



**Chairo**  
**Christian School**

# Annual Report

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

*Warragul District Parent-Controlled Christian School  
Association Incorporated • ABN 12 451 824 370*





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## Board Chairman's Report for 2017

The Board of Directors consists of Chair parents who are full members of the Association that operates the school. The Board for 2017 consisted of Jeff Calway (Chairman), Mark Cutchie (Vice Chairman), Louise Hood (Secretary), Chris Dean (Treasurer), Kerrie Jackson, Allan Piening, Melissa Rumble and Brian Tucker. Robert Bruce and Peter Morison were also co-opted to serve on the Board during the year. Simon Matthews (Executive Principal) and Bryan Lewis (Business Manager) completed the Board as non-voting, executive members.

Robert Bruce and Medon Loupis were admitted as full (i.e. voting) members of the Association during the year, and another full membership application was being processed late in 2017. Christian parents who have been associate (i.e. non-voting) members for at least one year are encouraged to consider applying for full membership.

The key work that consumed the Board and Executive Leadership Team throughout 2017 was that of developing a new Strategic Plan for the period 2018–2022. This important document sets the Board's strategic intent (the Strategic Model) for the next several years.

Each year, senior managers will develop individual Operational Plans to address an element or elements of the overall Strategic Model, to progress us toward our goals. Twice each year, the Board will receive progress reports in relation to each plan, which will contain clear and deliverable goals, with appropriate measures and indicators for success. The Board will present updates to the Association from time-to-time at general meetings.

Other key work of the Board during 2017 included:

- Continued work on the Drouin performing arts centre (due for completion mid-2018)
- Continued efforts to ensure a smooth transition for the new Traralgon Campus, commencing 2018
- Grappling with the perplexing question of how to build our full membership numbers
- Ongoing policy and government regulatory work
- Bringing our Board into the digital age via electronic communication
- Recruitment of a new Business Manager to commence during 2018

It was pleasing at our November general meeting to have two important representatives present from Flinders Christian Community College: David Flack (Board Chairman) and Cameron Pearce (Executive Principal). David addressed the meeting, recalling the time when Flinders accepted the opportunity to assist the Christian school in Traralgon. Distance from the other Flinders' campuses at Carrum Downs and Tyabb presented difficulties for them, but they were resolute that the school should not close.

The Flinders Board is now very pleased to have found a way forward, with Chairo agreeing to expand into the Latrobe Valley and take on the Traralgon Campus from the beginning of 2018. David encouraged both the Flinders and Chairo school communities with God's word to Gideon in Judges 6:14, that God gives strength and has ordered the way.

You will recall being notified that our esteemed Business Manager, Bryan Lewis, will be finishing up with us as at the end of 2018. I'd like to take this opportunity to publicly thank Bryan for the tremendous work that he has done for Chairo over the past thirteen years. We are grateful to God for His provision of Bryan over that time. There will be opportunities in 2018 to properly celebrate Bryan and his contribution.

Serving on the Board is a privilege. The work is challenging but inspiring, and time-consuming but rewarding. There are still a couple of vacancies for new Board members. If you would like to be considered for this important work, please don't hesitate to contact us. As those who serve as the representatives of our parents, we ask you to be in prayer for us, that we will always serve the Lord diligently and follow the vision laid down by those who have gone before us.

As always, if you have any questions or comments, or indeed any feedback at all, we would be delighted to hear from you at any time.

**Jeff Calway**  
**Board Chairman**



## **Executive Principal's Report for 2017**

It has been a delight to become part of the Chairo community from the start of 2017, and to come to know so many people. I have heard wonderful and inspiring stories, and seen the efforts and energies of all those who seek to make Chairo a great place to be.

I have been struck by the way that Chairo strives to be a place where words and actions align. At the Association general meeting held in November, Professor Darren Iselin told stories of institutions that started out with a clear and compelling mission and vision, yet slowly became something different. Amazingly, some still retain the foundational statements about what they long to be, yet their actions and pursuits tell a contrary story.

Our vision and mission are part of the reason that I find Chairo so attractive, and the more time I spend in the place, the more people I meet who are wholly committed to making those words a reality: Board members who take seriously their mandate to lead according to our mission; parents who sacrifice daily to fulfil their calling to raise and nurture their children wisely; and colleagues who go above and beyond to pursue partnership with passion. It really is inspiring stuff!

I have also found Chairo to be an incredibly gracious and giving community. Veronica and I felt this when we arrived as ‘immigrants’ at the start of the year and I have seen this spirit continue in so many ways.

A beautiful expression of this characteristic was the way in which so many people welcomed and supported colleagues, families and students at our new Traralgon Campus. People who were already busy reached out and gave and engaged with the community that was joining us from the start of 2018. There was no sense of ‘why?’ or ‘not yet’, but instead a warm and intentional reaching out and blessing.

I also witnessed so many staff members going above and beyond to support colleagues, students and families. Our students are generous in their support and care of each other. Different parts of our community generously gave time, energy and finances to ensure that someone else received. This is truly a beautiful hallmark of the Chairo community.

Chairo is a place where life is lived to the full. I am privileged to get to most campuses most weeks, and to see the focused, excited activity that takes place. Learning is experienced as students listen, watch, play, build, collaborate, explore and laugh.

It is important, when we stop and reflect on these wonderful Chairo qualities, to remind ourselves that they are not things we can take any pride in or direct responsibility for. They are expressions of God-at-work in us—individually and corporately. Faithfulness, generosity and life are first and foremost characteristics of God, which he allows us to enjoy and experience.

The Psalmist gives us a beautiful reminder of how we are called to respond when we experience God’s goodness in this way:  
*Give thanks to the LORD for he is good; his love endures forever.*

**Simon Matthews**  
**Executive Principal**



**Warragul District Parent-Controlled Christian School  
Association Incorporated  
Chairo Christian School  
ABN 12 451 824 370  
Statement of Financial Position  
as at 31 December 2017**

	Note	2017 \$	2016 \$
<b>Current Assets</b>			
Cash Assets	9(a)	136,662	74,768
Receivables (Net)	4	525,996	435,661
Inventory		-	5,815
Prepayments		389,232	253,025
<b>Total Current Assets</b>		1,051,890	769,269
<b>Non Current Assets</b>			
Land At Valuation	14	5,835,000	1,855,000
Land At Cost	14	-	1,800,000
		5,835,000	3,655,000
Buildings and Improvements at Valuation		70,147,531	49,388,023
Less Provision for Depreciation		(18,852,772)	(20,123,015)
	14	51,294,759	29,265,008
Plant and Equipment at Cost		8,184,907	7,764,384
Less Provision for Depreciation		(5,106,734)	(4,761,629)
	14	3,078,173	3,002,755
Capital Works in Progress	14	3,295,577	822,512
<b>Total Non Current Assets</b>		63,503,509	36,745,275
<b>Total Assets</b>		<b>64,555,399</b>	<b>37,514,544</b>

\* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School  
Association Incorporated  
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ABN: 12 451 824 370  
Statement of Financial Position  
as at 31 December 2017**

<b>Current Liabilities</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Creditors		219,959	220,586
Accrued Expenses		1,816,076	1,496,714
Fees Received in Advance		162,035	145,204
Borrowings	6	173,634	165,413
Provision for Employee Entitlements	8	1,816,822	1,647,737
Other		81,920	81,491
<b>Total Current Liabilities</b>		<b>4,270,446</b>	<b>3,757,145</b>
<b>Non Current Liabilities</b>			
Provision for Employee Entitlements	8	316,274	259,139
Borrowings	6	4,293,443	2,220,370
<b>Total Non-Current Liabilities</b>		<b>4,609,717</b>	<b>2,479,509</b>
<b>Total Liabilities</b>		<b>8,880,163</b>	<b>6,236,654</b>
<b>Net Assets</b>		<b>55,675,236</b>	<b>31,277,890</b>
<b>Members Funds</b>			
Accumulated Funds		23,315,931	15,258,805
Reserves	7	32,359,305	16,019,085
<b>Total Equity</b>		<b>55,675,236</b>	<b>31,227,890</b>

\* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School  
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Statement of Profit or Loss and Comprehensive Income  
for the year ended 31 December 2017**

	Note	2017 \$	2016 \$
Revenue	2	25,554,615	23,277,408
Employee benefits expense		(17,665,669)	(16,186,468)
Borrowing costs expense		(77,642)	(24,087)
Depreciation and amortisation expense		(2,295,824)	(2,214,245)
Transport Costs		(715,654)	(688,483)
Cleaning/Maintenance/Utilities Costs		(1,144,551)	(1,035,015)
Tuition/camps/excursion expenses		(1,336,552)	(1,168,313)
Other expenses		(1,929,304)	(1,796,354)
Surplus		<b>389,419</b>	<b>164,443</b>
Revenue from capital grants	5	531,495	372,964
Total Surplus		920,914	537,407
Other Comprehensive Income			
Gain on Acquisition - Flinders Traralgon	18	8,531,377	-
Net Gain on Revaluation of Land & Buildings		14,945,055	-
Total Comprehensive Income		24,397,346	537,407

\* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School  
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Statement of Cash Flows  
for the year ended 31 December 2017**

	Note	2017 \$	2016 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from Student Charges		6,974,816	6,517,049
Other Income		338,975	276,593
Grants		18,173,452	16,442,387
Interest Received		5,985	17,949
Borrowing Costs Paid		(77,642)	(24,087)
Payments to Suppliers and Employees		(22,388,854)	(20,355,043)
<b>Net Cash Flow from Operating Activities</b>	9(b)	3,026,732	2,874,848
<b>Cash Flows from Investing Activities</b>			
Payments for Property Plant & Equipment		(4,897,639)	(5,319,141)
Payment for acquisition of Traralgon Campus		(679,989)	(120,000)
<b>Net Cash used in Investing Activities</b>		(5,577,628)	(5,439,141)
<b>Cash Flows from Financing Activities</b>			
Proceeds from Capital Grants		531,495	372,964
Proceeds from Loans		2,081,295	2,197,248
<b>Net Cash Flow from Financing Activities</b>		2,612,790	2,570,212
<b>Net Increase in Cash Held</b>		61,894	5,919
Cash at beginning of Year		74,768	68,849
<b>Cash at End of Year</b>	9(a)	136,662	74,768

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**Warragul District Parent-Controlled Christian School  
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Statement of Changes in Equity  
for the year ended 31 December 2017**

**2017**

	<b>Retained Surplus</b>	<b>Capital Grants Reserve</b>	<b>Asset Revaluation Reserve</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at 1 January 2017	15,258,805	6,293,397	9,725,688	31,277,890
Net Surplus	920,914	-	-	920,914
Acquisition Of Flinders Traralgon Campus	8,531,377	-	-	8,531,377
Unamortised Capital Grants	(1,350,000)	1,350,000	-	-
Transfer as part of Flinders Traralgon Acquisition	-	-	14,945,055	14,945,055
Net Gain On Revaluation	-	-	-	-
Transfer from retained surplus for Grants received	(531,495)	531,495	-	-
Transfer to retained surplus for amortisation	486,330	(486,330)	-	-
<b>Balance at 31 December 2017</b>	<b>23,315,931</b>	<b>7,688,562</b>	<b>24,670,743</b>	<b>55,675,236</b>

**2016**

	<b>Retained Surplus</b>	<b>Capital Grants Reserve</b>	<b>Asset Revaluation Reserve</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at 1 January 2016	14,589,439	6,425,356	9,734,000	30,748,795
Net Surplus	537,407	-	-	537,407
Net Loss On Revaluation of Building (Note 7)	-	-	(8,312)	(8,312)
Transfer to retained surplus for amortisation	131,959	(131,959)	-	-
<b>Balance at 31 December 2016</b>	<b>15,258,805</b>	<b>6,293,397</b>	<b>9,725,688</b>	<b>31,277,890</b>

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Notes to and forming part of the Financial Statements  
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**Note 1: Statement of Significant Accounting Policies**

The financial statements are for Warragul District Parent-Controlled Christian School Association Inc. as an individual entity, incorporated and domiciled in Australia. The school is a not-for-profit incorporated association.

**Statement of Compliance**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Associations Incorporation Reform Act 2012*, and the *Australian Charities and Not-for-profits Commission Act 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statement containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial statement are presented below. They have been consistently applied unless otherwise stated.

**Basis of Preparation**

The financial statements, except the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

**Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

(a) Property, Plant and Equipment

*Land and buildings*

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, or at cost, less subsequent depreciation and impairment for buildings.

Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus 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.

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*Plant and equipment*

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by the Committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the estimated replacement cost of the asset. The cost of plant and equipment constructed within the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

(b) Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over the useful lives of the assets to the school from the time the asset is held ready for use. During 2017 depreciation was calculated using the diminishing value method with a 10% salvage amount for all Buildings & Site Improvements. A change in policy after revaluing all buildings in December, will see depreciation calculated using a straight line method with 0% residual value from January 2018, as indicated below.

The depreciation rates used for the current and comparative year for each class of depreciable asset are:-

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings & Site Improvements	2-5%
Plant and Equipment	5% - 50%

(c) Cash

Cash and cash equivalents include cash on hand and deposits held at call with banks.

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(d) Revenue

Revenue from tuition fees is brought to account when students are invoiced.

Interest revenue is recognised on an accruals basis.

Government grants are recognised when the right to receive a grant has been established.

Revenue received for capital purposes is recorded as income through the statement of comprehensive income. This revenue is transferred from Retained Earnings to Capital Reserves. According to each individual grant agreement, the value of the grant held in Capital Reserves is amortised and transferred from Capital Reserves back to Retained Earnings, until the Designated Use Period has been met and the full amount of the revenue has been transferred to Retained Earnings.

Donations are recognised as revenue when received.

(e) Employee Entitlements

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Association to an employee superannuation fund and are charged as expenses when incurred.

(f) Impairment of Assets

At each reporting date, the Association reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(g) Critical Accounting Estimates and Judgments

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 Association.

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Key Estimates

*i. Impairment*

The Association assesses impairment at each reporting date by evaluation of conditions and events specific to the Association that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of property, plant and equipment at reporting date.

*ii. Employee benefits provision*

As per Note 1(e), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at 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.

*iii. Estimation of useful lives of assets*

The Association determines the useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated.

*iv. Bad debt provision*

The association evaluates the collectability of accounts receivable on an ongoing basis based on historical bad debts, customer credit-worthiness, current economic trends and changes in payment activity. A provision is created recognising likely bad debts of the association taking into account the individual factors as outlined above for each customers debt at the 31 December 2017.

(h) Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when:

- i.* it is expected to be realised or intended to be sold or consumed in normal operating cycle; or
- ii.* it is held primarily for the purpose of trading; or

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- iii.* it is expected to be realised within twelve months after the reporting period;  
or
- iv.* the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- i.* it is expected to be settled in normal operating cycle;
- ii.* it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or
- iii.* there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(i) Income Tax

In accordance with Section 50-5 of the Income Tax (Assessment) Act 1997, the Association is exempt from income tax.

(j) 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.

(k) Working Capital Deficiency

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Association believes it is a going concern for strong reasons including; continuing enrolment numbers for 2018 leading directly to government grant funding which is due to be paid to the Association in the second week of January 2018 totaling an estimated \$7.85 million which more than meets current liabilities, also the projected timing of repayment of liabilities, the existence of an approved finance facility and significant unencumbered assets. For the year ended 31 December 2017, although the School recorded a net current asset deficiency of \$3,218,556 (2016: Deficiency \$2,987,877), it also recorded a surplus from operating activities of \$389,419 (2016: Surplus \$164,443) and positive cash inflows from operating activities of \$3,026,732 (2016: \$2,874,848).

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**Notes to and forming part of the Financial Statements for the year ended 31  
December 2017**

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

During the current year, the Association has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has not significantly impacted the recognition and measurement of transactions and the presentation and disclosures of the financial statements.

There are no new and revised accounting standards issued but not yet effective as at the date of signing of the financial statements which the Association has decided to early adopt.

(m) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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Notes to and forming part of the Financial Statements  
for the year ended 31 December 2017**

**Note 2: Revenue**

	<b>2017</b>		<b>2016</b>	
	\$	\$	\$	\$
Fees Revenue		6,073,159		5,695,143
Government Grants:				
- State	4,907,021		4,424,758	
- Commonwealth	13,266,431	18,173,452	12,017,629	16,442,387
Interest Received		5,985		17,949
Student Transport		371,123		327,611
Other Income		906,122		775,798
Non Operating Activities				
- Donations		24,774		18,520
		<b>25,554,615</b>		<b>23,277,408</b>

**Note 3: Surplus**

Expenses				
Educational Consumables, Expenses and Camps		1,336,552		1,168,313
Cleaning/Maintenance/Utilities Costs		1,144,551		1,035,015
Movement in provisions (Note 8)		226,220		127,731
Bad and doubtful debts:				
- bad debts written off	101,776		27,594	
- movement in provision for doubtful debts (Note 4)	(38,521)	63,255	19,401	46,995
Remuneration of the auditors for:				
- auditing or reviewing the financial report	14,070		13,660	
- other services	200	14,270	-	13,660
Loss on disposal of fixed assets		2,576		-

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	<b>2017</b>	<b>2016</b>
	\$	\$
<b><u>Note 4: Receivables</u></b>		
Debtors – Fees	591,241	637,328
Sundry Debtors	133,252	35,351
Less Provision for Doubtful Debts	(198,497)	(237,018)
	525,996	435,661
<b><u>Note 5: Capital Grants</u></b>		
Block Grant Authority – Aust./ Vic. Govt.	531,495	372,964
	531,495	372,964
<b><u>Note 6: Borrowings</u></b>		
<b>Current</b>		
Equipment Loan	173,634	165,413
	173,634	165,413
<b>Non-Current</b>		
Equipment Loan	166,735	340,370
Bank Bill	4,126,708	1,880,000
	4,293,443	2,220,370

The bank overdraft is secured by a mortgage over 585 Bald Hill Road, Nar Nar Goon and Lots 2 & 3 655 Bald Hill Road, Nar Nar Goon and a general security agreement over all existing and future assets, and undertakings.

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<b><u>Note 7: Reserves</u></b>	<b>2017</b>	<b>2016</b>
	\$	\$
Capital Grants Reserve:		
Balance at beginning of year	6,293,397	6,425,356
Add Net Capital Grants Reserve from Flinders Traralgon Campus	1,350,000	-
Transfer (from) / to Reserve	45,165	(131,959)
Balance at end of year	<b>7,688,562</b>	<b>6,293,397</b>
Asset Revaluation Reserve		
Balance at beginning of year	9,725,688	9,734,000
Net Gain/ (Loss) On Revaluation of Building	14,945,055	(8,312)
Balance at end of year	<b>24,670,743</b>	<b>9,725,688</b>
Total Reserves Balance at end of year	<b>32,359,305</b>	<b>16,019,085</b>

The capital grants reserve is held in recognition of grants received for capital purposes. The majority of these grants would need to be refunded on a pro rata basis, should the entity cease operations within a 20 year period after the receipt of the grant. The entity therefore recognises the grant as income and transfers the entire grant from retained earnings to the reserve in the year it is received and then transfers 5% from the reserve into retained earnings annually.

The capital grant for the Multipurpose BER Hall built at Leongatha Campus in 2010 requires the full grant amount to be refunded if operations cease within 7 years after the receipt of the grant and then transferred from the reserve to retained earnings annually on a pro-rata basis for the next 7 years following at a rate of 14.29% per year (years 8-14 after receipt of grant).

The capital grant for the Design and Technology Building built at Pakenham Campus in 2015 requires the grant to be refunded on a pro rata basis, should the entity cease operations within an 11 year period. The entity therefore transfers 9.09% from the reserve to retained earnings annually on a pro rate basis for the next 11 years.

The capital grant for the Primary Library and Multipurpose Hall built at Traralgon in 2010 requires the full grant amount to be refunded if operations cease within half of the designated use period of 18.5 years years after the receipt of the grant (December 2010) and then transferred from the reserve to retained earnings annually on a pro-rata basis for the second half of the designated use period at a rate of 10.81% per year (April 2020 – Dec 2028).

A revaluation was completed at all campuses on all land and buildings as at the 31<sup>st</sup> December 2017 by Opteon (Victoria) P/L. All land and building values have been revalued in accordance with the revaluation recommendations and are stated in the End of Year financials accordingly.

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	<b>2017</b>	<b>2016</b>
	\$	\$
<b><u>Note 8: Provisions</u></b>		
<b>Current</b>		
Long Service Leave expected to be paid in current year	163,109	142,810
Long Service Leave not expected to be paid in current year	1,494,118	1,348,840
Annual Leave	159,595	156,087
	1,816,822	1,647,737
<b>Non Current</b>		
Long Service Leave	316,274	259,139

Transitioning Flinders Christian School staff, on the purchase of the Traralgon Campus, have had their accrued leave balances recognised at Fair Value in Chairo Christian Schools appropriate Leave Provisions.

**Note 9: Cash Flows**

**(a) Reconciliation Of Cash**

For the purpose of the Statement of Cash Flows, the entity considers cash to include cash on hand, in banks and investments in money market instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial position as follows:

	<b>2017</b>	<b>2016</b>
	\$	\$
Cash on Hand	1,950	1,950
Cash at Bank – General Account – CBA	14,957	1,518
Cash At Bank – Building Fund- Westpac	71,734	48,938
Cash At Bank – Business Acc.- Westpac	48,021	22,360
Cash At Bank – Cash Reserve - Westpac	-	2
	<b>136,662</b>	<b>74,768</b>

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**(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Surplus**

	<b>2017</b>	<b>2016</b>
	\$	\$
Surplus	389,419	164,443
<b>Non Cash Flows in Operating Surplus</b>		
Depreciation	2,295,824	2,214,245
Decrease/(Increase) in operating receivables	(90,334)	23,456
Decrease in inventory	5,815	295
Decrease/(Increase) in prepayments	(136,207)	19,431
Increase in payables & accrued expenses	319,164	325,138
Increase in fees in advance	16,831	109
Increase in provision for employee entitlements	226,220	127,731
<b>Net Cash Provided by Operating Activities</b>	<b>3,026,732</b>	<b>2,874,848</b>

**Note 10: Related Party Transactions/Directors Benefits**

**Directors:**

The names of Directors who have held office during the financial year are:

Christopher Dean	Louise Hood	Mark Cutchie
Allan Piening	Brian Tucker	Melissa Rumble
Jeff Calway	Kerrie Jackson	Robert Bruce
Peter Morison		

A number of directors are parents of children currently attending the school and, therefore, receive tuition and other schooling services; fees are set for and paid by the relevant directors at the published, scheduled rates.

No director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, receives remuneration from services rendered to the economic entity, in accordance with the entity's constitution. The Chairman received an honorarium of \$4,500 during the financial year, as provided for in the constitution, in recognition of costs incurred personally.

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**Note 11: Superannuation**

The Association participates in employer sponsored superannuation plans, which are defined contribution plans.

Benefits provided under the plans are based on accumulated contributions and earning for each employee.

The Association contributes to the plans pursuant to the Superannuation Guarantee Scheme and Superstream legislation.

**Note 12: Economic Dependency**

A significant portion of income is received by way of recurrent grants from the State and Australian Governments.

**Note 13: Association Details**

The registered office and principal place of business of the Association is 76 Balfour Road, Drouin, Victoria 3818

**Note 14: Property, Plant & Equipment**

This table shows the movement in the carrying amount of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land \$	Buildings \$	Plant and Equipment \$	Work in Progress \$	Total \$
Balance at Beginning of the Year	3,655,000	29,265,008	3,002,755	822,512	36,745,275
Transfers	-	1,076,620	2,040	(1,078,660)	-
Additions	-	9,577	1,048,355	3,672,525	4,730,457
Disposals	-	-	(26,138)	(800)	(26,938)
Acquisition Flinders Traralgon Campus	700,000	8,727,000	98,484	(120,000)	9,405,484
Revaluation	1,480,000	13,563,326	(98,271)	-	14,945,055
Depreciation Expense	-	(1,346,772)	(949,052)	-	(2,295,824)
Balance at End of the Year	5,835,000	51,294,759	3,078,173	3,295,577	63,503,509

**Note 15: Contingent Liabilities**

The Incorporated Association had no contingent liabilities as at 31 December 2017 and 31 December 2016.

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**Note 16: Commitments**

At the completion of the tender process, Chairo Christian School entered into a contract with Stockwood Building Group to build a Performing Arts Centre at the Drouin Campus. The current contract amount with variations at the end of 2017 is \$4,715,816.10 ex gst and payments totaling \$1,721,748.70 ex gst have been paid to the end of 2017 representing 37% of the contract. The building is scheduled for completion by September 2018.

On the 23<sup>rd</sup> June 2017 Chairo Christian School entered into a contract with Profurn to supply Seating to the Performing Arts Centre. The contract amount is \$130,288 ex gst and at the end of 2017 \$52,115.20 ex gst had been paid representing 40% of the contract.

On the 11<sup>th</sup> April 2017 Chairo Christian School entered into a contract with Installation Theatrical Engineering to supply and install theatre equipment and lighting to the Performing Arts Centre. The contract amount is \$447,990.83 ex gst and at the end of 2017 no payments had been made.

At the completion of the tender process, Chairo Christian School entered into a contract with Stockwood Building Group to build a Library & Classroom extension at the Pakenham Campus. The current contract amount with variations at the end of 2017 is \$1,414,072.93 ex gst and payments totaling \$1,075,463.24 ex gst had been paid, representing 76% of the contract. The building is scheduled for completion by March 2018.

**Note 17: Key Management Personnel**

The aggregate compensation, including superannuation and allowances, made to key management personnel of the Incorporated Association is set out below:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Aggregate Compensation	373,761	397,762

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**Note 18: Acquisition of Traralgon Campus**

Final settlement for the purchase of 2-10 Lansdowne Road, Traralgon from Flinders Christian Community College Inc took place on the 19<sup>th</sup> December 2017. Chairo Christian School paid cash to the value of \$799,989.27 over 2 instalments (1 in 2016, 1 in 2017) to purchase the school on the property at Lansdowne Road, free from any security interest, with the intention of operating the school as Chairo Christian School - Traralgon Campus from the beginning of the 2018 school year.

On acquisition the fair value of the assets (after revaluation) and liabilities purchased are:

	\$
Land (2-10 Lansdowne Road, Traralgon, 3844)	700,000
Buildings	8,727,000
Furniture and Equipment on site	98,484
Employee Entitlements for Transitioning staff	<u>(194,118)</u>
Net Assets	<u>9,331,366</u>

After accounting for the cash paid to purchase the school, the Gain on Acquisition is \$8,531,377.

**Note 19: Events after the reporting period**

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Incorporated Association's operations, the results of those operations, or the Incorporated Association's state of affairs in future financial years.

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**Directors' Declaration**

In accordance with a resolution by the Directors of Warragul District Parent-Controlled Christian School Association Incorporated, the Directors of the Association declare that:

1. The financial statements and notes, as set out on pages 1 to 19, are in accordance with the *Associations Incorporation Reform Act 2012* and the Australian Charities and Not For Profits Commission Act 2012 and:
  - a. Comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
  - b. Give a true and fair view of the financial position of the Association as at 31 December 2017 and of its performance for the financial year ended on that date; and
  
2. There are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*:

  


: Chairman Mr. Jeff Calway

: Treasurer Mr. Chris Dean

Dated at Drouin this 26<sup>th</sup> day of April 2018

## Independent Auditor's Report to the Board of Warragul District Parent Controlled Christian School Association Incorporated

### Opinion

We have audited the financial report of Warragul District Parent Controlled Christian School Association Incorporated (the Association), which comprises the statement of financial position as at 31 December 2017, 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 statement by the Board of Directors.

In our opinion, the accompanying financial report of Warragul District Parent Controlled Christian School Association Incorporated has been prepared in accordance with the *Associations Incorporation Reform Act 2012* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Association's financial position as at 31 December 2017 and of its financial performance and cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, the *Associations Incorporation Reform Act 2012* 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 Association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

### **Responsibilities of the Board of Directors for the Financial Report**

The Board of Directors of the Association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Associations Incorporation Reform Act 2012* and the ACNC Act and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing the ability of the Association to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association'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.

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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of the those charged with governance's 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 registered 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 registered 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 responsible entities 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.

*Crowe Horwath Vic*

**CROWE HORWATH VIC**

*Mary Winter*

**MARY WINTER**

**Partner**

Dated at Warragul this 1<sup>st</sup> day of May 2018

## **Auditor's Independence Declaration to the Board of Warragul District Parent Controlled Christian School Association Incorporated**

I declare that, in relation to our audit of the financial report of Warragul District Parent Controlled Christian School Association Incorporated for the financial year ended 31 December 2017, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in respect of the audit.

*Crowe Horwath Vic*

**CROWE HORWATH VIC**

*Mary Winter*

**MARY WINTER**

**Partner**

Date: 1 May 2018