



Chairo
Christian School

Annual Report

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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



Board Chairman's Report for 2018.....	ii
Executive Principal's Report for 2018.....	iv
Statement of Financial Position.....	1
Statement of Profit and Loss and Comprehensive Income.....	3
Statement of Cash Flows.....	4
Statement of Changes in Equity.....	5
Notes to and forming part of the Financial Statements.....	6
Note 1: Statement of Significant Accounting Policies.....	6
Note 2: Revenue	12
Note 3: Surplus.....	12
Note 4: Receivables	13
Note 5: Capital Grants.....	13
Note 6: Borrowings.....	13
Note 7: Reserves	14
Note 8: Provisions	15
Note 9: Cash Flows	15
Note 10: Related Party Transactions/Directors Benefits	16
Note 11: Superannuation	17
Note 12: Economic Dependency	17
Note 13: Association Details	17
Note 14: Property, Plant & Equipment	17
Note 15: Contingent Liabilities	17
Note 16: Commitments	18
Note 17: Key Management Personnel.....	18
Note 18: Acquisition of Traralgon Campus.....	19
Note 19: Events After the Reporting Period.....	19
Directors' Declaration.....	20
Independent Auditor's Report	21

Board Chairman's Report for 2018

Chairo is an educational institution. However, much more than that, we are dedicated to knowing Christ and glorifying Him in all that we do.

Our vision is *to see Christ's redemptive impact in the world through the capability, character and commitment of our students*. We aim to transform students into young men and women who know the Truth of Christ, and to prepare them to face a world that denies and defies the Living God, providing them with the necessary strength and confidence to take a stand and make a difference.

Many people have dedicated their lives to Christian education over the decades. It is imperative that we honour those people, and our God, by educating today's young people to understand the Christian worldview, including its meaning and application for them (and all those around them) into the future.

A number of parents joined the cause in 2018 by becoming Association full members: Marcus van Heijst, Karen Thorp, Sam & Lisa Nalder, Tim & Christine Hibma and David Stork. They have taken on the responsibility of making a difference within the Chairo community, focussing their thoughts and prayers on the growth of the school and voting at general meetings.

If you are a Christian who has been a Chairo parent or at least one year, I'd like to encourage you to consider applying for full membership of the Association.

Among those parents serving in this way are those who have joined the Chairo Board. Through 2018, the Board consisted of Jeff Calway, Louise Hood, Robert Bruce, Chris Dean, Kerrie Jackson, Allan Piening, Melissa Rumble and Brian Tucker. Peter Morison also commenced the year but was called out to other work in July.

Simon Matthews (Executive Principal) and Roger Simons (who took over from Bryan Lewis as Business Manager during the year) also serve as ex-officio, non-voting members of the Board. Finally, Darryl Martin gives a huge amount of his time to the role of Board Support Officer, providing valuable assistance.

Brian Tucker has been a faithful servant of the Board for the past ten consecutive years. As such, he was required at the end of 2018 to take a break from the Board. I'd like to thank Brian for all of his hard work and great commitment to the Board. Another faithful Board servant for two years has been Kerrie Jackson, who finished up at the end of 2018 so she could take up a teaching position at the Drouin East Campus. We are grateful to God for them and wish them every blessing as they now seek to support us from a different perspective.

Serving on the Board is a tremendous privilege. It is hard work and consumes a good deal of time, and is a clear sacrifice for the individuals involved and their families. However, serving our God in this fashion is tremendously rewarding. There is great satisfaction in knowing that we are growing the Kingdom of God and assisting young people to come to know and serve the Lord and receive His blessings in their lives.

There is still room on the Board for new members, and we must continue to recruit new members in order to ensure that knowledge and experience is available to best serve into the future. If you would like to join us, please make contact and we will provide the information necessary to assist you with understanding what's involved.

Finally, please continue to pray for Board members. We are your representatives. For us to best serve, we need to know that you have our back. These are troubling times and we will only come through them if we serve the Lord passionately, and diligently follow the vision laid down by those who have gone before us.

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

Jeff Calway
Board Chairman



Executive Principal's Report for 2018

Sometimes it is difficult to fully appreciate something until you get the right perspective. I experienced that when I had the privilege of viewing Rembrandt's famous seventeenth-century painting, *The Night Watch*. I had seen photos of this amazing artwork but inspiration and appreciation came so much more when I stood in a gallery in Amsterdam's Rijksmuseum and took in the magnificence of this creation.

I have a similar sense of 2018. I knew it had been a busy and exciting year, jam-packed full of good things. Yet, it wasn't until I had the opportunity to stand back a bit, and to look at it as a whole, that I could fully appreciate just how much God blessed us at Chairo during the year.

Psalm 67:1 sums it up beautifully: 'May God be gracious to us and bless us and make his face shine on us'.

Praise God for the very first year of Chairo Traralgon! It was amazing to be present on the first day to see students arriving in bright, fresh uniforms ... ready to be taught by bright, fresh teachers. There was a tremendous sense of something new about to start. And throughout the year, under the gentle and strong leadership of Keryn de Bruyn, we witnessed that community go from strength to strength.

We also observed a flourishing taking place at Leongatha under the passionate leadership of Anthony Collier. The campus celebrated its fortieth year in 2018 and is visibly growing in size (proportionately faster than all other campuses!), and also in maturity and quality. In 2019, we will open a new kindergarten on site—a much-anticipated development that will lead to further interest in the campus.

Chairo at Pakenham continues to expand, with a constant building program being required to meet the needs. Many rich and exciting things happen every day, delivered by dedicated staff members who are so wisely led by Pete Wells. There are music and sporting events, performances and productions, agriculture and animals, and much more.

Our Drouin and Drouin East campuses again partnered with parents in the provision of Christian education in ways that Chairo has become renowned for. Judy Linossier, and the team that she leads, continued to provide ample evidence of the provision of excellence in Christ-centred education within a caring Christian community.

In addition to teachers, there are teams of other staff members that work together right across the school. For example, Michelle Sharp leads a team of dedicated welfare chaplains providing care for students and families, while Lorraine Lodge has built a team of teachers and aides assisting in almost every classroom.

Katharine York heads up a team of librarians and technicians serving in safe and welcoming library spaces at each campus, and Wendy Lowe has oversight of a group of educators who help (very) young people thrive in their first experience of Chairo.

Daryl Tate and Lyndon Calway lead the ICT teams that serve so faithfully, while Leigh Angus coordinates a team of skilled and compassionate people who ensure that our facilities and finances are in order. And, of course, every time we enter a Chairo campus we see the results of hard-working maintenance teams in our grounds and buildings.

Finally, without any fanfare, we had Roger Simons join us at Chairo during 2018 as Business Manager, taking over from the long-serving Bryan Lewis. In the short period since arriving, Roger has had a very positive and productive impact.

Let us go back to Psalm 67 (continuing from the verse quoted earlier) to find out the result of the blessings that we have experienced: ‘... so that your ways may be known on earth, your salvation among all nations.’

The blessings we have known must spur us on to point to God—to make Him known—in Drouin, Pakenham, Leongatha and Traralgon, and among all nations!

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 2018**

	Note	2018 \$	2017 \$
Current Assets			
Cash Assets	9(a)	97,336	136,662
Receivables (Net)	4	590,334	525,996
Prepayments		495,991	389,232
Total Current Assets		1,183,661	1,051,890
Non Current Assets			
Land At Valuation	14	5,835,000	5,835,000
Buildings and Improvements at Valuation		69,402,650	69,402,650
Buildings and Improvements at Cost		2,541,628	744,881
Less Provision for Depreciation		(20,453,943)	(18,852,772)
	14	51,490,335	51,294,759
Plant and Equipment at Cost		7,900,369	8,184,907
Less Provision for Depreciation		(5,261,753)	(5,106,734)
	14	2,638,616	3,078,173
Capital Works in Progress	14	6,917,407	3,295,577
Total Non Current Assets		66,881,358	63,503,509
Total Assets		68,065,019	64,555,399

* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Statement of Financial Position
as at 31 December 2018**

	Note	2018	2017
		\$	\$
Current Liabilities			
Creditors		304,248	219,959
Accrued Expenses		2,012,861	1,816,076
Fees Received in Advance		187,123	162,035
Borrowings	6	166,735	173,634
Provision for Employee Entitlements	8	1,944,838	1,816,822
Other		84,933	81,920
Total Current Liabilities		4,700,738	4,270,446
Non Current Liabilities			
Provision for Employee Entitlements	8	333,504	316,274
Borrowings	6	6,939,634	4,293,443
Total Non-Current Liabilities		7,273,138	4,609,717
Total Liabilities		11,973,876	8,880,163
Net Assets		56,091,143	55,675,236
Members Funds			
Accumulated Funds		23,677,735	23,315,931
Reserves	7	32,413,408	32,359,305
Total Equity		56,091,143	55,675,236

* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Statement of Profit or Loss and Comprehensive Income
for the year ended 31 December 2018**

	Note	2018 \$	2017 \$
Revenue	2	28,647,012	25,554,615
Employee benefits expense		(20,539,961)	(17,665,669)
Borrowing costs expense		(162,448)	(77,642)
Depreciation and amortisation expense		(2,675,610)	(2,295,824)
Transport Costs		(786,793)	(715,654)
Cleaning/Maintenance/Utilities Costs		(1,060,849)	(939,466)
Tuition/camps/excursion expenses		(1,396,530)	(1,336,552)
Other expenses		(2,265,425)	(2,134,389)
Surplus/ (Deficit)		(240,604)	389,419
Revenue from capital grants	5	656,511	531,495
Total Surplus		415,907	920,914
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		415,907	24,397,346

* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Statement of Cash Flows
for the year ended 31 December 2018**

	Note	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from Student Charges		7,803,697	6,974,816
Other Income		238,252	338,975
Grants		20,279,565	18,173,452
Interest Received		2,054	5,985
Borrowing Costs Paid		(162,448)	(77,642)
Payments to Suppliers and Employees		(25,442,791)	(22,388,854)
Net Cash Flow from Operating Activities	9(b)	2,718,329	3,026,732
Cash Flows from Investing Activities			
Payments for Property Plant & Equipment		(6,053,458)	(4,897,639)
Payment for acquisition of Traralgon Campus		-	(679,989)
Net Cash used in Investing Activities		(6,053,458)	(5,577,628)
Cash Flows from Financing Activities			
Proceeds from Capital Grants		656,511	531,495
Proceeds from Loans		2,639,292	2,081,295
Net Cash Flow from Financing Activities		3,295,803	2,612,790
Net Increase/ (Decrease) in Cash Held		(39,326)	61,894
Cash at beginning of Year		136,662	74,768
Cash at End of Year	9(a)	97,336	136,662

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**Warragul District Parent-Controlled Christian School
Association Incorporated
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ABN: 12 451 824 370
Statement of Changes in Equity
for the year ended 31 December 2018**

2018

	Retained Surplus	Capital Grants Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2018	23,315,931	7,688,562	24,670,743	55,675,236
Net Surplus	415,907	-	-	415,907
Transfer to retained surplus for amortisation	(54,103)	54,103	-	-
Balance at 31 December 2018	23,677,735	7,742,665	24,670,743	56,091,143

2017

	Retained Surplus	Capital Grants Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
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	(531,495)	531,495	-	-
Transfer from retained surplus for Grants received	486,330	(486,330)	-	-
Transfer to retained surplus for amortisation	-	-	-	-
Balance at 31 December 2017	23,315,931	7,688,562	24,670,743	55,675,236

* The accompanying notes form part of the financial statements.

**Warragul District Parent-Controlled Christian School
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ABN: 12 451 824 370**

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

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.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

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 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. In August 2018 the board of the association agreed that all buildings of the association that were previously being depreciated over 40, 50 or 60 years, would now be depreciated over 50 years uniformly.

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

Class of Fixed Asset	Depreciation Rate
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.

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

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

(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.

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

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

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 2018.

(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

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

**Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

- 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 2019 leading directly to government grant funding which is due to be paid to the Association in the second week of January 2019 totaling an estimated \$9 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 2018, although the School recorded a net current asset deficiency of \$3,517,077 (2017: Deficiency \$3,218,556), it also recorded a deficit from operating activities of \$240,604 (2017: Surplus \$389,419) and positive cash inflows from operating activities of \$2,718,329 (2017: \$3,026,732).

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

**Notes to and forming part of the Financial Statements for the year ended 31
December 2018**

(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.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming part of the Financial Statements
for the year ended 31 December 2018**

Note 2: Revenue

	2018		2017	
	\$	\$	\$	\$
Fees Revenue		6,976,977		6,073,159
Government Grants:				
- State	5,343,902		4,907,021	
- Commonwealth	14,943,863	20,287,765	13,266,431	18,173,452
Interest Received		2,054		5,985
Student Transport		423,745		371,123
Other Income		944,151		906,122
Non Operating Activities				
- Donations		12,320		24,774
		28,647,012		25,554,615

Note 3: Surplus/ (Deficit)

Expenses				
Educational Consumables, Expenses and Camps		1,396,530		1,336,552
Cleaning/Maintenance/Utilities Costs		1,060,849		939,466
Movement in provisions (Note 8)		145,246		226,220
Bad and doubtful debts:				
- bad debts written off	34,149		101,776	
- movement in provision for doubtful debts (Note 4)	(11,307)	22,842	(38,521)	63,255
Remuneration of the auditors for:				
- auditing or reviewing the financial report	14,490		14,070	
- other services	2,950	17,440	200	14,270
Loss on disposal of fixed assets		3,546		2,576

**Warragul District Parent-Controlled Christian School
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ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

	2018 \$	2017 \$
<u>Note 4: Receivables</u>		
Debtors – Fees	564,192	591,241
Sundry Debtors	213,332	133,252
Less Provision for Doubtful Debts	(187,190)	(198,497)
	590,334	525,996
<u>Note 5: Capital Grants</u>		
Block Grant Authority – Aust./ Vic. Govt.	656,511	531,495
	656,511	531,495
<u>Note 6: Borrowings</u>		
Current		
Equipment Loan	166,735	173,634
	166,735	173,634
Non-Current		
Equipment Loan	-	166,735
Bank Bill	6,939,634	4,126,708
	6,939,634	4,293,443

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.

**Warragul District Parent-Controlled Christian School
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Chairo Christian School
ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

<u>Note 7: Reserves</u>	2018	2017
	\$	\$
Capital Grants Reserve:		
Balance at beginning of year	7,688,562	6,293,397
Add Net Capital Grants Reserve from Flinders Traralgon Campus	-	1,350,000
Net Transfer (from) / to Reserve	54,103	45,165
Balance at end of year	7,742,665	7,688,562
Asset Revaluation Reserve		
Balance at beginning of year	24,670,743	9,725,688
Net Gain/ (Loss) On Revaluation of Building	-	14,945,055
Balance at end of year	24,670,743	24,670,743
Total Reserves Balance at end of year	32,413,408	32,359,305

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 rata 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 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).

The capital grant for the Extension to Junior School/ Library/ Resource Centre built at Pakenham from 2018-2019 requires the full amount to be refunded if the school ceases to use the facility or sells or otherwise disposes of the facility within 10 years of practical completion. As the full 100% of the grant is payable if these terms are not met, there is no amortization of the grant until 10 years is completed, when 100% of the grant will be transferred.

A revaluation was completed at all campuses on all land and buildings as at the 31st 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.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

	2018	2017
	\$	\$
<u>Note 8: Provisions</u>		
Current		
Long Service Leave expected to be paid in current year	96,192	163,109
Long Service Leave not expected to be paid in current year	1,648,626	1,494,118
Annual Leave	200,020	159,595
	<u>1,944,838</u>	<u>1,816,822</u>
Non Current		
Long Service Leave	<u>333,504</u>	<u>316,274</u>

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:

	2018	2017
	\$	\$
Cash on Hand	2,250	1,950
Cash at Bank – General Account – CBA	1,500	14,957
Cash At Bank – Building Fund- Westpac	-	71,734
Cash At Bank – Business Acc.- Westpac	93,585	48,021
Cash At Bank – Cash Reserve - Westpac	1	-
	<u>97,336</u>	<u>136,662</u>

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

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

	2018 \$	2017 \$
Surplus/ (Deficit)	(240,604)	389,419
Non Cash Flows in Operating Surplus		
Depreciation	2,675,610	2,295,824
(Increase) in operating receivables	(64,338)	(90,334)
Decrease in inventory	-	5,815
(Increase) in prepayments	(106,759)	(136,207)
Increase in payables & accrued expenses	284,086	319,164
Increase in fees in advance	25,088	16,831
Increase in provision for employee entitlements	145,246	226,220
Net Cash Provided by Operating Activities	2,718,329	3,026,732

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	Jeff Calway
Allan Piening	Brian Tucker	Melissa Rumble
Peter Morison	Kerrie Jackson	Robert Bruce

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 \$5,500 during the financial year, as provided for in the constitution, in recognition of costs incurred personally.

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

**Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

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 earnings 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 Victorian State and Australian Commonwealth 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	5,835,000	51,294,759	3,078,173	3,295,577	63,503,509
Transfers	-	1,701,512		(1,701,512)	-
Additions	-	95,235	634,333	5,323,342	6,052,910
Disposals	-	-	(3,923)	-	(3,923)
Revaluation			4,472	-	4,472
Depreciation Expense	-	(1,601,171)	(1,074,439)	-	(2,675,610)
Balance at End of the Year	5,835,000	51,490,335	2,638,616	6,917,407	66,881,358

Note 15: Contingent Liabilities

The Incorporated Association had no contingent liabilities as at 31 December 2018 and 31 December 2017.

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

**Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

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 2018 is \$4,763,355 ex gst and payments totaling \$4,477,756 ex gst has been paid to the end of 2018 representing 94% of the contract.

On the 23rd 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 2018 \$106,279 ex gst had been paid representing 82% of the contract.

On the 11th 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 \$449,881 ex gst and at the end of 2018 \$411,045 ex gst had been paid representing 91% of the contract.

At the completion of the tender process, Chairo Christian School entered into a contract with Stockwood Building Group to build a 9/10 Centre – Stage 1 at the Pakenham Campus. The current contract amount with variations at the end of 2018 is \$1,784,232 ex gst and payments totaling \$990,809 ex gst had been paid, representing 56% of the contract.

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:

	2018	2017
	\$	\$
Aggregate Compensation	451,863	373,761

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

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 19th 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 in 2017 was \$8,531,377.

Note 19: Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 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.

**Warragul District Parent-Controlled Christian School
Association Incorporated
Chairo Christian School
ABN: 12 451 824 370
Notes to and forming Part of the Financial Statements
for the year ended 31 December 2018**

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 2018 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. Christopher Dean

Dated at Drouin this 2nd day of May 2019

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 2018, 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 2018 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 2018, 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 are 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 are 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 are 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe Horwath Vic

CROWE HORWATH VIC

G. Robertson

GORDON ROBERTSON

Partner

Dated at Warragul this 8th day of May 2019

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 2018, 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****GORDON ROBERTSON****Partner**Date: 2nd May 2019