

THE LAUNCESTON PREPARATORY SCHOOL INC

TREASURER'S REPORT ON 2016 FINANCIAL STATEMENTS

ADDRESS TO ANNUAL GENERAL MEETING, WEDNESDAY, 15 MARCH 2017

BACKGROUND & OVERVIEW

1. Good evening, on behalf of your Board of Management I thank you for the opportunity to present the 2016 Financial Statements of The Launceston Preparatory School to you, the members.
2. I have pointed out in prior reports that the School is a Not For Profit entity and surpluses in one year can off-set deficits in prior years or be applied to achieving strategic objectives. In that context, it is worth noting that three consecutive operating losses of up to \$51,000 have, through careful management by your Board, been succeeded by three strong surpluses.
3. Accordingly, I am pleased to announce that for the year ended 31 December 2016 the audited accounts of The Launceston Preparatory School show a net surplus of \$251,000, positive cash flows and a strong balance sheet. I confirm that your School is in a sound financial position and is able to pay its debts as and when they fall due.
4. I'll now provide a brief summary of the 2016 Financial Statements.

INCOME STATEMENT

5. REVENUE GENERALLY: 98% of revenue is sourced from government grants and student tuition fees. Most schools are reliant upon State and Federal Government recurrent funding and your School is no different, receiving total grant funding in 2016 of \$992,000, being an increase of \$9,000 (1%). At \$1.919M, total income reduced by \$20,000 (1%), mainly attributable to a \$29,000 (3%) decrease in tuition fee revenue.
6. TUITION FEES: On tuition fees, your Board is aware their impact on family budgets and strives to maintain an affordable fee structure that is the same for each grade from preparatory to grade six. Tuition fee increases were 2.8% for 2015, 2.5% for 2016 and 1.5% for 2017. I note that total tuition fee revenue was \$882,000 in 2016, down from \$911,000 in 2015.
7. EXPENSES GENERALLY: At \$1.667M total expenses increased by \$124,000 (8%). The main expense item is employee benefits expense, being \$1.3M or 78% of the School's operating expenditure, an investment in the wages and entitlements of our excellent staff. At \$130,000, Other Expenses increased by \$30,000 due to additional costs incurred relating to a work injury, additional provisioning for a bad debt and legal and professional fees associated with recruitment of Co-Principal.
8. MANAGEMENT OF ISSUES: Your Board of Management has dealt with, or is dealing with, a range of issues, all of which are assessed for impact on the School's financial viability. These include general cost increases, management of risks, succession planning, governance, policies and strategic direction. In particular, your Board continues to closely monitor developments in the application of grant funding methodologies.

BALANCE SHEET

9. **STRONG BALANCE SHEET:** The School's prudent financial management is reflected in a strong balance sheet with no debt and nearly \$3.9M of net assets, comprised principally of property, equipment and cash. As I said previously, your School is solvent and continues to be able to pay its debts as and when they fall due.

CASH FLOW STATEMENT

10. **POSITIVE CASH INFLOW FROM OPERATIONS:** The Cash Flow Statement shows positive cash inflows from operating activities of \$323,000, a strong result.
11. **CASH OUTFLOWS FOR INVESTING AND FINANCING ACTIVITIES:** Cash payments for plant and equipment totalled \$63,000, a decrease of \$21,000 over the prior year.
12. **CASH BALANCE:** The net result is a cash balance at the end of 2016 of \$1.2M.

AUDIT

13. **UNQUALIFIED AUDIT REPORT:** I am pleased to announce that our auditors Crowe Horwath have issued an unqualified (i.e. clean) audit report for the 2016 financial statements.
14. **APPOINTMENT OF AUDITOR:** Your Board has commenced discussions with Crowe Horwath with a view to re-appointment as auditor for 2017.

ACKNOWLEDGEMENT

15. In commending the financial statements to you, I thank fellow Members of the Board of Management, our Co-Principals and our Business Manager for their dedication, hard work and prudent management.

MOTION:

Accordingly, I move the motion:

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

Eamonn Tiernan FCPA GAICD
Treasurer, The Launceston Preparatory School
15/3/2017