



**FREE REFORMED
SCHOOL ASSOCIATION**

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A 18 Robin Hood Avenue, Armadale WA 6112
P PO Box 474, Armadale WA 6992

Annual Financial Report

31 December 2018



**FREE REFORMED
SCHOOL ASSOCIATION**

*My heart I offer to You Lord - **promptly and sincerely***

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Free Reformed School Association Incorporated
31 December 2018

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Free Reformed School Association Incorporated

School Board Members' Report

Your school board members present their report on the association for the financial year ended 31 December 2018.

The names of the school board members in office at any time during, or since, the end of the year are:

Br. Steven Bosveld
Br. Henry Dykstra (Chairman from March 2017)
Br. Humphrey Faas (elected March 2018)
Br. Adrian Hordyk
Br. Dave Lewis
Br. Jelte Numan (re-elected March 2018)
Br. Wayne Pleiter
Br. Martin Pot (re-elected March 2018)
Br K Visser

School board members have been in office since the start of the financial year to date of this report unless otherwise stated.

Principal Activities

As per the Constitution, the Association assisted parents within the Free Reformed Churches of Australia by providing Christian education for their children.

Review of Operations

The surplus / (deficit) of the association for the financial year amounted to \$1,149,894 (2017: \$2,511,790).

Significant Changes in the State of Affairs

No significant changes in the association's state of affairs occurred during the financial year.

Significant Events after Balance Date

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

Funding Agreement

The commonwealth funding of the association is regulated by the Department of Education and the association has not breached any of the regulations.

School Board Members' Report (continued)

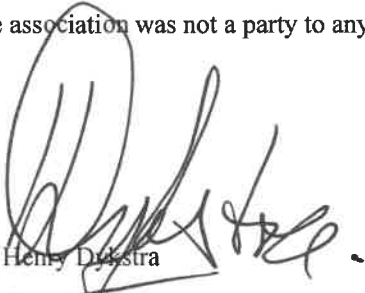
Indemnities and Insurance of School Board Members and Officers

Officers' liability insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer of the association.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the association.

No person has applied for leave of court to bring proceedings on behalf of the association or intervene in any proceedings to which the association is a party for the purpose of taking responsibility on behalf of the association for all or any part of those proceedings.

The association was not a party to any such proceedings during the year.



Br. Henry Dijkstra

Chairman of the School Board

7 February 2019

Independent Audit Report

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Dec 2018 \$	Dec 2017 \$
Continuing Operations			
Revenue	3	13,731,961	13,692,203
Other revenue	3	305,792	890,798
Employment expenses	4	(10,372,040)	(9,726,227)
Tuition expenses		(534,617)	(486,457)
Administration & general expenses		(603,105)	(612,079)
Property expenses		(872,950)	(863,478)
Depreciation		(501,005)	(376,851)
Finance costs	4	(4,142)	(6,119)
Net surplus for the period		1,149,894	2,511,790
Other comprehensive income for the year		-	-
Total comprehensive income attributable to members of the association		1,149,894	2,511,790

The accompanying notes form an integral part of this statement of comprehensive income.

Statement of Financial Position

As at 31 December 2018

	Note	Dec 2018 \$	Dec 2017 \$
Current Assets			
Cash and cash equivalents	6	1,537,767	1,182,327
Other receivables	7	115,729	65,768
Inventory		40,507	48,373
Prepayments		132,602	111,330
Total Current Assets		1,826,605	1,407,798
Non-Current Assets			
Property, plant and equipment	8	24,877,326	24,203,699
Total Non-Current Assets		24,877,326	24,203,699
Total Assets		26,703,931	25,611,497
Current Liabilities			
Other payables	9	602,711	631,438
Interest bearing loans and borrowings	10	63,327	60,448
Leave provision	11	810,221	948,086
Total Current Liabilities		1,476,259	1,639,972
Non-Current Liabilities			
Interest bearing loans and borrowings	10	11,263	74,114
Leave provision	11	461,063	291,959
Total Non-Current Liabilities		472,326	366,073
Total Liabilities		1,948,585	2,006,045
Net Assets		24,755,346	23,605,452
Equity			
Retained surpluses		24,755,346	23,605,452
Total Equity		24,755,346	23,605,452

The accompanying notes form an integral part of this statement of financial position.

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Retained Surpluses \$
Balance at 31 December 2016		21,093,662
Surplus for the 2017 Year		2,511,790
Balance at 31 December 2017		23,605,452
Surplus for the 2018 Year		1,149,894
Balance at 31 December 2018		24,755,346

The accompanying notes form an integral part of this statement of changes in equity.

Statement of Cash Flows
For the year ended 31 December 2018

	Note	Dec 2018 \$	Dec 2017 \$
Cash Flows from Operating Activities			
Receipts from parents and members		2,793,732	2,825,519
Receipts from governments		10,627,066	9,934,343
Receipts from governments – Capital Grant		90,000	810,000
Receipts from others		159,743	108,229
Interest received		45,555	56,771
Payments to suppliers and employees		(12,394,107)	(11,474,657)
Finance costs		(4,142)	(6,119)
Net operating cash flows	12	1,317,847	2,254,086
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		14,377	16,079
Purchase of property, plant and equipment		(1,177,050)	(4,384,303)
Net investing cash flows		(1,162,673)	(4,368,224)
Cash Flows from Financing Activities			
Receipts from community – Capital Campaign		260,237	834,027
Repayment of borrowings		(59,971)	(58,344)
Net financing cash flows		200,266	775,683
Net increase/(decrease) in cash held		355,440	(1,338,455)
Cash at the beginning of financial year		1,182,327	2,520,782
Cash/(overdraft) at the end of financial year	6	1,537,767	1,182,327

The accompanying notes form an integral part of this statement of cash flows.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 1. Association Information

The financial report of the Free Reformed School Association Incorporated for the year ended 31 December 2018 was authorised for issue on 7 February 2018.

Free Reformed School Association Incorporated is incorporated and domiciled in Australia. The entity's membership is determined by its constitution and bylaws.

The nature of the operations and principal activities of the Free Reformed School Association Incorporated is to assist in the provision of reformed education for the children of the parents within the Free Reformed Churches of Australia.

Association Details

The administration office of the association is:
18 Robin Hood Avenue, Armadale, WA, 6112

The places of schooling during 2018 were:

John Calvin Christian College:	18 Robin Hood Avenue, Armadale, WA, 6112
Byford John Calvin Primary School:	30 Soldiers Road, Byford, WA, 6122
Kelmscott John Calvin Primary School:	322 Lake Road, Champion Lakes, WA, 6111
Rockingham John Calvin Primary School:	879 Mandurah Road, Baldivis, WA, 6171
South West John Calvin Christian College:	2 Widdeson Road, Capel WA

Note 2. Accounting Policies

(a) Basis of preparation

The association is not a reporting entity in the opinion of the school board members as it is unlikely that there are existing users of the financial report who are unable to command the preparation of reports tailored so as to satisfy all of their specific information needs. Accordingly, this special purpose financial report has been prepared to fulfil the school board members' financial reporting requirements under the Associations Incorporation Act 2015 (WA) in conjunction with the Schools Assistance Act 2008.

The financial report has been prepared in accordance with the Associations Incorporation Act 2015 (WA), the recognition and measurement requirements of Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 "Presentation of Financial Statements" and AASB 107 "Cash Flow Statements".

The accounting policies used in the preparation of this financial report, as described below are in the opinion of the school board members appropriate to meet the needs of members.

The financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars.

(b) Income tax

The association is a non-for-profit organisation and exempt from income tax.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2. Accounting Policies (cont'd)

(c) Plant and equipment

Each class of plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by school board members to ensure it is not in excess of the recoverable amount from these assets.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

All assets are depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate
Buildings	2% - 10%
Plant & equipment	5% - 20%
Computer equipment	20% - 25%
Motor vehicles	20% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Historical buildings capitalised prior to 2013 are not depreciated nor are adjustments made to their carrying value.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income

(d) Impairment of non-financial assets other than goodwill

At each reporting date, the association assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the association makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

(e) Foreign currency translation

The functional and presentation currency of Free Reformed School Association Incorporated is Australian dollars (\$). The functional currency of the association is measured using the currency of the primary economic environment in which that entity operates.

Notes to the Financial Statements

For the year ended 31 December 2018

(f) Employee benefits

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 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.

(g) Provisions

Provisions are recognised when the association has a present obligation (legal or constructive), as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will result and that outflow can be reliably measured.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and service tax (GST).

(j) Borrowing costs

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred except for borrowing costs attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

(k) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Trade and other receivables

Trade receivables, which generally have 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Association will not be able to collect the debts. Bad debts are written off when identified.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2. Accounting Policies (cont'd)

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Association prior to the end of the financial year that are unpaid and arise when the Association becomes obliged to make future payments in respect of the purchases of these goods and services.

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs are recognised as an expense when incurred. The Association does not currently hold qualifying assets, but, if it did, the borrowing costs directly associated with this asset would be capitalised.

Gains or losses are recognised in the profit or loss when the liabilities are de-recognised.

(o) Significant accounting judgements, estimates and assumptions

The School Board members evaluate estimates and judgements 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.

The carrying amount of certain assets is often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of non-financial assets

The Association assesses impairment of all assets at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Long service leave provisions

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

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties, lease terms and turnover policies. In addition, the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 3. Revenue

	Note	Dec 2018 \$	Dec 2017 \$
Operating activities:			
Recurrent grants from Commonwealth & State Governments		10,064,798	9,501,134
Other non-capital grants from Commonwealth & State Governments		562,268	433,209
Capital grants from Commonwealth & State Governments		90,000	810,000
Fees and donations from members and parents		2,892,986	2,825,518
Gain/(loss) on disposal of assets		16,959	14,113
Other revenue		104,950	108,229
Total operating revenue		13,731,961	13,692,203
Non-operating activities:			
Donations through the Capital Campaign		260,237	834,027
Interest	3(a)	45,555	56,771
Total other revenue		305,792	890,798
(a) Interest income from:			
Financial Institutions		45,555	56,771

Note 4. Expenses

Finance costs:			
Financial Institutions		4,142	6,119
Employee benefits expense:			
Wages and salaries		9,217,458	8,561,638
Employee entitlements		156,318	252,573
Other employment expenses		112,267	96,818
Superannuation		885,997	815,198
		10,372,040	9,726,227

Note 5. Auditors' Remuneration

The auditor of Free Reformed School Association Incorporated is Bentleys

Remuneration of the auditor:

Accrument for auditing or reviewing the financial report	10,000	11,315
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Note 6. Cash and cash equivalents

Cash at bank and in hand	1,537,767	1,182,327
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Cash at bank earns interest at floating rates based on daily bank and term deposit rates.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 7. Other receivables

	Note	Dec 2018 \$	Dec 2017 \$
Current			
Other receivables		115,729	65,768

Other receivables are non-interest bearing.

Note 8. Property, Plant & Equipment

Non-Current

Property, Plant and Equipment			
Cost		26,655,140	25,513,807
Accumulated depreciation		(1,777,814)	(1,310,108)
		24,877,326	24,203,699
Total property, plant and equipment		24,877,326	24,203,699

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Property, Plant & Equipment			
Balance at the beginning of year		24,203,699	20,198,215
Additions		1,174,956	4,384,303
Disposed		(324)	(1,967)
Depreciation		(501,005)	(376,852)
Carrying amount at end of year		24,877,326	24,203,699

Property, plant and equipment with a replacement value of \$14,856,000 are pledged as securities for the non-current liabilities as disclosed in note 10.

Note 9. Other Payables

Current			
Other payables		602,711	631,438

Other payables are non-interest bearing as long as they are settled within agreed terms. The association pays creditors within the agreed terms.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 10. Borrowings

	Notes	Dec 2018 \$	Dec 2017 \$
Current			
Government loans	10(a)	63,327	60,448
Non-current			
Government loans	10(a)	11,113	73,964
Business Edge Loan	10(b)	150	150
		11,263	74,114
Total Borrowings		74,590	134,562

(a) Government loans

The loans bear interest at 3.5% p.a. (2017: 3.5%), are repayable in quarterly instalments over a period of 15 years and are secured by mortgage over property 18 Robin Hood Avenue, Armadale. The last instalments are due in 2020.

(b) Business Edge Loan - Bankwest

The loan bore interest at 4.8% p.a. (2017: 4.8%) and a facility of \$2,000,000 is available at call. It is secured by mortgage over property at 30 Soldiers Road, Byford at a market value of \$4,150,000.

Note 11. Provisions

Current

Employee entitlements	810,221	948,086
	810,221	948,086

Non-current

Employee entitlements	461,063	291,959
	461,063	291,959
Total provisions	1,271,284	1,240,045

(a) Movement in provisions

Employee entitlements		
At the beginning of the year	1,240,045	1,121,566
Arising during the year	327,544	267,857
Amounts used	(296,305)	(149,378)
Balance at end of the year	1,271,284	1,240,045

Contingent Liability with respect to the Commonwealth Grant:

Pursuant to the conditions attached to Commonwealth capital grants, the Association is contingently liable to repay, based on a formula, all or part of the grants received if the South West John Calvin School Building Project, for which we received \$900,000, ceases to be used for the purpose approved, or is sold or otherwise disposed of within 14 years of the completion of the project. The Association has been informed by AISWA that this contingent liability period extends to 22 March 2032 at which point it will expire.

No provision is made at this point for this contingent liability.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 12. Cash Flow Statement Reconciliation

	Note	Dec 2018 \$	Dec 2017 \$
(a) Reconciliation of net surplus to net cash flows from operations			
(Deficit)/Surplus		1,149,894	2,511,790
Non-operating cash flows (Capital Receipts from Community)		(260,237)	(834,027)
Non-cash flows in profit:			
Depreciation expense		501,005	376,851
Net (gain)/loss on disposal of property, plant and equipment		(16,959)	(14,113)
 (b) Changes in assets and liabilities			
(Increase)/decrease in receivables		(44,961)	5,164
(Increase)/decrease in inventory		7,865	(48,372)
(Increase)/decrease in prepayments		(21,272)	(10,141)
Increase/(decrease) in payables		(28,727)	148,454
Increase/(decrease) in provisions		31,239	118,480
		<u>1,317,847</u>	<u>2,254,086</u>

Note 13. Events after the Balance Sheet Date

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

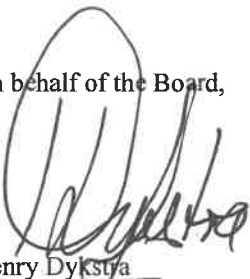
School Board Members' Declaration

In accordance with a resolution of the School Board members of Free Reformed School Association Incorporated, I state that:

In the opinion of the school board members

- (a) The association is not a reporting entity as defined in the Australian Accounting Standards and the financial statements and notes of the Association are in accordance with the Associations Incorporation Act 2015 (WA) in conjunction with the Schools Assistance Act 2008 (Cth), including:
- (i) Giving a true and fair view of the Association's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 of the financial statements;
 - (iii) There are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Henry Dykstra
Chairman

Armadale

7 February 2019

