

THE LAUNCESTON PREPARATORY SCHOOL INC

TREASURER'S REPORT ON 2019 FINANCIAL STATEMENTS ADDRESS TO ANNUAL GENERAL MEETING, WEDNESDAY, 25 MARCH 2020

Good evening, on behalf of your Board of Management I am pleased to present the 2019 Financial Statements of The Launceston Preparatory School to you, its members.

Firstly, I can confirm to you that your School is solvent – that is, it is able to pay its debts as and when they fall due.

I am pleased to announce that for the year ended 31 December 2019 the audited accounts of The Launceston Preparatory School show a net surplus of \$345,693, positive cash flows and a strong balance sheet.

Previous surpluses have been accumulated with a clear strategic intent, predominately with the fantastic redevelopment of the Early Learning and Kinder property. Planning has now commenced to update the schools Strategic plan for 2021 and beyond and continued prudent reinvestment into school facilities will be a significant focus.

I'll now provide a brief summary of the 2019 Financial Statements.

INCOME STATEMENT

At \$2.288M total income increased \$73,403 (3.21%), attributable to the increase in grant funding. 58.27% of revenue is sourced from government grants and 39% from student tuition fees. Total grant funding in 2019 was \$1.33M, being an increase of \$94k (7.6%). Tuition fees were \$894,720 being a 3% (\$27k) decrease on the prior year, due to a small decline in overall student numbers in 2019. It is important to note however that due to the relocation and redevelopment of the Early Learning and Kinder students, student numbers were intentionally reduced due to the space constraints. I am pleased to confirm that this year we have strong enrolments in the early years.

Your Board is well aware of the impact of tuition fees on family budgets. We strive to maintain an affordable fee structure that is the same for each grade from prep to grade six and your board have maintained small increases of 1.5% for the past four years or \$107 per year per student noting these are below the cost of inflation.

At \$1.943M total expenses increased by \$113k (6.2%). The main expense item is employee benefits expense, being \$1.48M or a consistent 64% of the School's operating income. Depreciation, educational supplies, occupancy costs other sundry general expenses make up the balance.

I am also pleased to say, that the school was made aware of a clarification in the calculation of Superannuation expenses for staff on Leave Loading. The net result to the school was \$18k in back pay and penalties. Important to note that the Boards unanimous position was to rectify any shortfall in obligations to our employees immediately.

BALANCE SHEET

The School's prudent financial management is reflected in a strong balance sheet with no debt and over \$7.4M of net assets, comprised principally of property, equipment and cash. Debtors remain well managed with very low overdue balances.

Following the redevelopment of the Kinder and Early Learning Centres, the Schools properties have been revalued which has resulted in a \$2.5m increase in the property revaluation reserve in the balance sheet.

I am also pleased to report that the redevelopment was completed on time and within budget, again credit to the management team the fantastic team of professionals involved in all aspects of the development. I would like to acknowledge the involvement of Michael Valentine who led the boards oversight of this important project for the school.

This investment in the school was fully funded through existing cash reserves, with the school maintaining a strong capital position.

It is important to also note that in preparing the budget for this present year, proposed surplus will continue to be reinvested in a number of capital projects throughout the school, including landscaping works on greenfield and small playground along with continued investments in educational infrastructure.

CASH FLOW STATEMENT

The Cash Flow Statement shows positive cash inflows from operating activities of \$555,824, another strong result.

Cash payments for property, plant and equipment totalled \$1.175M a increase of \$1.06m over the prior year with funds utilised for the Early Learning Redevelopment.

The net result is the school has maintained a strong cash balance at the end of 2019 of \$1.338M

STRATEGIC MANAGEMENT:

2019 was a significant year for the Launceston Preparatory School. Our fabulous Early Learning centre positions the school well to ensure certainty and continuity of student numbers and more importantly provides a contemporary learning space.

This year also saw the development of a new Enterprise Bargaining Agreement which your board believes provides market leading conditions to our employees and help retain and attract the best teaching staff for our students.

We are in the early planning stages of our new strategic plan, and your Board continues to diligently manage general cost increases, risk, succession planning, governance, policies and strategic direction.

We do however face several uncertainties moving forward:

Currently we are in extraordinary times. Whilst the impact of the COVID19 epidemic is still far from certain, the school maintains a very strong financial position which has us well placed to both meet obligations and have retain the ability to make decisions on the schools immediate future without tight financial restraints. We remain fully committed to financially supporting our workforce and meeting the educational needs of our students in this time.

Government funding is also transitioning to a new funding model based off the household income rather than demographic profiling. At this point, the data and methodologies are far from certain however based on current information it appears as we will see a relative decline in Government funding under the new model which is due to be implemented in 2022.

Again I would like to emphasise with this current uncertainty, our School is well positioned financially and your Board is continuing to monitor developments to ensure the best outcome for the school.

AUDIT

I am pleased to announce that our auditors Crowe Horwath have issued an unqualified (i.e. clean) audit report for the 2019 financial statements.

Further, your Board has commenced correspondence with Crowe Horwath with a view to re-appointment as auditor for 2020.

ACKNOWLEDGEMENT

Predominately due to the sound financial management of our Business Manager Jody, who makes my job significantly easier by presenting management reports on budget every month. I thank fellow Members of the Board of Management, our Co-Principals and staff for their dedication, hard work and prudent management.

Accordingly, I move the motion:

That the report on the Financial Statements and affairs of the Association and the Auditor's Report be approved.

Michael Howard
Treasurer, The Launceston Preparatory School
25/3/2020