

# The Kids' Castle

## Treasurer's Report



The financial statements below represent a true and fair view of the financial performance and financial position for the Kids' Castle for 2019.

The Kids' Castle is a not for profit entity, with the objective of providing care for local school children in the form of before and after school care ("BASC"), and vacation care ("VC"). The Management Committee functions to ensure that the centre is operating with the objectives of providing quality care as efficiently as possible to ensure the delivery of services to the local community remain affordable.

### Statement of Profit and Loss

In 2019, The Kids' Castle operated at close to break-even, with a surplus of \$2,397 after accounting for the \$75,000 donation to Castle Cove Public School. While revenues were higher than budgeted by 6% due to higher demand in both BASC and VC, expenses were higher by 10%, resulting in a lower surplus than budgeted by \$(14,083). This additional expenditure was mainly due to higher staffing levels required to maintain high levels of support for the children.

In addition, the Management Committee undertook building works within the centre to improve the facilities available for the children and carers. These works costing \$27,261 were not capitalised, and in addition we decided to take a write-down of \$13,155 for the existing facilities being replaced to ensure the appropriate overall carrying value of fixed assets on the balance sheet. *Refer Table A below.*

### Statement of Profit and Loss

1 January 2019 to 31 December 2019

	2019 Actual	2019 Budget	Variance
Revenue	666,836	629,264	37,572
Expenses	589,439	537,784	(51,655)
<b>Trading Surplus</b>	<b>77,397</b>	<b>91,480</b>	<b>(14,083)</b>
School Donation	75,000	75,000	-
<b>Surplus post Donation</b>	<b>2,397</b>	<b>16,480</b>	<b>(14,083)</b>
Building works not capitalised	27,261	-	(27,261)
Additional Depreciation	13,155	-	(13,155)
<b>Deficit post non-operational items</b>	<b>(38,019)</b>	<b>16,480</b>	<b>(54,499)</b>

*Table A: Statement of Profit and Loss*

## Statement of Financial Position

The Kids' Castle has a Net Asset Position of \$265,162, which is a reduction of \$(38,018) from 2018 due to the deficit referred to in Table A above. The other notable movement is the acceleration of depreciation to ensure carrying values are appropriate going forward. Refer Table B below.

### Statement of Financial Position

As at 31 December 2019

	2019	2018
Cash at Bank	89,392	82,935
Term Deposits	180,000	180,000
Debtors	3,115	17,097
Prepayments & Other	10,490	13,585
<b>Current Assets</b>	<b>282,997</b>	<b>293,617</b>
Capitalised Building	39,690	39,690
Fixed Assets	43,851	43,851
Accumulated Depreciation	(41,086)	(19,161)
<b>Non Current Assets</b>	<b>42,455</b>	<b>64,380</b>
<b>Total Assets</b>	<b>325,451</b>	<b>357,997</b>
Employee provisions	11,797	11,028
Advanced Fees	7,363	2,959
Other Creditors	28,031	33,343
<b>Current Liabilities</b>	<b>47,191</b>	<b>47,330</b>
LSL provisions	13,098	7,485
<b>Non Current Liabilities</b>	<b>13,098</b>	<b>7,485</b>
<b>Total Liabilities</b>	<b>60,289</b>	<b>54,815</b>
<b>Retained Surplus</b>	<b>265,162</b>	<b>303,181</b>
<b>Net Assets</b>	<b>265,162</b>	<b>303,181</b>

Table B: Statement of Financial Position

## Treasurer's Observations

2019 was another strong year for The Kids' Castle with attendances increasing by c8% compared to 2018 across both BASC and VC. This is a credit to the centre's management team who are receiving positive responses from the children and parents.

The cash position of \$269,392 is at a healthy amount and after allowing for our minimum working capital requirements we have invested \$180,000 in a term deposit for the future improvement of the centre, and to smooth out for unexpected events such as the Covid-19 pandemic.

Looking forward to 2020, we have also made a small investment in refreshing the brand and implemented a new website and booking engine. The objective of with this modest investment is to improve the technology and parent experience, while removing administration costs, albeit after a modest increase as we make the transition.

It is the Management Committee's intention to continue to operate the centre for the benefit of the local school's community as efficiently as possible to minimise fee increases, while maintaining high standards.

## **2020 Budget**

In December 2019, the Management Committee endorsed the proposed budget for 2020. The focus of the budget was consistent with the objective outlined above, to continue to make incremental investments in the centre, maintain high standards for our children, while ensuring we operate as efficiently as possible.

The following key assumptions were applied to the 2020 Budget:

1. Attendance: assumed no change from 2019
2. Fee increase:
  - a. A \$1.50 per attendance increase for Before and After School Care to account for inflationary and staffing level requirements similar to 2019.
  - b. No increase for Vacation Care fees
3. Staff rates increase \$1 per hour to ensure we have competitive remuneration for our carers and maintain the benefit of continuity for the centre and the children.
4. Budgeted surplus of \$50,385.

### **Comment on Covid-19 and 2020**

The Covid-19 pandemic has had a significant impact on the centre with attendances down more than 70% since mid-March 2020. This has had a material impact on the centre's profitability, with more than 50% of costs associated with staffing.

As a result of the impact, we have taken the following immediate financial mitigations:

1. Reduced staffing levels in accordance with child to staff ratio levels,
2. Suspended the voluntary donation to the school until further notice, and
3. Applied for the Federal Government's JobKeeper subsidy.

The Management Committee will update the members further throughout the year on this matter as required.

Gino Sorrentino

Treasurer, The Kids' Castle