Forsyths

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7 May 2026

Mr David Fenwicke
Chair
The Armidale School Foundation
Private Locked Mail Bag
ARMIDALE NSW 2350

Dear David

GOVERNANCE LETTER FOR THE YEAR ENDED 31 DECEMBER 2025

We have completed our audit of The Armidale School Foundation ("the Foundation") for the year ended 31 December 2025.

The purpose of the audit is to form an opinion on the financial statements of The Armidale School Foundation. Audit procedures have been primarily designed to achieve audit objectives related to this purpose. In order to meet these objectives in a cost-effective and efficient manner our approach has concentrated on areas of materiality and high risk. Consequently, this letter only includes matters, which have come to our attention as a result of these audit procedures and, therefore, does not necessarily confirm the effectiveness of all the internal controls operated by the Foundation for achieving all management objectives.

In seeking to achieve an efficient audit we have also taken into account, to the relevant extent, the internal control structure, consisting of:

(a) The control environment, incorporating management's policies, procedures and related actions;

(b) The information system, incorporating the financial reporting process used to prepare the Foundation's financial statements; and

(c) Internal controls, being those policies and procedures, which management has established to provide reasonable assurance that specific foundation objectives will be achieved.

Please refer to Appendix 1 for a summary of identified unadjusted audit differences from our audit testing for the current with an effect of previous years unadjusted differences, and to Appendix 2 for a summary of adjusted audit differences for the current year.

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Qualitative Aspects of Accounting Policies

As required by Audit Standards, we wish to inform you of our opinion over the following areas:

Accounting Policies

From our understanding of the Foundation and the needs of the users of the financial statements, we believe the accounting policies of the Foundation are appropriate.

Accounting Estimates

Based on our understanding of the Foundation and its operations, the only material accounting estimates to affect the financial statements is the measurement of fair value of the investment portfolio. Our testing has not revealed any material issues with this area of estimation.

Areas for Management Attention

We did not identify any specific areas for management attention in our 2025 audit engagement.

Matters for future years – Valuation of Investment properties

Observation
The Foundation holds four investment properties all of which are recognised at their initial cost price. According to your general purpose financial statements your accounting policy for investment properties is to hold them at fair value. The definition of fair value as per *AASB 140 Investment Property* (standard), 'is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.'
Our audit procedures consider a judgemental understatement of these properties due to being held at cost and not fair value at 31 December 2025 may be $421,000. If the value of these properties continues to rise this may result in a material misstatement to the Foundation's financial statement.

Recommendation
We recommend that a valuation for the properties be completed for the preparation of the financial reports for the 2026 financial year and periodically thereafter. For purposes of complying with the standard it is sufficient to obtain a valuation in the following ways:

- a sworn valuation by a licensed valuer; or
- "kerb side" valuation by a real estate agent.

We wish to thank you and your staff for their assistance with the completion of our audit.

Yours sincerely

Jacob Sauer
Principal

Appendix 1

Aggregation of financial statement **unadjusted** misstatements affecting the 31 December 2025 year-end financial results:

	Impact on financial statements Debit / (Credit)			
Description	**Total assets $**	**Total liabilities $**	**Equity $**	**Net profit $**
Factual Variance				
To correctly adjust the understatement of distribution receivable	42,773	-	-	(42,773)
Fair Value adjustment of investment properties	421,000	-	(421,000)	-
Likely aggregate misstatement	**463,773**	**-**	**(421,000)**	**(42,773)**

Appendix 2

Aggregation of financial statement **adjusted** misstatements affecting the 31 December 2025 year-end financial results:

	Impact on financial statements Debit / (Credit)			
Description	**Total assets $**	**Total liabilities $**	**Equity $**	**Net profit $**
Reclassification adjustments				
To reclassify building funds from accumulated funds for disclosure purposes ($1,486,357)	-	-	-	-
Reclassification from Asset Revaluation Reserve to Accumulated funds to correctly account for prior year sales ($102,101)	-	-	-	-
Normal adjustments				
Balancing figure to correct accumulated funds	-	-	(16)	16
Reclassification of debit balances from liabilities Imprest Account to Assets for disclosure purposes	33,996	(33,996)	-	-
To correct financial assets balance for market movements	257,582	-	(43,618)	(213,964)
To correct opening variance in financial assets	(19,425)	-	-	19,425
To reverse financial assets purchase balance from expenses and correctly allocate to balance sheet	2,851,349	-	-	(2,851,349)

To reverse financial assets sales balance from revenue and correctly allocate to balance sheet	(2,746,312)	-	-	2,746,312
Likely aggregate misstatement	**377,190**	**(33,996)**	**(43,634)**	**(299,560)**