

Classroom of Hope Limited

ABN 30 607 164 198

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Classroom of Hope Limited

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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Classroom of Hope Limited

DIRECTORS' REPORT 30 JUNE 2018

The Directors present their report on Classroom of Hope Limited for the financial year ended 30 June 2018.

Classroom of Hope Limited was incorporated on 13 August 2015.

Directors

The names and particulars of directors at the date of this report and at any time during the year ended 30 June 2018 are as follows:

Warren Salamone (Chairman) – Appointed in July 2017

Warren recently joined Classroom of Hope as our Chairman and values the opportunities that education provides to children to help them maximise their potential. Perth born and bred, Warren is co-founder of a management consulting business that provides organisational change management and transformation services. Warren has also held senior leadership roles for numerous enterprise wide projects involving the delivery of large scale business transformation and information systems oriented initiatives for blue chip organisations in Australia and internationally throughout Europe. Outside of work, Warren is married with three school aged children and enjoys surfing, swimming and playing guitar when time permits. In joining Classroom of Hope, Warren is keen to make a difference to the lives of children in developing countries through education and the lifelong and generational change it can provide.

Sean Edwards – Appointed 11 September 2017 Sean Edwards is an experienced executive currently working as a management consultant specialising in mining technology. He brings a wealth of business and technology experience to our board. He previously worked as the Chief Information Officer for a major mining company, having spent more than 20 years in a wide range of senior leadership and transformational roles within the mining industry.

Alexis Guillot – Appointed 18 December 2017

Alexis Guillot is an experienced not-for-profit company director, and currently serves as a Deputy CEO for the Pilbara Regional Council (PRC). He previously served as a governance and risk advisor to some of Western Australia's largest companies and statutory authorities, contributed to the development of Western Australia's public sector governance framework and assisted a number of leading energy and resources companies with their risk and continuity readiness. Alexis has served as a non-executive Director on a number of local and international Boards in the property investment, disability, aged care, mental health and youth services and contemporary theatre.

Classroom of Hope Limited

DIRECTORS' REPORT 30 JUNE 2018

Duncan Ward (Chief Executive Officer and Founder)

Duncan has 20 years' experience working in various IT, network engineering, leadership, consulting and executive/management roles in the corporate and not-for-profit sector. After the tragic passing of his brother, Duncan changed his life direction when he founded Classroom of Hope in 2012. He now focuses his energy on building a sustainable organisation with a unique business model to maximise long-term impact for children in developing countries through the power of education. In his spare time, Duncan loves to surf, mediate and spend quality time with his daughter Aura and wife Nicola. Duncan was the recipient of the Australian Talent Unleashed Impact award from Sir Richard Branson in 2013 and also a 40under40 award winner in 2016 for his work with the Company.

Directors who resigned during the year and up to the date of this report:

Colin Mackay-Coghill – Resigned 17 October 2017

Jamie Davison – Resigned 17 October 2017

Sarah Carne – Resigned 7 March 2018

Karen Wellington – Resigned 13 August 2018

Principal Activities and Our Results

Classroom of Hope's programs are focused on creating child-friendly schools, building schools and distributing scholarships in developing countries. Our purpose is to provide access to quality education. We do this by partnering with best practice local NGOs to implement these programs. For the year ended 30 June 2018, the entity raised \$435,756 in revenue. While the entity realised a profit of \$182,236 during the year, approximately \$153,000 is held for service delivery in the new financial year.

Our 'Child-Friendly Schools' program in rural Battambang Cambodia is in its final year developing five schools to become child-friendly and will be completed by 2019. This program is a UNICEF framework, which takes a holistic approach to the schooling environment. 'Child-friendly schools' are developed over three years from dilapidated status to child-friendly. The program has many activities within each of the following dimensions. 1. Better access to school 2. Teacher training 3. Child health, safety and protection 4. Gender equity 5. Stakeholder driven 6. Leadership & management training. Child-Friendly schools is the policy of the government of Cambodia.

Our 'Building Schools' program raised enough funds this financial year to build three brand new schools in the next financial year in Cambodia as we start to scale and grow this program across other countries like Laos and Myanmar.

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Our 'STEM4Women' program saw ten young women graduate from their tertiary studies in the areas of STEM (Science, Technology, Engineering and Mathematics) in institutions across Cambodia and Thailand. Our 'scholarships' program in Bali, Indonesia has delivered 146 primary school scholarships in rural northern Bali.

Together with our in-country partners we focus on education because it is the building block of every society. By providing a child with an education, you give them the tools to change their life, the power to unleash their potential, the ability to give back to their community and the opportunity to improve the livelihoods of future generations. The past year has been a record breaking year with further impact and outcomes delivered across our education programs and an increase in our revenue.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	No. of meetings eligible to attend	No. of meetings attended
Warren Salamone - appointed 18 July 2017	6	6
Karen Wellington - resigned 13 August 2018	6	5
Sarah Carne - resigned 7 March 2018	4	3
Colin Mackay-Coghill - resigned 17 October 2017	2	1
Jamie Davison - resigned 17 October 2017	2	1
Sean Edwards - appointed 11 September 2017	3	3
Alexis Guilliot - appointed 18 December 2017	3	3

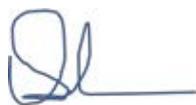
Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year other than as disclosed in this financial report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 14 and forms part of this directors' report.

This directors' report is signed in accordance with a resolution of the Board of Directors:



Warren Salamone
Chairman
22 October 2018

Classroom of Hope Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue	2	435,756	155,678
<i>Less: Cost of sales</i>			
Management and general	3	(12,584)	(17,133)
Fund raising	4	(36,391)	(17,155)
		<u>(48,975)</u>	<u>(34,288)</u>
Gross Profit		<u>386,781</u>	<u>121,390</u>
<i>Less: Education program services</i>			
Program services (indirect & direct)	5	(204,545)	(213,455)
Add: Contributions from Classroom of Hope Fund	6	-	99,302
Net Profit		<u>182,236</u>	<u>7,237</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>182,236</u>	<u>7,237</u>

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

Classroom of Hope Limited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Current Assets			
Cash	7	170,538	6,652
Receivables	8	27,586	-
Prepayments		1,554	-
Total Current Assets		199,678	6,652
Total Assets		199,678	6,652
Current Liabilities			
Trade payable		2,805	-
Annual leave liability		11,121	4,433
Superannuation liability		2,161	864
Total Current Liabilities		16,087	5,297
Total Liabilities		16,087	5,297
Net Assets		183,591	1,355
Total Equity		183,591	1,355

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

Classroom of Hope Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Balance at 1 July	1,355	(5,882)
Net profit for the year	182,236	7,237
Balance at 30 June	<u>183,591</u>	<u>1,355</u>

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

Classroom of Hope Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Donations received		408,170	155,678
Payments to supplier and employees		(38,185)	(39,484)
Payments for education program services		<u>(206,099)</u>	<u>(213,455)</u>
<i>Net cash flows from/(used in) operating activities</i>	7(a)	<u>163,886</u>	<u>(97,261)</u>
Cash flows from financing activities			
Contribution from Classroom of Hope Fund		<u>-</u>	<u>99,302</u>
<i>Net cash flows from financing activities</i>		<u>-</u>	<u>99,302</u>
Net increase in cash and cash equivalents		163,886	2,041
Cash at the beginning of the year		6,652	4,611
Cash at the end of the year		<u>170,538</u>	<u>6,652</u>

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

Classroom of Hope Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Statement of Accounting Policies

The period of reporting is from 1 July 2017 to 30 June 2018. These financial statements are a special purpose financial report prepared specifically to meet the reporting requirements of the Company's Constitution and the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and related regulations. In the Directors' opinion, the Company is not a reporting entity and therefore there is no requirement to apply Accounting Standards and other mandatory professional reporting requirements. The financial statements have been prepared in accordance with the requirements of applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS") and other mandatory professional reporting requirements (Accounting Interpretations), except for the following:

AASB 124 "Related Party Disclosures"

AASB 7 "Financial Instruments – Presentation"

No other applicable Australian Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on a cash basis and is based on historical costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report:

a) *Property, Plant and Equipment*

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to the public ancillary fund. The estimated useful lives of each category of property, plant and equipment are as follows:

Plant and equipment	3 years
Furniture and fittings	5 years

b) *Inventories*

Inventories are measured at the lower of cost and net realisable value.

Classroom of Hope Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Statement of Accounting Policies (continued)

c) *Revenue*

i) **Donations**

Donations are recorded as revenue when received. Due to the Company's Fundraising activities, it is impracticable for the Company to establish adequate controls over the collection of donations prior to entry in the financial records. As a result, the donation revenue disclosed in Note 2 represents amounts banked by the Company.

ii) **Grants**

Grants received for specific purposes are brought to account as income in the year in which they are expended, in order to properly match income with expenditure. Unexpended grants at year end are recorded in the Balance Sheet under current liabilities.

Grants received for general purposes are brought to account as income in the year in which those grants are received.

iii) **Interest Received**

As interest revenue is received it is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

d) **Income Tax**

Classroom of Hope Limited is a registered charity and as such is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

e) *Employee Benefits*

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date, including recognition for wages, salaries and annual leave.

Long service leave is measured at the present value of expected future payments to be made in respect of services by employees up to balance date.

Contributions are made by the trustee to an employee superannuation fund and are charged as expenses when incurred.

Classroom of Hope Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
2. Revenue		
Donations received	435,756	155,678
	<hr/>	<hr/>
3. Cost of Sales – Management & General		
Computer expense	913	182
Insurance expense	5,402	3,290
Interest expense	-	4
Legal expense	-	2,000
Telecommunications expense	458	126
Labour costs (including on costs)	4,882	11,531
Other	929	-
	<hr/>	<hr/>
	12,584	17,133
	<hr/>	<hr/>
4. Cost of Sales – Fundraising		
Advertising, branding & promotion	4,552	1,232
Fundraising	14,873	4,673
Staff training & welfare	-	330
Labour Costs (including on costs)	14,191	10,920
Travel & accommodation	2,775	-
	<hr/>	<hr/>
	36,391	17,155
	<hr/>	<hr/>
5. Program Services (Indirect and Direct)		
Consultancy (indirect)	-	268
Travel & accommodation (indirect)	1,943	2,000
Labour Costs (indirect and including on costs)	27,472	21,840
Education programs (direct)	175,130	189,347
	<hr/>	<hr/>
	204,545	213,455
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Classroom of Hope Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
6. Contribution from Classroom of Hope Fund		
Funds transferred during the year (i)	-	99,302
	<u>-</u>	<u>99,302</u>

(i) Classroom of Hope Fund was wound up effective on 31 October 2016 and all funds were transferred to the Company.

7. Cash at Bank

Cash held for operations (i)	17,224	1,099
Cash held for programs (ii)	153,314	5,553
	<u>170,538</u>	<u>6,552</u>

(i) Cash held for operations represents amount that are unrestricted for use.

(ii) Cash held for programs represents amount that are committed to programs.

7(a). Reconciliation of cash flows from operating activities

Net profit for the year	182,236	7,237
Net (increase)/decrease in receivables	(29,140)	-
Net increase/(decrease) in payables	4,102	(9,629)
Net increase/(decrease) in leave provisions	6,688	4,433
Items recognised in financing activities	-	(99,302)
	<u>163,886</u>	<u>(97,261)</u>

8. Receivables

Donations receivable (i)	<u>27,586</u>	<u>-</u>
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(i) Donations raised to 30 June 2018 through donation platform, Everyday Hero but not yet cleared by the Company's bank account.

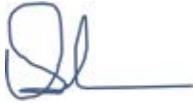
Classroom of Hope Limited

DIRECTORS' DECLARATION

In the opinion of the Board of Classroom of Hope Limited:

- a The financial statements and notes of Classroom of Hope Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013* to the extent detailed in Note 1; and;
- b There are reasonable grounds to believe that Classroom of Hope Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board.



Warren Salamone
Chairman

Date: 22 October 2018

AUDITOR'S INDEPENDENCE DECLARATION

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Classroom of Hope Limited for the year ended 30 June 2018.



**Perth, Western Australia
22 October 2018**

**L Di Giallonardo
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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INDEPENDENT AUDITOR'S REPORT

To the Members of Classroom of Hope Limited

Opinion

We have audited the financial report of Classroom of Hope Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Qualified Opinion

Fundraising revenue is a significant source of revenue for the Company. The Company has determined that it is impracticable to establish control over the collection of fundraising revenue prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to fundraising revenue had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the fundraising revenue the Company obtained is complete.

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 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 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 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities under the *Australian Charities and Not for profits Commission Act 2012* and the *Association Incorporation Act 2015*.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, 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.

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 inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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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 Management and Directors for the Financial Report

Management is responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the relevant Australian Accounting Standards in accordance with the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The directors 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 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.
- 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 the 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 the Directors 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**



**L Di Giallonardo
Partner**