
Buildings — at fair value	15,669,552	14,160,369
Less: accumulated depreciation	(2,263,342)	(2,403,956)
Capital works in progress — at cost	517,156	133,380
Total freehold and leasehold buildings	**13,923,366**	**11,889,793**
Plant and equipment — at cost	7,913,904	7,621,671
Less: accumulated depreciation	(5,176,922)	(4,418,567)
Total plant and equipment	**2,736,982**	**3,203,104**
Total property, plant and equipment	**51,590,848**	**46,210,647**

	2023	2022
Right-of-use Assets	**$**	**$**
Right-of-use Assets – Land – at cost	441,084	441,084
Less: accumulated depreciation	(135,501)	(100,849)
	306,303	340,235
Right-of-use Assets – Property – at cost	4,464,581	3,972,186
Less: accumulated depreciation	(1,502,803)	(1,159,940)
	2,961,778	2,812,246
Right-of-use Assets – Office – at cost	252,127	328,708
Less: accumulated depreciation	(104,872)	(97,830)
	147,255	230,878
Right-of-use Assets – Car Park – at cost	124,867	124,867
Less: accumulated depreciation	(38,928)	(29,199)
	85,939	95,668

Right-of-use Assets	2023 $	2022 $
Right-of-use Assets – Vehicle - at cost	190,351	168,001
Less: accumulated depreciation	(110,252)	(87,065)
	80,099	80,936
Right-of-use Assets – Equipment - at cost	309,699	266,135
Less: accumulated depreciation	(143,287)	(237,305)
	166,412	28,830
Total right-of-use Assets	**3,747,786**	**3,588,793**
Total non-current assets	**55,338,634**	**49,799,440**

Movements in carrying amounts

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

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

	Property, plant and equipment			
	Land	**Buildings**	**Plant and Equipment**	**Total**
2022	**$**	**$**	**$**	**$**
Balance at the beginning of year	31,117,750	12,478,392	1,070,556	**44,666,698**
Additions	—	141,799	2,489,177	**2,630,976**
Depreciation expense	—	(730,398)	(356,629)	**(1,087,027)**
Carrying amount at the end of year	31,117,750	11,889,793	3,203,104	**46,210,647**

Asset revaluations

The freehold land and buildings were last independently valued as at 30 June 2023 by AssetVal Pty Ltd. The valuation was based on fair value and an increment of $6,042,890 was recorded in other comprehensive income. (2022 : $nil)

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

What is the relevant accounting policy?

Non-current assets

Each class of non-current assets is carried at cost or fair value less, where applicable, any accumulated depreciation / amortisation and impairment losses.

Plant and equipment

Plant and equipment are measured on a cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Land and buildings

Freehold land and buildings are initially recorded at cost on acquisition and subsequently shown at fair value through other comprehensive income based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. An independent valuation of all freehold land and associated buildings is generally performed every three years.

The most recent revaluation was completed by AssetVal as at 30 June 2023. The revaluation was based on the following assumptions:

- The group intends to retain the land and buildings for continuous use in the foreseeable future;
- The operating license for each property is current and transferrable;
- The information provided by the group for the revaluation is accurate and verifiable;
- The building complies with all relevant statutory requirements in respect of matters such as but not limited to health, building and fire safety regulations (including asbestos and legionnaires disease), rules, regulations, orders and codes of all authorities, and that there are no outstanding requisitions;
- That there are no onerous encumbrances or interests reported on title, which adversely affect the values, marketability and continued utility of the property or business;

The primary method utilised by the independent valuer was the Direct Comparison method based on a rate per licensed place. They analysed sales evidence of similar transacted childcare centres in the vicinity of the properties and determined an appropriate rate per licensed place. The secondary method used by the independent valuer was the Capitalisation of Income approach, which estimates the net market rental income of each property analysed on an income basis per licensed place, then capitalised this figure at an appropriate capitalisation rate (net yield) to arrive at market value.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to a revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other impairments are charged to the statement of profit or loss and other comprehensive income.
Leasehold improvements are measured at cost less depreciation and impairment losses.

Fair value estimation

Cash and cash equivalents, trade and other receivables, assets held to maturity, trade and other payables and borrowings are short-term instruments in nature whose carrying value is equivalent to fair value.

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

- Rate per licenced place;
- Surplus capitalisation rate.

Impairment

The majority of non-current assets comprise land and buildings. The freehold land and buildings were independently valued at 30 June 2023 by AssetVal Pty Ltd and the valuation was based on fair value. In determining fair value, various assumptions are made. Where these assumptions are subject to change, the resulting fair value would change. The directors have reviewed the assessment of market conditions in the current financial year and have concluded that the carrying value continues to approximate fair value.

Depreciation

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

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

Purchases of plant and equipment using grant funds that are not the property of the group are expensed to profit or loss in line with the terms and conditions of the funding agreement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Right-of-use Assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

C1. Capital Management

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

The group's capital consists of accumulated surpluses.

Management effectively manages the group's capital by assessing the group's financial risks and responding to changes in these risks. These responses may include the consideration of cash investments and debt levels.

There have been no changes to the strategy adopted by management to control the capital of the group since the previous year. The strategy of the group is to maintain a low gearing ratio. The external debt held by the group at 30 June 2023 is $1,737,518 (2022: $2,018,568)

(i) Working Capital

	2023	2022
	$	$
Current assets	14,656,216	15,237,806
Current liabilities	15,502,004	16,674,568
Net current (liabilities)	(845,788)	(1,436,762)

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

(ii) Cash and cash equivalents

	2023	2022
	$	$
Cash at bank and on hand	10,160,848	10,361,172
Short-term bank deposits	2,870,811	2,868,579
	13,031,659	13,229,751

What is the relevant accounting policy?

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(iii) Trade and other payables

	2023	2022
	$	$
Current		
Trade payables	339,285	891,624
Sundry payables and accrued expenses	6,045,003	6,814,957
Unearned income – grant revenue	1,330,456	1,503,066
Unearned income – child care fees in advance	631,511	660,386
	8,346,255	**9,870,033**

Financial liabilities at amortised cost classified as trade and other payables

	2023	2022
	$	$
Trade and other payables:		
Total current	8,346,255	9,870,033
Less: unearned income	(1,961,967)	(2,163,452)
Financial liabilities as trade and other payables	**6,384,288**	**7,706,581**

Funds held on behalf of funding bodies

As part of its activities, the group received funding from government departments in its capacity as project manager which are then distributed to external child care centres around New South Wales. Projects which SDN managed include the Supporting Children with Additional Needs Program (SCAN) program. This program was funded by the NSW Department of Education to provide advice, support and resources to preschools which enrolled children with additional needs. This program ended on November 2014. As at June 2023 $735,940 (2022: $735,940) in administration funding was held on behalf of the Department of Education which will be refunded upon request.

What is the relevant accounting policy?

Trade Payables and Funds held on behalf of funding bodies

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

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

(iv) Provisions

	2023	2022
	$	$
Current:		
Annual leave	2,908,100	3,008,679
Long service leave	2,242,033	2,119,381
Rostered days off	185,584	194,772
Make-good	154,001	355,232
	5,489,718	5,678,064
Non-current:		
Long service leave	184,882	167,880
Contract termination	655,649	707,239
Make-good	49,353	12,413
	889,884	887,532
	6,379,602	6,565,596

Movement in provisions

	2023	2022
	$	$
Make-good		
Balance brought forward	367,645	336,072
Additions	—	31,573
Reversals	(164,291)	—
Balance carried forward	203,354	367,645

	2023	2022
Contract termination		
Balance brought forward	707,239	574,894
Additions	—	132,345
Reversals	(51,590)	—
Balance carried forward	655,649	707,239

Provision for employee entitlements

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

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed term contracts and staff employed in SDN managed centres based on the amount expected to be settled in the event that funding programs and centre leases are not renewed. The liability represents the termination payments to be paid at the anticipated completion of their employment.

The measurement and recognition criteria for employee benefits have been included in critical accounting estimates and judgements below.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of $278,925 reflects leave that is not expected to be taken within the next 12 months.

Provision for make-good

A provision has been recognised in relation to the make-good of a number of premises currently leased by the group. This amount represents the expected amount to be paid out upon termination of the lease to make-good the premises.

What is the relevant accounting policy?

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
Provisions are measured using the best estimate of the amounts required to settle the obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The liability for contract termination is recognised as a current or non-current liability as there is a legal and constructive obligation at the reporting date. The liability is measured at the amount expected to be paid when the liability is settled and is based on employees' services up to the reporting date.

The group contributes to a number of superannuation funds which exist to provide benefits to employees and their dependants on retirement, disability or death. The group's commitment in respect of the superannuation funds (which are all accumulation funds) is limited to making the specified contributions. The group's contributions to the superannuation funds are expensed in the statement of profit or loss and other comprehensive income as incurred.

Critical accounting estimates and judgments

Provision for long service leave

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

Provision for termination liabilities

The group recognises termination benefits for employees employed to work for specific grant funded programs where on-going employment is contractually dependent on renewal of the funding program. The provision is measured at the present value of the amounts expected to be paid on termination of the program and assumes program funding is not renewed in perpetuity.

(v) Lease liabilities – Current

	2023	2022
	$	$
Lease Liabilities – Land	27,623	18,659
Lease Liabilities – Property	1,125,677	683,323
Lease Liabilities – Office	64,088	60,888
Lease Liabilities – Car Park	8,026	7,894
Lease Liabilities – Equipment	86,799	29,883
Lease Liabilities – Vehicle	52,919	44,774
	1,365,132	**845,421**

(vi) Lease liabilities – Non - Current

	2023	2022
	$	$
Lease Liabilities – Land	319,459	347,683
Lease Liabilities – Property	2,294,073	2,551,326
Lease Liabilities – Office	89,031	153,192
Lease Liabilities – Car Park	91,316	99,294
Lease Liabilities – Equipment	86,962	—
Lease Liabilities – Vehicle	28,563	38,535
	2,909,404	**3,190,030**

Future lease payments

Future lease payments are due as follows.

	2023	2022
	$	$
Within one year	1,365,132	845,421
One to five years	2,684,530	2,478,956
More than five years	224,874	711,074
	4,274,536	**4,035,451**

What is the relevant accounting policy?

Lease liabilities

Leases have been recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the consolidated entity.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the consolidated entity under residual value guarantees;
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the consolidated entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The consolidated entity determines its incremental borrowing rate based on rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company has adopted a borrowing rate of 3.52%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(vii) Borrowings

	2023	2022
	$	$
Bank loans (current)	300,899	281,050
Bank loans (non-current)	1,436,619	1,737,518
Total borrowings	**1,737,518**	**2,018,568**

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

What is the relevant accounting policy?

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

D. Appendices

D1. Reserves and retained earnings

(i) Reserves and retained earnings

Fundraising reserve	**2023**	**2022**
	$	**$**
Opening balance	25,015	30,740
Transfers to fundraising reserve	(687)	(5,725)
Closing balance	24,328	25,015

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

(ii) Asset revaluation reserve

	2023	**2022**
	$	**$**
Asset revaluation reserve	39,763,501	33,720,611

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

(iii) Retained earnings

	2023	**2022**
	$	**$**
Opening balance	8,801,972	13,661,972
Surplus/(deficit) during the year	666,451	(4,865,725)
Transfers from fundraising reserve	687	5,725
Closing balance	9,469,110	8,801,972

D2. Unrecognised items

Contingent liabilities and contingent assets

Contingent Assets

There were no contingent assets as at 30 June 2023 (2022: $nil).

Contingent Liability

SDN Child and Family Services Pty Limited holds the land title of 128 Hartington Street, Rooty Hill. The land is part of the Beranga project. A caveat exists over the property which dictates that SDN Child and Family Services Pty Limited is not able to dispose of the land without the prior consent of the NSW Department of Communities and Justice. On disposal of the asset, the group is required to remit to the Department, an amount of the proceeds equal to the proportion of total funds that they contributed to the project. Only the SDN portion of the property at the valuation date is taken up.

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

Bank guarantees

SDN Children's Services has provided performance and rental guarantees amounting to $490,410 (2022: $490,410). SDN Child and Family Services Pty Limited has provided performance and rental guarantees amounting to $47,575 (2022: $47,575).

D3. Impairment

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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

E. Other Information

E1. Key management personnel compensation

Key management personnel (as at 30 June 2023)

Directors

Helen Hamilton-James, Chair

Kirsty Albert

Cynthia à Beckett (resigned Nov 2022)

Linda Cassidy

Angela Donohoe

Julie Hourigan

Glenn Hughes

Tamara Johnston

Raagni Kumar

Dr Darren Mitchell

Thomas Taylor

Barbara Wise

Directors Remuneration

Board members serve on a voluntary basis and do not receive remuneration. They can be reimbursed for a reasonable amount of expenses directly related to Board activities.

Other key management personnel

Kay Turner, Chief Executive Officer

Glynis Chang, Director of Organisational Development

Adrienne Jerram, Director of Marketing and Customer Experience

Jodie Ledbrook, Head of Services (resigned August 2022)

Bryan Mattes, Strategic Project Manager

Zarin Medhora, Head of People & Organisational Development

Dhanraj Mehta, Director of Finance (started March 2023 - resigned September 2023)

Rodney Nadwie-Smith, Head of Services (started February 2023)

Peter Rae, Chief Financial Officer

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

	Short-term benefits	Post-employment benefits	Other long term benefits	Termination Benefits	Total
	$	$	$	$	$
2023					
Total compensation	1,673,217	151,984	152,342	—	1,977,543
2022					
Total compensation	1,572,995	147,639	22,304	—	1,742,938

E2. Controlled entities

Controlled entities

SDN Children's Services is the sole beneficiary of SDN Children's Services Building Fund. This fund is intended to subsidise capital projects for the construction and maintenance of pre-school buildings. The balance of the fund was $124,319 (2022: $117,974).

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

E3. Related party transactions

Related party transactions

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

Transactions between related parties are on a cost basis.

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

As at 30 June 2023, trade payables in SDN Children's Services included an amount of $267,935 (2022: $221,329) payable to its subsidiary, SDN Child and Family Services Pty Limited. The trade receivables balance included an amount receivable of $282,839 (2022: $312,099) from SDN Child and Family Services Pty Limited. These balances have been eliminated on consolidation.

In 2016, SDN Children's Services, the parent entity, provided an unsecured at-call loan of $500,000 to SDN Child and Family Services Pty Limited to assist in the development of the NDIS program. Interest is charged on a monthly basis at a variable interest rate of 4.52% per annum (2022: 4.52%). No repayments of capital have been made.

E4. Parent entity disclosures

Parent entity disclosure

	2023	2022
	$	$
Current assets	11,452,778	10,990,033
Total assets	66,042,161	61,093,497
Current liabilities	13,301,908	13,520,994
Total liabilities	17,263,163	18,762,847
Equity	48,778,998	42,330,650
Surplus/(deficit) for the year	638,748	(4,413,146)
Other comprehensive income		
Revaluation gain on land and buildings	5,809,600	—
Total comprehensive income for the year	6,448,348	(4,443,146)

Parent entity contingencies

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

E5. Summary of significant accounting policies

(i) Basis of preparation

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The group is a not-for-profit organisation. As such the term "profit" and "loss" is not applicable and the term "surplus" and "deficit" is used where required. The financial statements are presented in Australian Dollars.

Going Concern Basis

As disclosed in the consolidated financial statements, the group incurred a profit after tax of $666,451 for the year ended 30 June 2023. As at 30 June 2023, the Group also had net current liabilities of $845,788 and incurred net cash outflows for operating activities of $2,196,777. The Directors remain confident that the group will be able to continue as a going concern with debts able to be paid as and when they fall due, and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report for the following reasons:

- Cashflow projections demonstrate that there is sufficient working capital to maintain a positive cash balance;
- The group holds cash reserves of $13,031,659; and
- The group holds unencumbered property assets of $47,240,848 which can be used as security on an operating overdraft facility if required.

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

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

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

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

(iii) Principles of consolidation

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

There is one controlled entity, being SDN Child and Family Services Pty Limited. Refer to Note E2 for further information. All inter-group balances and transactions, including any unrealised surpluses or deficits, have been eliminated on consolidation.

(iv) Intercompany loans

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

(v) Income tax

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

(vi) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

E6. Other required disclosures

(i) Auditor's remuneration

	2023	2022
	$	$
Remuneration of the auditor of the consolidated group for:		
- audit services	89,000	85,500
- assistance with the preparation of financial statements	16,000	14,500
	105,000	100,000

(ii) Events occurring after reporting date

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

(iii) Information and declaration to be furnished under the *Charitable Fundraising Act 1991*

The fundraising accounts have been prepared on an accruals basis and comply with Applicable Accounting Standards.

	2023	2022
	$	$
Statement of fundraising income and expenditure:		
Gross proceeds from fundraising	6,068	9,537
Less: total cost of fundraising	(2,359)	(6,944)
Net surplus from fundraising	3,709	2,593
Application of fundraising proceeds:		
Opening balance	25,015	30,740
Net proceeds from fundraising	3,709	2,593
Contributions towards equipment	(2,587)	—
Contributions towards childcare fees	—	—
Contributions towards excursions / entertainment	—	—
Contributions towards children's materials	(1,604)	(7,005)
Contributions towards playground enhancement	—	(1,209)
Contributions towards staffing costs	—	—
Contribution towards functions	(205)	(104)
Total fundraising reserve	**24,328**	**25,015**

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

For the purpose of reporting under the requirements of the Charitable Fundraising Act 1991, the group has detailed the forms of fundraising activities conducted for the year ended 30 June 2023. The fundraising activities and appeals include hosting of functions, raffles, sale of items and donations.

Significant ratios of fundraising activities

Comparison by monetary figures and percentages

Comparisons	**2023**	**2023**
	$	%
Total cost of fundraising/gross proceeds from fundraising	2,359/6,068	38.9%
Net surplus from fundraising/gross proceeds from fundraising	3,709/6,068	61.1%

Comparisons	**2022**	**2022**
	$	%
Total cost of fundraising/gross proceeds from fundraising	6,944/9,537	72.8%
Net surplus from fundraising/gross proceeds from fundraising	2,593/9,537	27.2%

(iv) Company details

The registered office and the principal place of business is:

SDN Children's Services
Level 3
19-37 Greek Street
Glebe NSW 2037

Declaration by Directors in respect of fundraising appeals

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

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

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

....

Helen Hamilton - James
Director

17 October 2023

Director's Declaration
for the year ended 30 June 2023

In the directors' opinion:

1. the attached financial statements and notes comply with the the Australian Accounting Standards - Simplified Disclosures, the Australian Charities and Not-for-profits Commission Act and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

....

Helen Hamilton - James
Director

17 October 2023

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of SDN Children's Services

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SDN Children's Services (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion the accompanying financial report of SDN Children's Services, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards – Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The responsible entities of the registered entity are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of responsible entities for the Financial Report

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

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

The responsible entities of the registered entity are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Rothwell

Elysia Rothwell
Director

Sydney, 17 October 2023

SDN Acknowledges

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

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