The Shepherd Centre

Giving deaf children a voice

Financial Statements

For the Year Ended 31 December 2017

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Financial Statements

For the Year Ended 31 December 2017

Contents

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Director's Report

For the Year Ended 31 December 2017

Your directors present their report on the company for the financial year ended 31 December 2017.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Peter W Mattick AM	Dr Hugh W Torode (resigned August 2017)
Mr Philip Rossi	Mr Chris Ladas
Mrs Fiona Fairlie	Mrs Susan Turner-Kapsanis
Mrs Colleen Chapman	

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

Principal Activity

The principal activities of "The Shepherd Centre - For Deaf Children" during the financial year was to help deaf and hearing impaired children in NSW/ACT and Tasmania reach their language, listening and spoken language potential and to integrate into their local community, school and the hearing world.

No significant change in the nature of these activities occurred during the financial year.

Short term objectives

The short term objectives of "The Shepherd Centre - For Deaf Children" are to further enhance our clinical programs (in terms of both scope and access), along with improvements to our fundraising and overall financial results. To do this we will continue to improve the range and quality of our clinical services so that we can work toward our vision of every child with hearing loss achieving the best spoken language they are capable of, whilst maintaining the financial viability of the charity through balancing continued clinical expansion with the maintenance of prudent financial reserves.

Long term objectives

The vision of "The Shepherd Centre - For Deaf Children" is that every child with hearing loss is able to achieve the best spoken language they are capable of, so they can achieve their full potential in the world. We work to achieve this vision by helping these children with a multidisciplinary program of Auditory Verbal Therapy, audiological services including a cochlear implant program, and counselling support. Our aim is to be the best in the world in terms of the standard of our programs and the outcomes being achieved by the children.

Strategy for achieving the objectives

To achieve these objectives, the Company will continue to invest into the quality of our clinical programs (with a strong focus on multidisciplinary practice to support our children developing their potential), and communication programs (including cultivation of our supporters).

Performance Measurement

"The Shepherd Centre - for deaf children" uses Key Success Measures (KSM's) that are directly aimed at driving activity and measuring performance towards the objectives of the company. The KSM's vary each year and are structured to be holistic similar to a balanced scorecard and they enable quantifiable measurements for language outcomes, financial sustainability and operational effectiveness.

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Director's Report

For the Year Ended 31 December 2017

Members guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $20 each towards meeting any outstanding obligations of the entity. At 31 December 2017, the total amount that members of the company are liable to contribute if the company is wound up is $280 (2016: $360).

Review of Operations

The financial result for 2017 was a surplus of $1.83m compared to a deficit of $965k in 2016. This has resulted in a 38% increase in net assets.

Two major factors influenced the size of the surplus for 2017. The first was the receipt of a very generous $1.37M bequest from the Eric Dare Foundation. The funds from this bequest are held in a Cash Reserve with the net earnings supporting service delivery in accordance with the donor's wishes.

The second factor contributing to the 2017 surplus was the return of a $950k contribution from The Shepherd Foundation for the purchase of a property in Campbelltown. The $950k was originally donated to "The Shepherd Centre - for deaf children" by Sargents' Pies in 2016 as a contribution towards the establishment of a new centre in Campbelltown. A suitable property to purchase had not been identified at the end of 2016 so the $950K was transferred to The Shepherd Foundation as detailed in the 2016 Director's Report. The funds were then returned to "The Shepherd Centre -for deaf children" in April 2017 to facilitate the purchase of a property at 36 Moore Street Campbelltown. The Campbelltown property is recorded as an asset in the balance sheet whereas the contribution from The Shepherd Foundation is recorded as income contributing to the large surplus and significant increase in our net assets in 2017.

The combined boost to income from the Eric Dare bequest and The Shepherd Foundation contribution of $2.32M is masking an operational deficit of $494K which is soley due to the delays in the roll out of the NDIS, the underfunding of NDIS plans and the increased administrative burden required to meet the administrative requirements of the NDIS.

"The Shepherd Centre - for deaf children" spent considerable management resources in 2017 lobbying the Federal Government, the NDIS and the NDIA to highlight how crucial adequate funding of multidisciplinary Early Intervention programs is for the long term outcomes of hearing impaired children however the current situation remains unsatisfactory and we will continue our lobbying efforts in 2018. In the meantime we remain committed to providing the children in our Early Intervention programs the services they require to achieve the best possible outcome regardless of the level of NDIS funding provided. We are able to do this through ongoing philanthropic support of our generous donors. We have also curtailed costs as much as possible and undertaken a significant review of our service delivery model to look for innovative ways to streamline our systems and processes to deliver our services more cost effectively without comprimising the outcomes of the children in our programs.

The current and liquidity ratios are very strong and has improved since the prior year primarily due to the Eric Dare bequest however this is not a gauge on long-term sustainability which we will continue to monitor very closely while the NDIS is still transitioning and pricing and timing remains uncertain.

After balance date events

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

Information on Directors

Mr Peter W Mattick AM	**Chairman (Non executive) since 2010 and Chairman from 26 May 2015**
Qualifications	Bachelor of Commerce Fellow of the Australian Society of Certified Practicing Accountants Fellow of the Australian Institute of Company Directors
Experience	First appointed February 2010; Co founder, Director and Chairman of Salmat Ltd; Governor of Advisory Council for the Institute of Neuromuscular Research; Former Chairman of the Australian Direct Marketing Association. Awarded a Member (AM) in the General Division of the Order Of Australia in 2014.
Dr Hugh W Torode	**Director (Non executive)**
Qualifications	Bachelor of Medicine (Melbourne University) Bachelor of Surgery (Melbourne University) Fellow Royal Australian and New Zealand College of Obstetricians and Gynaecologists (RANZCOG) Parent Representative to Board
Experience	First appointed March 1994

Director's Report

For the Year Ended 31 December 2017

Information on Directors continued

Mr Philip Rossi	**Director (Non executive)**
Qualifications	UTS High Certificate Engineering Parent Representative to Board
Experience	First appointed May 2008; Member of Finance and Audit Committee; Managing Director and Principal of Tapex Pty Ltd, Agpac Ltd, Boddingtons Australasia Pty Ltd, Empak Ltd, Polyfabrics Australasia Pty Ltd, Donaghys Agri NZ Ltd; Director of Tapex Aligned Fibres Pty Ltd, The Rossi Foundation, Hatbands Pty Ltd; Previously; Director of Mary Rossi Travel Pty Ltd; Director of Australian Commercial Company Pty Ltd.
Mr Chris Ladas	**Director (Non executive)**
Qualifications	Parent Representative to Board
Experience	First appointed August 2008; Director of Melissa Confectionary Pty Ltd
Mrs Fiona Fairlie	**Director (Non executive)**
Qualifications	Parent Representative to Board Certificate IV in Learning Support from TAFE
Experience	First appointed May 2013; Learning Support Officer for Diverse Learning at Marcellin College, Randwick Therapist Assistant with Catherine Sullivan Centre
Mrs Susan Turner-Kapsanis	**Director (Non executive)**
Qualifications	Bachelor of Laws/Bachelor of Arts (University of New South Wales) Masters of Environmental Law (University of Sydney) Parent Representative to Board
Experience	First appointed December 2015 Current co-founder and Director of Vitalis Health & Home Care & The Medical Concierge; international lawyer and advocate in healthcare and patient care; management, strategy and leadership experience living and working in Australia and for a leading law firm in Asia; active member of several charitable organisations Previously chairperson of The Kind Exchange and a member of the Board of Northern Nursery School

Information on Directors continued

Mrs Colleen Chapman	**Director (Non executive)**
Qualifications	Bachelor of Commerce (Australian National University) Master of Business and Technology (University of New South Wales) Member of Institute of Chartered Accountants of Australia Graduate Member of Australian Institute of Company Directors Parent Representative to the Board
Experience	First appointed December 2015 Currently General Manager CTP for QBE Insurance Australia Limited Currently Executive Board member of Trade Credit Underwriting Agency Pty Limited and Trade Credit Underwriting Agency (NZ) Limited Previously Head of Financial Control of QBE Insurance Australia Limited and Chief Financial Officer of Hallmark Insurance Limited (trading as GE Insurance Australia). Previously member of Board of Management (treasurer) for Koala Child Care Centre Limited.

Meetings of directors

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Mr Peter W Mattick AM	6	6
Dr Hugh W Torode (until 08/17)	4	4
Mr Philip Rossi	6	4
Mr Chris Ladas	6	6
Mrs Fiona Fairlie	6	6
Mrs Susan Turner-Kapsanis	6	6
Mrs Colleen Chapman	6	6

Auditors Independence Declaration

The auditor's independence declaration for the year ended 31 December 2017 has been received and can be found on page 8.

Sign off details

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

Director ....

Mr Peter W Mattick AM, Chairman

Dated this 2nd May 2018

AUDITOR'S INDEPENDENCE DECLARATION
TO THE RESPONSIBLE PERSONS' OF THE SHEPHERD CENTRE – FOR DEAF CHILDREN
ABN: 61 000 699 927

I declare that to the best of my knowledge and belief, during the year ended 31 December 2017 there have been no contraventions of:

i. the auditor's independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Melissa Alexander

M A ALEXANDER
Partner

PITCHER PARTNERS
Sydney

2 May 2018

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
Revenue	4	**10,415,848**	8,915,693
Audit, legal and consulting expenses		**(149,607)**	(131,328)
Depreciation and amortisation expense		**(347,721)**	(261,358)
Employee benefits expense		**(6,405,059)**	(6,320,663)
Facilities rent & maintenance expenses		**(364,813)**	(406,715)
Donation to The Shepherd Foundation for future property purchase		**-**	(950,000)
Fundraising campaign and event expenses	20(a)	**(733,419)**	(1,099,148)
Other expenses		**(589,283)**	(711,826)
Surplus/(Deficit) before income tax		**1,825,946**	(965,345)
Income tax expense	3(i)	**-**	-
Surplus/(Deficit) for the year	5	**1,825,946**	(965,345)
Total comprehensive income for the year		**1,825,946**	(965,345)

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Statement of Financial Position

As At 31 December 2017

	Note	**2017**	2016
ASSETS		**$**	$
CURRENT ASSETS			
Cash and cash equivalents	6	**1,122,869**	1,084,226
Other financial assets	7	**3,870,000**	2,801,000
Trade and other receivables	8	**277,184**	481,300
Other assets	9	**114,137**	88,192
TOTAL CURRENT ASSETS		**5,384,190**	4,454,718
Property, plant and equipment	10	**3,253,834**	2,556,167
Intangible assets	11	**168,394**	163,715
TOTAL NON-CURRENT ASSETS		**3,422,228**	2,719,882
TOTAL ASSETS		**8,806,418**	7,174,601
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**660,512**	734,482
Short-term provisions	13	**609,696**	598,561
Other liabilities	14	**125,564**	172,749
TOTAL CURRENT LIABILITIES		**1,395,772**	1,505,792
Long-term provisions	13	**219,694**	191,842
Other liabilities	14	**511,294**	623,254
TOTAL NON-CURRENT LIABILITIES		**730,988**	815,096
TOTAL LIABILITIES		**2,126,760**	2,320,888
NET ASSETS		**6,679,658**	4,853,712
EQUITY			
Retained earnings		**5,861,727**	4,035,781
Reserves	15	**817,931**	817,931
TOTAL EQUITY		**6,679,658**	4,853,712

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Statement of Changes in Equity

For the Year Ended 31 December 2017

2017

	Retained Earnings $	Asset Revaluation Reserve $	Total $
Balance at 1 January 2017	**4,035,781**	**817,931**	**4,853,712**
Surplus for the year	1,825,946	-	1,825,946
Balance at 31 December 2017	**5,861,727**	**817,931**	**6,679,658**

2016

	Retained Earnings $	Asset Revaluation Reserve $	Total $
Balance at 1 January 2016	5,001,126	817,931	5,819,057
Deficit for the year	(965,345)	-	(965,345)
Balance at 31 December 2016	**4,035,781**	**817,931**	**4,853,712**

The accompanying notes form part of these financial statements

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Statement of Cash Flows

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Other income		**1,522,026**	606,029
Receipts from Clinical Practice		**1,302,493**	899,857
Operating grant receipts		**2,395,203**	2,327,605
Payments to suppliers and employees		**(8,559,144)**	(9,723,244)
Interest received		**82,387**	148,084
Gifts and donations received		**5,414,745**	4,841,093
Net cash provided by/(used in) operating activities		**2,157,710**	(900,576)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		**(40,125)**	(48,567)
Purchase of property, plant and equipment		**(1,009,942)**	(94,134)
Net investments in term deposits with maturity dates of 3-12 months		**(1,069,000)**	1,099,000
Net cash (used in)/provided by investing activities		**(2,119,067)**	956,299
Net increase in cash and cash equivalents held		**38,643**	55,723
Cash and cash equivalents at the beginning of the financial year		**1,084,226**	1,028,503
Cash and cash equivalents at the end of the financial year	**6**	**1,122,869**	1,084,226

1 Corporate Information

The financial statements cover "The Shepherd Centre - For Deaf Children" as an individual entity, incorporated and domiciled in Australia. "The Shepherd Centre - For Deaf Children" is a company limited by guarantee. The company is recognised as a Public Benevolent Institution and Deductible Gift Recipient by the Australian Taxation Office and is a not-for-profit entity registered with the Australian Charities and Not-for-profits Commission (ACNC).

2 (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and interpretations issued by the Australian Accounting Standards Board (AASB), as appropriate for not-for-profit entities and the *Australian Charities and Not-for-Profit Commission Act 2012* .

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

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 2nd May 2018 by the directors of the company.

(b) Statement of Compliance

The accounting policies adopted in this financial report are in accordance with the requirements of the Charitable Fundraising Act (1991) (NSW) and the regulations applying to that Act and the conditions of approval attached to our Authority to Fundraise (Authority No. CFN 11015). Also in compliance with the requirements of the Charitable Collections Act 2003 (ACT) licence number 19000865 and Collections for Charities Act 2001 (Tas) and the Collections for Charities Regulations 2011 (Tas) license reference number C/10561.

3 Accounting Policies

(a) Revenue and Other Income

Non-reciprocal grant revenue is recognised in the statement of profit or loss and other comprehensive income when the company obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the company and the amount of the grant can be measured reliably. If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

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

3 Summary of Significant Accounting Policies continued

(a) Revenue and Other Income continued

Donations and bequests are generally recognised as revenue when received, unless conditions are attached which must be satisfied before it is eligible to receive the contribution. The recognition of the donation as revenue will be deferred until those conditions are satisfied.

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

Revenue from the rendering of a service is recognised upon delivery of the service to customers.

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

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Property

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors valuations to ensure the land and buildings carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit and loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The revalued buildings are depreciated between the periodic revaluations based on their fair value divided by the remaining useful life of each building as assessed by the external independent valuer.

Freehold land and buildings that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

3 Summary of Significant Accounting Policies continued

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer note 3(c) for details of impairment).

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	4%
Plant and Equipment	10-30%
Furniture, Fixtures and Fittings	10-30%
Motor Vehicles	15%
Office Equipment	10-30%
Leasehold improvements	4-10%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

3 Summary of Significant Accounting Policies continued

(c) Impairment of Assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash generating unit (CGU) at a pre tax discount rate reflecting the specific risks in the asset / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash generating unit to which the class of assets belong.

(d) 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 which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(e) 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 Tax 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.

(f) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(g) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

3 Summary of Significant Accounting Policies continued

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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.

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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national corporate bonds with terms to maturity that match the expected timing of cash flows.

(i) Income Tax

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

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

The minimum rental revenue of operating leases with fixed rental increases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised on a straight line basis.

3 Summary of Significant Accounting Policies continued

(k) Capital Support Grants

Capital support grants received from the Government for the purchase of land and buildings at Sydney, Wollongong and Liverpool are brought to account as income over 20 years from date of acquisition. This treatment has been adopted as an amount equal to the value of the grants less 1/20th of each grant for each year of approved use of the premises is repayable under certain circumstances, including sale or use for a purpose other than that approved.

(l) Critical judgements and estimates in applying accounting policies

The "Shepherd Centre - For Deaf Children" measures owner-occupied properties at fair value of last valuation date less subsequent depreciation and revaluations. The valuation of owner-occupied property requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. "The Shepherd Centre - For Deaf Children" engages independent registered valuers to value each of their properties every 3 years. The last valuation occurred in November 2015.

(m) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards.

The Shepherd Centre - For Deaf Children

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Notes to the Financial Statements

For the Year Ended 31 December 2017

	2017	2016
4 Revenue and Other income	**$**	$
Operating activities		
Sale of goods	**31,905**	7,297
Donations	**5,325,493**	4,936,567
Government subsidies	**2,209,163**	2,275,526
Clinical practice	**1,241,057**	916,394
Interest received	**81,619**	110,277
Member subscriptions	**509**	-
Rental income	**28,033**	9,100
Other contributions	**950,000**	-
Sundry revenue	**548,069**	660,532
Total operating activities revenue	**10,415,848**	8,915,693

5 Surplus/(deficit) for the Year

Surplus/(deficit) from ordinary activities before income tax expense has been determined after:

	2017	2016
Expenses:		
Amortisation	**35,446**	38,390
Depreciation of non-current assets:		
Buildings	**106,251**	22,879
Leasehold improvements	**70,035**	67,914
Educational equipment	**52,879**	50,840
Office equipment	**57,199**	50,481
Audiological equipment	**25,911**	30,854
Depreciation of property, plant and equipment	**312,275**	222,968
Loss on disposal of intangible assets	**-**	8,460
Loss on disposal of non-current assets	**-**	8,460
Rental expense on operating leases	**92,764**	149,531

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Notes to the Financial Statements

For the Year Ended 31 December 2017

	2017 $	2016 $
6 Cash and Cash Equivalents		
Cash on hand	**2,225**	2,690
Cash at bank	**1,120,644**	1,081,536
	1,122,869	1,084,226

7 Other financial assets

	2017 $	2016 $
Short-term deposits with maturity dates of 3-12 months	**3,870,000**	2,801,000
	3,870,000	2,801,000

8 Trade and Other Receivables

	2017 $	2016 $
Current		
Trade receivables	**257,247**	447,277
Other receivables	**19,937**	34,024
	277,184	481,300

9 Other Assets

	2017 $	2016 $
Current		
Prepayments	**114,137**	88,192
	114,137	88,192

The Shepherd Centre - For Deaf Children

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Notes to the Financial Statements

For the Year Ended 31 December 2017

10 Property, Plant and Equipment	2017	2016
	$	$
Land and buildings		
Freehold land		
At independent valuation	**1,727,583**	925,000
Buildings		
At independent valuation	**1,009,476**	858,967
Accumulated depreciation	**(129,130)**	(22,879)
Total buildings	**880,346**	836,088
Total land and buildings	**2,607,929**	1,761,088
Plant and Equipment		
Motor vehicles		
At cost	**43,679**	43,679
Accumulated depreciation	**(43,679)**	(43,679)
Total motor vehicles	**-**	-
Office equipment		
At cost	**445,253**	409,641
Accumulated depreciation	**(294,559)**	(237,360)
Total office equipment	**150,694**	172,281
Leasehold improvements		
At cost	**704,816**	690,153
Accumulated amortisation	**(331,210)**	(261,175)
Total leasehold improvements	**373,606**	428,978
Educational equipment		
At cost	**295,196**	288,622
Accumulated depreciation	**(218,312)**	(165,432)
Total educational equipment	**76,884**	123,189
Audiological equipment		
At cost	**388,526**	388,526
Accumulated depreciation	**(343,805)**	(317,895)
Total audiological equipment	**44,720**	70,631
Total plant and equipment	**645,905**	795,079
Total property plant and equipment	**3,253,834**	2,556,167

10 Property, Plant and Equipment continued

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

	Land	Buildings	Motor Vehicles	Office Equipment
	$	$	$	$
Balance at the beginning of year	925,000	836,088	-	172,281
Additions	802,583	150,509	-	35,612
Depreciation expense	-	(106,251)	-	(57,199)
Written down value at 31 December 2017	**1,727,583**	**880,346**	**-**	**150,694**

	Improvements	Educational equipment	Audio equipment	Total
	$	$	$	$
Balance at the beginning of year	428,978	123,189	70,631	**2,556,167**
Additions	14,663	6,574	-	**1,009,942**
Depreciation expense	(70,035)	(52,879)	(25,911)	**(312,275)**
Written down value at 31 December 2017	**373,606**	**76,884**	**44,720**	**3,253,834**

11 Intangible Assets

	2017	2016
	$	$
Computer Software		
At cost	**332,608**	292,483
Accumulated amortisation and impairment	**(164,214)**	(128,768)
Total intangible assets	**168,394**	163,715

Movement in the carrying amounts of intangible assets between the beginning and the end of the current financial year:

	2017	2016
	$	$
Balance at the beginning of year	**163,715**	161,999
Additions	**40,125**	48,567
Disposals - written down value	**-**	(8,461)
Amortisation expense	**(35,446)**	(38,390)
Written down value	**168,394**	163,715

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Notes to the Financial Statements

For the Year Ended 31 December 2017

12 Trade and other payables

	2017 $	2016 $
Current		
Trade payables	**287,072**	383,410
Sundry payables and accrued expenses	**373,440**	351,072
	660,512	734,482

13 Provisions

	2017 $	2016 $
Analysis of total provisions		
Current	**609,696**	598,561
Non-current	**219,694**	191,842
	829,390	790,403

Provision for Long term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 3 to these financial statements.

14 Other liabilities

	2017 $	2016 $
Current		
Grants and other revenue received in advance	**43,764**	92,177
Lease incentive liability	**81,800**	80,572
	125,564	172,749
Non-Current		
Grants and other revenue received in advance	**136,250**	169,100
Lease incentive liability	**375,044**	454,154
	511,294	623,254
Total Other liabilities	**636,858**	796,003

15 Reserves

Asset revaluation reserve

The asset revaluation reserve records realised gains on revaluation of property, plant and equipment recorded at fair value.

16 Members' Guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $20 each towards meeting any outstanding obligations of the entity. At 31 December 2017, the total amount that members of the company are liable to contribute if the company is wound up is $280 (2016: $360).

17 Capital and Leasing Commitments

	2017	2016
	$	$
Operating lease commitments		
Payable - minimum lease payments:		
no later than 1 year	**172,065**	165,992
between 1 year and 5 years	**635,799**	615,845
greater than 5 years	**-**	166,724
Total lease commitments	**807,864**	948,560

The property lease commitment includes a non cancellable operating lease that was executed in 2013 for the use of the Macquarie Hearing Hub, contracted for but not recognised in the financial statements with a 10-year term. Increases in lease commitments are 3.5% or CPI each year (whichever is greater).

18 Key Management Personnel Compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to the key management personnel of "The Shepherd Centre - For Deaf Children" during the year are as follows:

	2017	2016
	$	$
Key management personnel compensation	**790,400**	759,500

19 Remuneration and retirement benefits

No director has received or become entitled to receive a benefit since the end of the previous financial year. The names of directors who have held office during the period are listed in the directors' report.

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Notes to the Financial Statements

For the Year Ended 31 December 2017

20 Information and Declarations to be Furnished under the *Charitable Fundraising Act 1991 (NSW),* the *Charitable Collections Act 2003 (ACT),* the *Collections for Charities Act 2001 (Tas)* and the regulations under each the Acts.

(a) Details of aggregate gross income and total expenses of fundraising appeals

	2017	2016
Income	**$**	$
Major Gifts	**1,055,703**	965,770
Trusts & Foundations	**1,246,006**	2,093,298
Events	**261,905**	203,701
Appeals	**930,915**	998,517
Bequests	**1,644,667**	267,100
Acquisition	**15,957**	205,630
Other	**170,340**	202,551
Total Fundraising Revenue	**5,325,493**	4,936,567
Expenditure		
Events	**272,095**	67,385
Appeals	**401,181**	441,165
Bequests	**15,073**	7,297
Acquisition	**33,748**	570,711
Other	**11,323**	12,590
Total Fundraising Expenses	**733,419**	1,099,148
Net Surplus obtained from fundraising appeals	**4,592,074**	**3,837,419**

(b) Fundraising appeals conducted during the financial year

Shepherd Voice newsletters, Back to School, Christmas, donor care, regular giving, supporter survey and tax appeals. The bequest program is expanding and child sponsorship and scholarship opportunities were pursued. The alumni program was launched. In addition, "The Shepherd Centre for deaf children" pursues new donor recruitment through its acquisition program and for 2017 the focus was mainly on telemarking due to a significant downturn in direct mail acquisition.

(c) Statement showing how funds were applied for charitable purposes	**2017**	2016
	$	$
Net surplus obtained from fundraising appeals	**4,592,074**	3,837,419
Applied to charitable purposes in the following manner:		
Expenditure on direct services and administration	**(6,557,483)**	(6,515,527)
Expenditure on fundraising administration	**(1,299,000)**	(1,316,427)
Donation to The Shepherd Foundation	**-**	(950,000)
Capital expenditure	**(1,170,917)**	(142,701)
	(4,435,326)	(5,087,236)
The surplus/(shortfall) was provided from the following sources		
Government grants	**2,209,163**	2,275,526
Other income	**2,881,191**	1,703,599
Surplus/(shortfall) of funding	**655,029**	(1,108,110)

(d) Financial Ratios

	2017	2016
	%	%
Direct cost of fundraising/ Gross proceeds from fundraising appeals	**14%**	22%
Net surplus obtained from fundraising appeals/ Gross proceeds from fundraising appeals	**86%**	78%
Total cost of services/ Total expenditure	**54%**	52%
Total cost of services/ Total income received	**44%**	52%

(e) Government Funding

	2017	2016
	$	$
NSW ADHC - early intervention	**400,052**	547,178
NSW ADHC - mainstream	**432,153**	585,049
NSW ADHC - therapy skill development	**82,938**	168,060
NSW ADHC - Transitional ECI Funding	**242,900**	-
NSW ADHC - Family support places & intervention (Non-recurrent)	-	125,000
NSW Dept of Ed - (YCWD) Young Children with Disabilities	**528,797**	439,478
NSW Dept of Ed - (NSO) Non-School Organisation	**122,878**	81,048
NSW Dept of Ed - (ECEC) Preschool funding	**257,950**	177,775
NSW Dept of Ed - (PDSP) Preschool Funding	**85,855**	59,559
NSW Office of Communities - Capital Grants	**23,934**	38,529
Commonwealth - (DEETYA) Capital Building Grants (amortising)	**31,706**	32,850
NSW Minister for Health - outgoings AHH (Non-recurrent)	-	21,000
Total Government Grants	**2,209,163**	2,275,526

21 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 company, the results of those operations or the state of affairs of the company in future periods.

The Shepherd Centre - For Deaf Children

ABN 61 000 699 927

Responsible Persons' Declaration

The responsible persons', being the Directors of the company, declare that:

1 The financial statements and notes, as set out on pages 8 to 26 comply with the *Australian Charities and Not-for-profits Commission Act 2012* and:

(i) comply with Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the company.

2 In the responsible person' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Also, in the opinion of the directors of "The Shepherd Centre – For Deaf Children":

(i) the financial statements give a true and fair view of all income and expenditure with respect to fundraising appeals and activities for the year ended 31 December 2017; and

(ii) the provisions of the *Charitable Fundraising Act 1991 (NSW)* and the regulations under the Act and the conditions attached to the authority to fundraise have been complied with for the year ended 31 December 2017; and

(iii) the provisions of the *Charitable Collections Act 2003 (ACT)* and the regulations under the Act and the conditions attached to the authority to fundraise have been complied with for the year ended 31 December 2017; and

(iv) the provisions of the *Collections for Charities Act 2001 (Tas)* and the regulations under the Act and the conditions attached to the authority to fundraise have been complied with for the year ended 31 December 2017; and

(v) the internal controls exercised by the company are appropriate and effective in accounting for all income received from fundraising.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s.60.15 of the *Australian Charities and Not-for-Profits Commission Regulation 2013.*

Director: ______________________

Mr Peter W Mattick AM, Chairman

Dated 2nd May 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHEPHERD CENTRE – FOR DEAF CHILDREN
ABN: 61 000 699 927

Report on the Financial Report

Opinion

We have audited the financial report of The Shepherd Centre – For Deaf Children ('the Company'), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the responsible persons' declaration.

In our opinion, the financial report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and 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 confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHEPHERD CENTRE – FOR DEAF CHILDREN
ABN: 61 000 699 927

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 consistent 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 Directors for the Financial Report

The directors of the Company 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 and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHEPHERD CENTRE – FOR DEAF CHILDREN
ABN: 61 000 699 927

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

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the *Charitable Fundraising Act (NSW) 1991*

In our opinion:

a) the financial report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 31 December 2017;

b) the financial report has been properly drawn up, and the associated records have been properly kept for the year from 1 January 2017 to 31 December 2017, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

c) money received as a result of fundraising appeal activities conducted during the year from 1 January 2017 to 31 December 2017 has been properly accounted for and applied for and applied in accordance with the Charitable Fundraising Act (NSW) 1991 and Regulations; and

d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHEPHERD CENTRE – FOR DEAF CHILDREN
ABN: 61 000 699 927

Opinion pursuant to the *Charitable Collections Act (ACT) 2003*

In our opinion, the Company has complied, in all material respects, with the requirements of the *Charitable Collections Act (ACT) 2003* for the year ended 31 December 2017.

Opinion pursuant to the *Collections for Charities Act (TAS) 2001*

In our opinion, the Company has complied, in all material respects, with the requirements of the *Collections for Charities Act (TAS) 2001* for the year ended 31 December 2017.

Melissa Alexander

M A ALEXANDER
Partner

Pitcher Partners

PITCHER PARTNERS
Sydney

2 May 2018