



SOMERVILLE HOUSE
FOUNDATION
SECURING OUR FUTURE SINCE 1984

SOMERVILLE HOUSE FOUNDATION **FINANCIAL REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2017





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DIRECTORS' REPORT

The directors present their report on the Somerville House Foundation (the 'foundation') for the reporting period beginning 1 January 2017 and ending 31 December 2017.

Principal activities

As a tax-deductible fundraising vehicle, the foundation partners with Somerville House (the 'school') to deliver programs and projects that have a lasting and personal impact on the educational journey of Somerville House students. It does so through raising and managing funds via appeals, events and initiatives to support scholarships and bursaries, and assist the school with its present and future development priorities.

Objectives

This year the foundation continued to carry out its operations to achieve the following objectives:

- to provide financial support for the educational purposes of the school in all possible ways;
- to create opportunities for the school to attract and retain the continuing interest and financial support of past students, parents of students or past students and friends;
- to solicit donations and gifts for the benefit of the school or any of its funds or accounts from past students, parents or friends and others;
- to raise finance for the acquisition of land or the acquisition, construction or maintenance of buildings to be used by the school;
- to promote or assist in educational, sporting, cultural and extracurricular activities of all kinds of the school and to disseminate information concerning the school and its activities;
- to provide financial assistance for the acquisition by the school of library books, works of art and educational plant and equipment of all kinds for any of the purposes of the school;
- to promote financial assistance for the carrying out of research, the provision of scholarships and bursaries, the funding of visits from people with qualifications which enable them to contribute to the education of the students and teaching staff of the school;
- to attract and encourage gifts, bequests and all forms of deferred gifts to enable the fulfilment of these strategies;
- to act as trustee of trusts and funds which may be established for the benefit of the school; and
- to undertake other types of fundraising activities to enable the fulfilment of these strategies.

Strategies

To achieve the aforementioned objectives, the foundation has adopted the following strategies:

- to progress a number of fundraising events and appeals that predominately aim to raise funds through approved Deductible Gift Recipient (DGR) gift funds;
- to effectively manage the foundation's investment portfolio to generate total returns which exceed outgoings and maintain the real capital value over time; and
- to continuously improve the foundation's governance practices, policies and procedures.

Operating results

The net result from the foundation's activities for the reporting period ended 31 December 2017 was a surplus of \$387,472 (2016: \$305,619). No provision has been made for income tax, as the foundation is an exempt organisation for income tax purposes.

Significant changes in state of affairs

No significant changes in the foundation's state of affairs occurred during the reporting period.

After balance date events

There are no matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the foundation, the results of those operations, or the state of affairs of the foundation in future years.

Environmental issues

The foundation's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

DIRECTORS' REPORT (CONTINUED)

Significant events during the year

During the year, the directors sought urgent legal and forensic advice in relation to various data security issues. This advice was required to ensure that the privacy of personal information contained within the data belonging to the foundation was protected. These measures were taken for the benefit of all foundation members and donors. The foundation operations rely upon a service agreement with PMSA that is normally resourced by PMSA using staff from Somerville House school. The directors sought assurances from PMSA that any data that had been improperly accessed or copied by PMSA staff was subsequently destroyed. The directors have received those assurances verbally. In the process of completing these investigations, the directors learned that other third party data had also been wrongly stored on the foundation's servers and reported this to the relevant organisations and regulators. The directors are satisfied that the third party data has now been destroyed.

Capital

As a company limited by guarantee, the foundation does not have shares or options. If the foundation is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the foundation. At 31 December 2017, the Presbyterian and Methodist Schools Association (the 'PMSA') was the sole ordinary member of the foundation.

Information on Directors

Below are the qualifications and special responsibilities of directors in office at the date of this report. Directors have been in office for the whole of the reporting period unless otherwise stated.

Mrs Virginia Buttula **Elected Director**

Qualifications

B Bus, FAICD, CA (Certificate of Public Practice), FTI

Responsibilities

Board Chairperson, Chair of the Funding committee, Member of the Audit and Risk Committee.

Mr Jim Demack

Permanent Director (Somerville House School Council Chair)

Commenced – August 2017

Qualifications

LL.B.; LL.M.; A.MUS.A

Responsibilities

Board Chairperson, Member of the Funding committee

Dr Ness Goodwin

Permanent Director (Somerville House School Principal)

Commenced – October 2017

Qualifications

MA, BEdSt, PhD

Responsibilities

Board member, Member of the Finance and Risk Committee.

Mrs Peta Tilse

Elected Director

Qualifications

M App Fin, Grad Dip App Fin (Treasury), B Bus (Banking & Finance), ADA1, Registered Representative Sydney Futures Exchange, Senior Fellow FINSIA

Responsibilities

Board member, Chair of the Finance and Risk Committee, Member of the Funding committee.

Mr Morgan Parker

Elected Director

Qualifications

LLB, MAICD

Responsibilities

Board member, Chairperson of the Funding committee.

Mrs Kanchana Bishop

Elected Director

Qualifications

MBA, BE (Chem Eng), MAICD, RMIA (Risk Management), WIMARQ (Women in Mining & Resources)

Responsibilities

Board member, Member of the Nominations Committee.

DIRECTORS' REPORT (CONTINUED)

Information on Directors (continued)

Ms Trudy Naylor

Elected Director

Commenced – September 2017

Qualifications

B Laws, Grad Dip Insurance, Queensland Law Society, STEP, Women in Insurance

Responsibilities

Board member, Member of the Audit and Risk Committee.

Mr Derek Meggitt

Appointed Director (Representative: Parents & Friends Association)

Commenced – April 2017

Qualifications

B.SC

Responsibilities

Board member, Member of the Funding committee.

Ms Hannah Syme

Appointed Director (Representative: Old Girls Association)

Commenced – August 2017

Qualifications

Grad Dip Legal Prac, LLB (Honours), BEcon

Responsibilities

Board member, Member of the Audit and Risk Committee.

The following directors have resigned from the position of director during the reporting period:

Rev Murray Fysh – Somerville House School Chair (resigned June 2017)

Mr David Munro – Somerville House School Chair (commenced June 2017, resigned August 2017)

Ms Susan McDonald – (commenced August 2017, resigned November 2017)

Mrs Trudy Naylor – Representative of the Old Girls Association (resigned August 2017)

Mrs Florence Kearney – Somerville House School Principal (resigned October 2017)

Mrs Juliet Spencer – Representative of the Parents and Friends Association (resigned April 2017)

Company Secretary

The position of company secretary at the end of the reporting period was held by Renee Bromiley – (BCom, CPA)

Meeting of directors

During the reporting period, 6 Board meetings and 4 Audit and Risk Committee meetings were held. Attendances by each director were as follows:

Board of Directors' Meetings

	Number eligible to attend	Number attended
Current directors		
Mrs Virginia Buttula (Chairperson)	6	6
Mr Jim Demack	2	2
Dr Ness Goodwin	1	1
Mrs Peta Tilse	6	6
Mr Morgan Parker	6	6
Mrs Kanchana Bishop	6	5
Mrs Trudy Naylor	6	5
Mr Derek Meggitt	5	5
Ms Hannah Syme	2	2
Former directors		
Rev Murray Fysh	3	1
Mr David Munro	0	1
Ms Susan McDonald	1	1
Mrs Florence Kearney	2	2
Mrs Juliet Spencer	1	1

DIRECTORS' REPORT (CONTINUED)

Meeting of directors (continued)

Audit and Risk Committee Meetings

Current directors

	Number eligible to attend	Number attended
Mrs Peta Tilse (Chairperson)	4	4
Mrs Virginia Buttula	4	4
Mrs Trudy Naylor	4	3

Former directors

Mrs Florence Kearney	4	3
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Remuneration report

Directors hold honorary positions and receive no remuneration from the foundation or any related party for their work as directors of the foundation. Directors receive reimbursement for reasonable expenses that they incur in their capacity as directors of the foundation in the conduct of the business of the foundation.

Related party transactions – Directors

Transactions entered into during the year with directors, their firms or associated entities were within normal customer relationships and on commercial terms and conditions no more favourable than those available to other customers or service providers. Details of related party transactions are contained on page 23 of the financial report.

Indemnifying Officers or Auditor

During the reporting period, the foundation has an insurance policy to insure all directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacities as directors of the foundation, other than conduct involving a wilful breach of duty in relation to the foundation.

The foundation has not otherwise, during or since the end of the reporting period, in respect of any person who is or has been a director or auditor of the foundation:

- (a) Indemnified or made any relevant agreement for indemnifying any such person against a liability, including costs and expenses in successfully defending legal proceedings; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings

Proceedings on behalf of the entity

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

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

DIRECTORS' REPORT (CONTINUED)

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the board of directors.

A handwritten signature in black ink, appearing to be 'V Buttula', written over a horizontal line.

Virginia Buttula
(Chairperson)

Date: 26 April 2018

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 60.40 OF THE AUSTRALIAN CHARITIES
AND NOT-FOR-PROFITS COMMISSION ACT 2012**

TO THE DIRECTORS OF SOMERVILLE HOUSE FOUNDATION LTD

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been:

- (i) no contraventions of the independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants



Ashley Carle
Director

Brisbane, 3 May 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Income			
Donations		121,913	170,193
Fundraising events income		174,929	144,689
Interest income		207	682
Other income		35,140	36,089
Total income		332,189	351,653
Expenses			
Bank and merchant fees		(3,217)	(1,220)
Bursaries and scholarships		(143,452)	(97,375)
Donations to Somerville House		(165,000)	-
Event expenses		(71,413)	(43,721)
Management fees		(210,125)	(205,000)
Other expenses	4	(68,196)	(24,543)
Total expenses		(661,403)	(371,859)
Surplus/(deficit) from operating activities		(329,214)	(20,206)
Investing activities			
Interest from investments		26,231	24,104
Investment income		329,598	337,904
Net movement in market value of investments		400,137	(4,958)
Profit / (loss) on disposal of investments		(2,646)	1,090
Investment broker fees		(36,636)	(32,315)
Result from investing activities		716,686	325,825
Surplus/(deficit) before income tax expense		387,472	305,619
Income tax expense		-	-
Surplus/(deficit) after income tax		387,472	305,619
Other comprehensive income			
Net changes in fair value of artwork		-	12,700
Total other comprehensive income		-	12,700
Total comprehensive income for the year		387,472	318,319

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	8	213,882	155,646
Trade and other receivables	5	47,462	96,537
Financial assets	6	887,578	1,136,238
Total current assets		1,148,922	1,388,421
Non-current assets			
Financial assets	6	6,425,060	5,873,476
Artwork assets		111,100	99,100
Total non-current assets		6,536,160	5,972,576
Total assets		7,685,082	7,360,997
Current liabilities			
Trade and other payables	7	26,230	66,116
Unearned revenue (named scholarships)		43,500	43,500
Total current liabilities		69,730	109,616
Non-current liabilities			
Unearned revenue (named scholarships)		107,374	130,875
Total non-current liabilities		107,374	130,875
Total liabilities		177,104	240,491
Net assets		7,507,978	7,120,506
Equity			
Retained earnings		7,196,727	6,684,589
Reserves	9	311,251	435,917
Total equity		7,507,978	7,120,506

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Retained earnings \$	Asset revaluation reserve \$	Somerville House Foundation School Building Fund \$	Somerville House Foundation Scholarships, Bursaries and Prizes Fund \$	Total \$
Opening balance as at 1 January 2016		6,521,774	-	91,038	189,375	6,802,187
Net operating result after income tax		305,619	-	-	-	305,619
Other comprehensive income						
Changes in fair value of artwork		-	12,700	-	-	12,700
Assets transferred (to)/from other equity accounts		(142,804)	-	97,344	45,460	-
Total comprehensive income for the year		162,815	12,700	97,344	45,460	318,319
Closing balance as at 31 December 2016	9	6,684,589	12,700	188,382	234,835	7,120,506
Net operating result after income tax		387,472	-	-	-	387,472
Other comprehensive income						
Changes in fair value of artwork		-	-	-	-	-
Assets transferred (to)/from other equity accounts		124,666	-	(114,918)	(9,748)	-
Total comprehensive income for the year		512,138	-	(114,918)	(9,748)	387,472
Closing balance as at 31 December 2017	9	7,196,727	12,700	73,464	225,087	7,507,978

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Donations		86,032	182,068
Event income		182,955	141,937
Interest received		207	367
Franking credit refund		92,346	63,085
Other cash income		479	-
Cash paid to suppliers and employees		(710,259)	(370,834)
Net cash from operating activities	8(b)	(348,240)	16,623
Cash flows from investing activities			
Acquisition of portfolio investments		-	(345,000)
Proceeds from portfolio investments		406,476	160,000
Net cash used in investing activities		406,476	(185,000)
Net increase/(decrease) in cash and cash equivalents		58,236	(168,377)
Cash and cash equivalents at beginning of period		155,646	324,023
Cash and cash equivalents at end of period	8(a)	213,882	155,646

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Company information

The financial statements cover Somerville House Foundation Ltd (the 'foundation') as an individual entity, incorporated and domiciled in Australia. Somerville House Foundation Ltd is a company limited by guarantee. The foundation was incorporated on the 28 March 2014 and its registered office and principal place of business are as follows:

17 Graham Street
South Brisbane Qld 4101

Company guarantee

The liability of members is limited and the constitution states that in the event of the foundation being wound up, each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Foundation. At 31 December 2017, the Presbyterian and Methodist Schools Association (the 'PMSA') was the sole ordinary member of the foundation.

The foundation's constitution also prohibits the payment of dividends. Consequently, the foundation's capital comprises of its retained earnings and reserves, supported by financial assets. The foundation's policy is to balance these sources of capital to meet its operating requirements and to ensure that the foundation can continue as a going concern.

There are no externally imposed capital requirements. There have been no changes in strategy adopted by management to control the capital of the foundation since last year.

The financial statements were authorised for issue by the directors on 26 April 2018.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation requirements.

(a) Statement of compliance

The foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards and is a charity registered with the Australian Charities and Not-for-profits Commission. The directors have prepared the financial statements on the basis that the foundation is a non-reporting entity and therefore these special purpose financial statements have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and accounting policies outlined in Note 2 of the financial statements. Unless otherwise stated, these financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

(b) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Donations and contributions are recognised as revenue when received, other than where the amount relates to a specific activity to be conducted in a subsequent reporting period. In these cases, the amount is carried forward in the statement of financial position as unearned income.

Bequests and scholarships received with specific conditions are carried forward in the statement of financial position as unearned income. When the specific conditions are satisfied, the bequest or scholarship is recognised as other income to match the expenditure incurred. All other bequests and scholarships are recognised as income when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Non-reciprocal contributions of assets from other parties for zero or a nominal value the assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

(c) Investment income and investment expenses

Investment income comprises interest income on funds invested and dividend and distribution income from financial assets. Interest revenue is recognised in profit or loss as it accrues, taking into account the effective yield on the financial asset.

Dividend and distribution income is recognised in profit or loss on the date that the foundation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise impairment losses recognised on financial assets, realised losses on sale of financial assets, fund management expenses and bank or other financial institution charges.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the foundation becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the foundation commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are recognised initially at cost which includes transaction costs, when the related contractual rights or obligations exist, except where the instrument is classified at fair value through profit or loss in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

The foundation's financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at amortised cost
- Receivables – held at amortised cost
- Financial assets – At fair value through profit or loss
- Payables – held at amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition, less any reduction for impairment.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price). Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short-term highly liquid investments with original maturities of six months or less.

Receivables and payables

Receivables and payables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is generally required between 14 to 30 days from the invoice date.

Unsecured trade payables are initially recognised at fair value, net of transaction costs and are usually paid within 30 days of recognition.

Other debtors generally arise from transactions outside the usual operating activities of the foundation and are recognised at their assessed values. Settlement terms depend on the nature of the receivable. No interest is charged and no security is obtained.

Further details of the foundation's trade and other receivables are contained in note 5. Further details of the foundation's trade creditors and other payables are contained in note 7.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising from changes in fair value are recognised in profit or loss in the period in which they arise. Fair value is determined in the manner described above.

Impairment

At each reporting date, the foundation assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that financial asset.

Individually significant financial assets are tested for impairment on an individual basis. Certain categories of financial asset that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

Derecognition of financial instruments

Financial assets are derecognised when the asset is disposed of to another party whereby the entity no longer has any continuing involvement in the risks and benefits associated with the financial asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

(e) Artwork

Actual cost is used for the initial recording of all acquisitions of artwork controlled by the foundation. Artwork acquired at no cost or for nominal consideration are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Artwork held for use are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Further details relating to the revaluation of artwork is contained in note 2(f).

Any revaluation increase arising on the revaluation of such artwork is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such artwork is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset class. Further details relating to the asset revaluation reserve are contained in note 9.

Artwork is not depreciated as it is deemed to have an unlimited useful life.

The gain or loss arising on disposal or retirement of an item of artwork is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

All artwork is assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the foundation determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

An asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and replacement cost. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried as at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

(f) Taxation

The foundation is a not-for-profit organisation and as such is exempt from paying income tax to the Australian Taxation Office (the 'ATO') as per Section 50 of the Income Tax Assessment Act 1997 with the exception of Fringe Benefits Tax ('FBT') and Goods and Services Tax ('GST').

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

(g) Accounting estimates and judgements

In the application of the foundation's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of artwork

The foundation's artwork was independently valued during the 2016 financial period by MacAulay Partners who is a member of the Auctioneers and Valuers' Association of Australia and an Approved Valuer for the Australian Government's Cultural Gifts Program.

The valuation was based on sale prices achieved for artworks of similar quality by the artist, or where there are no recent sales for a particular artist, by an artist of equivalent stature. The critical assumptions adopted in determining the valuation included the quality of the artwork, its condition at the time of valuation and the prominence of the artist.

(h) Other presentation matters

Comparative amounts may differ from previously published financial statements as a result of changes to account classifications in the current year's financial statements or due to rounding.

In the current reporting period, the foundation reclassified one of its bank account as non-operating, which has meant that the prior period balance of Cash and cash equivalents on the Statement of Financial Position has reduced by \$111,238, with a corresponding increase in Financial assets under Current assets on the Statement of Financial Position.

This reclassification has also meant that transactions from the prior period relating to this bank account are no longer included in Cash flow from operating activities on the Statement of Cash Flows. The reclassification has resulted in a decrease in Net cash from operating activities of \$336,105 for the prior period. It has also resulted in a \$380,389 increase in Net cash from investing activities and an increase of \$44,284 in Net increase/(decrease) in cash and cash equivalents on the Statement of Cash Flows for the prior period

This reclassification has not changed the amount disclosed in Surplus/(deficit) after income tax in the Statement of Financial Performance and Other Comprehensive Income or the Net assets position disclosed in the Statement of Financial Position for the prior period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Adoption of new and revised accounting standards

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

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

(b) Standards and Interpretations affecting presentation and disclosure

From reporting periods beginning on or after 1 July 2017, AASB 2015-2 '*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101*' requires organisations to consider the needs of users when preparing their financial statements. This includes applying materiality to lists of minimum disclosure requirements.

The foundation is a non-reporting entity and therefore the presentation and disclosure contained within these special purpose financial statements is deemed sufficient for their intended users. The adoption of this standard has not had a significant impact on the presentation of the foundation's financial statements nor has it had a material impact on the foundation's reporting result or financial position.

(c) Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and may have an impact on the foundation's financial statements in future reporting periods.

AASB 15 '*Revenue from Contracts with Customers*' and associated amendments

This Standard will become effective from reporting periods beginning on or after 1 January 2019 and contains much more detailed requirements for the accounting for certain types of revenue from customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- 1) identify contracts with customers
- 2) identify the separate performance obligation
- 3) determine the transaction price of the contract
- 4) allocate the transaction price to each of the separate performance obligations, and
- 5) recognise the revenue as each performance obligation is satisfied

Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from events and other fundraising activities that the foundation holds. This revenue may need to be deferred to a later reporting period to the extent that the foundation has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned income) in the meantime).

The foundation plans to adopt AASB 15 in its financial statements for the period ending 31 December 2019 however, once further analysis has been performed the transition approach will be determined. The foundation is currently analysing its current arrangements for these services and expects to disclose additional quantitative information before it adopts AASB 15.

AASB 1058 '*Income of Not-for-Profit Entities*' and associated amendments

AASB 1058 introduces major changes to the income recognition by public and private sector not-for-profit (NFP) entities. Rather than accounting for all contribution transactions under AASB 1004 '*Contributions*', NFPs will now need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15 Revenue from Contracts with Customers).

Where transactions do not meet the requirements of AASB 15 as noted above, the foundation will need to assess if these transactions should be accounted for under AASB 1058 '*Income for Not-for-Profit entities*'. AASB 1058 establishes principles for Not-for-Profit entities, which will more closely reflect the economic reality of transactions that are not contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Adoption of new and revised accounting standards (continued)

AASB 1058 'Income of Not-for-Profit Entities' and associated amendments (continued)

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

An entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004.

It is anticipated that the foundation will not choose to adopt an accounting policy which recognises volunteer services at fair value due to the fact that the foundation will be unable to measure such services reliably. Although the directors anticipate that the adoption of AASB 1058 may have an impact on the foundation's financial statements, it is impractical at this stage to provide a reasonable estimate of such an impact.

AASB 9 'Financial Instruments' and associated amendments

These Standards will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the foundation are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the foundation's financial instruments. The new standard will require the foundation to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the foundation has performed a preliminary assessment of the potential impact of the adoption of AASB 9 based on its position at 31 December 2017.

(i) Classification – Financial assets

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

(ii) Impairment – Financial assets

AASB 9 replaces the incurred loss model in AASB 139 with a forward-looking expected credit loss (ECL) model. This will require considerable judgement as to how changes in economic factors effect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Adoption of new and revised accounting standards (continued)

AASB 9 'Financial Instruments' and associated amendments (continued)

(ii) Impairment – Financial assets (continued)

Under AASB 9, loss allowances will be measured on either of the following bases:

- **12-month ECLS:** These are ECLs that result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLS:** These are ECLs that result from all possible default events over the expected life of a financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; an entity may choose to apply this policy also for trade receivables with a significant financing component.

The foundation does not believe that impairment losses are likely to increase and become more volatile for assets in the scope of the AASB 9 impairment model. However, the foundation has not yet finalised the impairment methodologies that it will apply under AASB 9. In the case of the foundation's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the foundation's operating result.

(iii) Classification – Financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities. However, under AASB 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

The foundation has not designated any financial liabilities as at FVTPL and the foundation has no current intention to do so. The foundation's preliminary assessment did not indicate any material impact if AASB 9 requirements on the classification of financial liabilities were applied at 31 December 2017.

(iv) Disclosures

AASB 9 will require extensive new disclosures, in particular about credit risk and ECLs. The foundation has not performed a preliminary assessment as the impact is not considered to be material. The foundation also expects to be significant new disclosures due to the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The directors expects that this change will reduce Surplus after income tax in future reporting periods as unrealised gains/(losses) on investments will now be disclosed in other comprehensive income.

(v) Transition

The foundation plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

Other accounting standards

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the foundation's activities, or have no material impact on the foundation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. Other expenses

	Note	2017 \$	2016 \$
Audit fees	(a)	5,100	7,000
Consultancy		-	3,500
Legal fees			
Chesterman facilitation		5,175	-
Contingent asset		4,188	-
Cultural fund		5,260	-
Data security issues	(a)	25,235	-
Sponsorship agreement		2,500	-
Sports fund		6,410	-
Postage and stationary		14,124	10,398
Sundry expenses		204	3,645
Total		68,196	24,543

(a) Auditors remuneration contains the following amounts:

Auditor's remuneration

Audit of financial statements	5,100	7,000
Other assurance services	6,500	-
Total Auditor's remuneration	11,600	7,000

5. Trade and other receivables

	Note	2017 \$	2016 \$
Accrued revenue		44,066	95,289
GST Receivable		3,396	1,248
Total		47,462	96,537

6. Financial assets

	Note	2017 \$	2016 \$
Current			
Cash Trust Bank Account		27,578	111,238
Fixed interest - Domestic			
General Fund		680,000	680,000
Building Fund		-	165,000
Scholarship, Bursaries and Prizes Fund		180,000	180,000
Total current financial assets		887,578	1,136,238
Non-current			
Fixed interest - Domestic		528,310	524,302
Alternative Assets - Growth		744,009	699,504
Australian equities		3,258,447	3,034,171
International equities		1,894,294	1,615,498
Total non-current financial assets		6,425,060	5,873,476
Total financial assets		7,312,638	7,009,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. Trade and other payables

	Note	2017 \$	2016 \$
Trade payables		3,207	51,250
Accrued expenses		23,023	14,866
Total		26,230	66,116

8. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

	Note	2017 \$	2016 \$
Cash and cash equivalents			
Cash at bank - Operating account		100,792	79,361
Cash at bank - Building fund		73,463	22,423
Cash at bank - Scholarship, Bursaries and Prizes Fund		39,627	53,862
Total		213,882	155,646

(a) The effective interest rate on short-term bank deposits, which were available at call, was 0.1% (2016: 0.1%).

(b) Reconciliation of operating result to net cash flow from operations

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Surplus/(deficit) before income tax expense		387,472	305,619
Adjustments for:			
Investment income		(721,400)	(332,239)
(Increase)/Decrease in Assets			
(Increase) / Decrease in trade and other receivables		49,075	36,500
Increase/(Decrease) in Liabilities			
Increase / (Decrease) in trade payables		(39,886)	(2,632)
Increase / (Decrease) in Unearned revenue		(23,501)	9,375
Net cash from operating activities		(348,240)	16,623

9. Reserves

The foundation has established two separate funds, being the School Building Fund and the Scholarships, Bursaries and Prizes Fund. Reserve accounts have been established to represent the cash balance of each fund. The net cash received and paid from each fund are transferred from Retained earnings.

The Somerville House Foundation School Building Fund and the Somerville House Foundation Scholarships, Bursaries and Prizes Fund are both Deductible Gift Recipient Funds within the meaning of the Income Tax Assessment Act 1997. As a result, these funds have restrictions upon their use so therefore the assets of these funds are to be held and reported separately with the assets of the foundation.

The asset revaluation reserve records the surplus on the revaluation of artwork.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9. Reserves (continued)

	Note	Asset revaluation reserve \$	Somerville House Foundation Building Fund \$	Somerville House Foundation Scholarship, Bursaries and Prizes Fund \$	Total \$
Opening balance as at 1 January 2016		-	91,038	189,375	280,413
Donations received		-	108,930	70,113	179,043
Interest income		-	1,074	1,146	2,220
Revaluation adjustments		12,700	-	-	12,700
Donations/scholarships paid		-	-	(25,625)	(25,625)
Other expenses		-	(12,660)	(174)	(12,834)
Closing balance as at 31 December 2016		12,700	188,382	234,835	435,917
Donations received		-	54,856	30,085	84,941
Interest income		-	579	4,533	5,112
Revaluation adjustments		-	-	-	-
Donations/scholarships paid		-	(165,000)	(43,501)	(208,501)
Other expenses		-	(5,353)	(865)	(6,218)
Closing balance as at 31 December 2017		12,700	73,464	225,087	311,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

(a) Directors

Directors hold honorary positions and receive no remuneration from the foundation or any related party for their work as directors of the foundation. Directors receive reimbursement for reasonable expenses that they incur in their capacity as directors of the foundation in the conduct of the business of the foundation.

The directors or their related entities, may transact with the foundation within a normal member, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the foundation would have adopted if dealing with an entity at arm's length. These transactions include the following:

As customers

Reimbursement of the purchase of goods and services in their role as directors of the foundation. The amounts involved in the above transactions are nominal.

As suppliers

Mrs Peta Tilse, the Managing Director of Levantine Wealth, provided disaster recovery services to foundation, which was approved by the board. Services provided in the current year were \$348 (2016: Nil).

As donors

The directors made the following donations to the foundation during the reporting period:

	Note	2017 \$	2016 \$
Cash donations		30,000	55,700
In-kind donations		38,350	26,300
Cash sponsorship		7,150	-
Total		75,500	82,000

(b) Other related parties

During the reporting period, the foundation made the following payments to the school:

	Note	2017 \$	2016 \$
Scholarships		113,527	97,375
Bursaries		12,425	-
Building Fund donations		165,000	-
Management fees		227,625	205,000
Total		518,577	302,375

DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors of Somerville House Foundation Limited declare that:

1. The financial statements and accompanying notes are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012* and:
 - (a) comply with all relevant Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the period ended on that date of the foundation.
2. In the directors' opinion, there are reasonable grounds to believe that the foundation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors



Virginia Buttula
Chairperson

Date: 26 April 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOMERVILLE HOUSE FOUNDATION LTD**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Somerville House Foundation Ltd (the "Company"), which comprises the statement of financial position as at 31 December 2017 and 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulations 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 ethical requirements of the Australian 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Australian Charities and Non-for-Profit Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Australian Charities and Non-for-Profits Commission Act 2012* and the needs of the members. The directors' responsibility also includes 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.

The directors are responsible for overseeing the company's financial reporting process.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERVILLE HOUSE FOUNDATION LTD

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 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.



Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants



Ashley Carle
Director

Brisbane, 3 May 2018



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*A world is no world
without learning.*

- Miss Eliza Fewings, Founding Principal, December 1908





SOMERVILLE HOUSE
FOUNDATION
SECURING OUR FUTURE SINCE 1984

SOMERVILLE HOUSE FOUNDATION LTD

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