AUCKLAND KINDERGARTEN ASSOCIATION

ANNUAL REPORT 2016

CONTENTS

CHILDREN COME FIRST

We are proud to provide high quality early childhood education to over 10,000 children each year and strive to deliver the best outcomes for all children through collaboration and unity.

MESSAGE FROM THE CHAIRPERSON OF THE BOARD

Tēnā Koutou

The 108 year history of stewardship for the Auckland Kindergarten Association (AKA) has continued with the implementation of Strategy 2025. Four key strategic pillars were endorsed last year; Educational Excellence, Strengthen the Core, Family and Community Engagement and Future Focus and the key highlights are reflected in the infographics of this report. The focus for the 2016 year has been on establishing how to measure and evaluate the social outcomes that will result from the strategy over the longer term. We are in the early stage of this work and look forward to sharing progress next year.

Over these last few years kindergarten costs, including salaries, property, utilities, and resources, have continued to increase. Conversely, over the last five years there has been very minimal change in the funding we receive from the Ministry of Education; for the last two years this has been zero. We are very conscious that with costs increasing and no additional funding to even match inflationary pressures, we need to carefully manage the financial sustainability of the organisation alongside our commitment to providing the best possible education and care for children. Unfortunately, in October, we will be increasing our fees to families for the non-20 Hours component of enrolments. We have also begun an extensive review of all our hours of operation to ensure we are providing the range of services and hours that parents and our communities now require.

A substantial investment has been made in the area of Health and Safety to ensure we are doing the best we possibly can in respect to this area. Overall we were well placed to meet the changes as we have been involved with the Ministry of Education's working group and have also maintained ACC tertiary level accreditation for nearly a decade.

The capital and facilities investment into our playgrounds and buildings continued with approximately $3.9 million spent to transform them into modern kindergarten facilities. This planned focus has substantially reduced our Reserves, with further expenditure now returning to more moderate levels.

The activities of KiNZ, our subsidiary company, have proceeded well this year operating at a profit. This is why we have a consolidated surplus which has assisted with the upgrades of some of our aging facilities.

Staff

Whenever I visit a kindergarten I am always impressed by the quality and commitment of our teaching staff, and I firmly believe that this is one of the reasons that the AKA is such a special learning environment. I would like to thank all our staff for their hard work and contribution to the success of the AKA.

Financial

The financial statements for the year ended 30 June 2016 have been prepared in accordance with Tier 1 not-for-profit PBE IPSAS and an unqualified audit report has been issued by Deloitte. The key reports and those most read are in this report.

The financial statements for the AKA Group are detailed at the back of the annual report; reflecting a Consolidated Surplus of $486,000 (2015: $1,854,000).

Board Matters

During the year both Ron Crawford and Ken Knarston resigned from the KiNZ Board after each having over 20 years of governance involvement with the AKA and KiNZ; their contributions have been greatly appreciated.

The AKA Board has spent time reviewing its composition to ensure we are fit for purpose to deliver on the strategy from a governance perspective and has appointed two new members, Carolyn Tremain and Clive Nelson. I also acknowledge my fellow Board members for their contribution and continued commitment and support.

Nō reira, ngā mihi

Simon Jones
Chairperson of the Auckland
Kindergarten Association Board

AKA BOARD MEMBERS

Simon Jones
Chairperson
MBA, MCom (Hons), CA
Chief Financial Officer
Moana New Zealand

Robin Houlker
Deputy Chairperson
MEd (Hons)
Education Consultant
Learning Expressed Limited

Jeremy Fleming
B Forestry Science (Hons)
Consultant

Jeremy Drummond
LLB
Executive Officer
SPELD NZ Inc.

Shane Hinton
Dip Bus (Fin), BCom
Head of Risk and Control
TOWER Insurance

Lee-Anne Coburn
BA, LLB

Carolyn Tremain
BA
Chief Executive and Comptroller
NZ Customs

Clive Nelson
MBA
Chief Executive Officer
Health Promotion Agency

KiNZ BOARD MEMBERS

Jeremy Drummond
Chairperson
LLB
Executive Officer
SPELD NZ Inc.

Grant Simpson
CA
General Manager of Tasman Liquor Company Limited

Graham Rose
Bachelor of Management Studies
Financial Controller, Coca-Cola Amatil (NZ) Ltd

Giles Ellis
Bachelor of Commerce
CA, Managing Director of GECA Chartered Accountants

Ken Knarston
Company Director

Ron Crawford
Director of Painting and Decorating Business

2015 TO 2025 STRATEGY

WHAKATAUKI

Whāngaia ka tupu, ka puāwai

That which is nurtured, grows and blossoms

PURPOSE

As a leading and influential early childhood education provider, our purpose is to provide exemplary services that engage children, whānau and communities in relevant, responsive and innovative early childhood education.

BEHAVIOURS

Commitment to Purpose:
Manawanui – to show commitment and dedication.

Collaboration:
Kotahitanga – oneness or unity; working collaboratively towards the same goal.

Respect:
Manaakitanga – caring and respecting each other.

Trust:
Ngākau Pono – to act in a way which shows your trust in others and engenders trust in you.

Positive Outlook:
Ngākau Pai – to act with positivity.

OUTCOMES

1. Children have strong foundations for ongoing learning.
2. Families and communities engage with children's education.
3. Employees performing to their full potential.
4. Forward focused organisation.

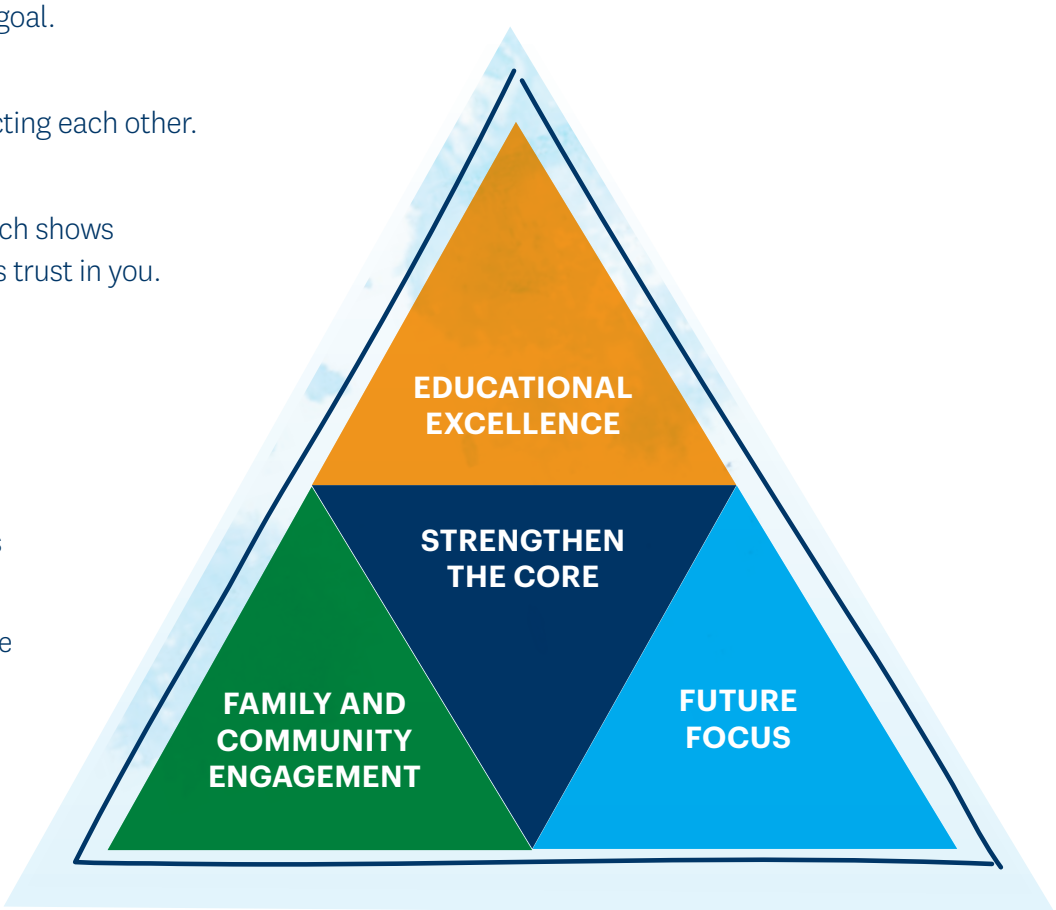
STRATEGY PILLARS

EDUCATIONAL EXCELLENCE
Cutting edge pedagogy.

FAMILY AND COMMUNITY ENGAGEMENT
Communities of learning.

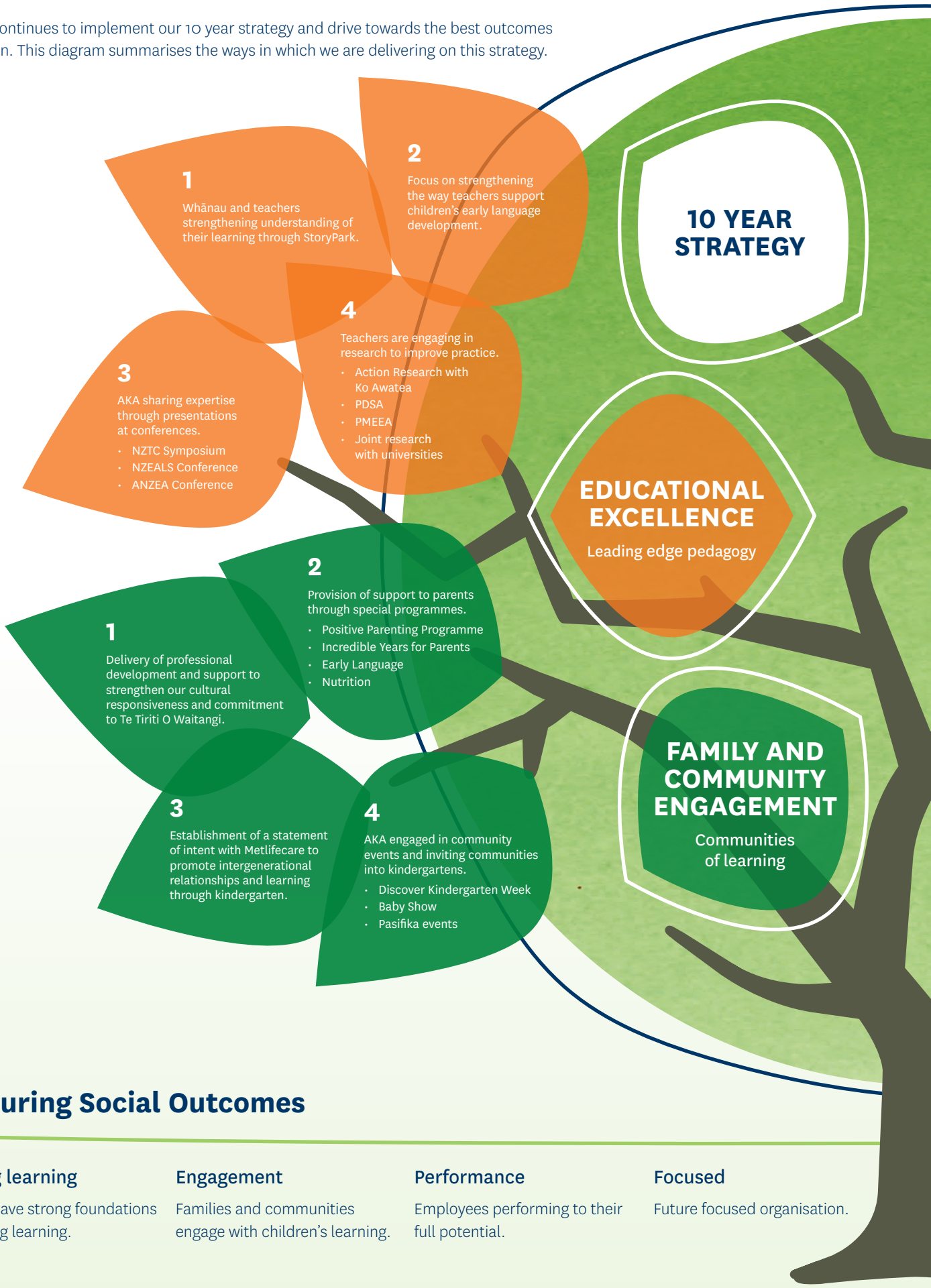
STRENGTHEN THE CORE
High performing employees and effective systems and processes.

FUTURE FOCUS
Innovative and responsive organisation.



SIGNIFICANT ACHIEVEMENTS

The AKA continues to implement our 10 year strategy and drive towards the best outcomes for children. This diagram summarises the ways in which we are delivering on this strategy.



Measuring Social Outcomes

Ongoing learning

Children have strong foundations for ongoing learning.

Engagement

Families and communities engage with children's learning.

Performance

Employees performing to their full potential.

Focused

Future focused organisation.

PURPOSE

As a leading and influential early childhood education provider, our purpose is to provide exemplary services that engage children, whānau and communities in relevant, responsive and innovative early childhood education.

FUTURE FOCUS

Innovative and responsive organisation

1

Review and re-alignment of Head Office teams and roles to effectively deliver on the 10 year strategy.

2

Review of the role of the AKA Board and recruitment of new members to ensure excellent stewardship for the future.

3

Growing the KiNZ network to increase participation and respond to community demand.

4

A voice for the ECE sector on key issues and legislation impacting on the sector.

- Unitary Plan
- EDUCANZ
- Tamaki Makaurau Early Years Leadership Forum

STRENGTHEN THE CORE

High performing employees, and effective systems and processes

1

Strengthened systems and processes to comply with the Vulnerable Children Act.

- Child and Family Advocate
- Child Protection training in-house
- Child Protection Policy

2

Increase in the visibility of and commitment to Health and Safety across the organisation and review of processes and protocols to comply with the new Health and Safety in the Workplace Act.

3

Aligning quality improvement processes and forward planning with the AKA strategy to ensure strong foundations for children's on-going learning.

4

Building on our obligations as a good employer through improved systems and processes.

- JitBug Relievers App
- Recruitment
- Induction and Orientation
- Training
- Documentation

5

Provision of increased support to teaching teams through specialist roles and aligning support across Head Office.

Measuring Social Outcomes is a framework that will allow the AKA to monitor and evaluate our progress against the pillars of our strategy and showcase the quality learning experiences we provide for children.

KEY STATISTICS

The AKA is New Zealand's largest kindergarten association

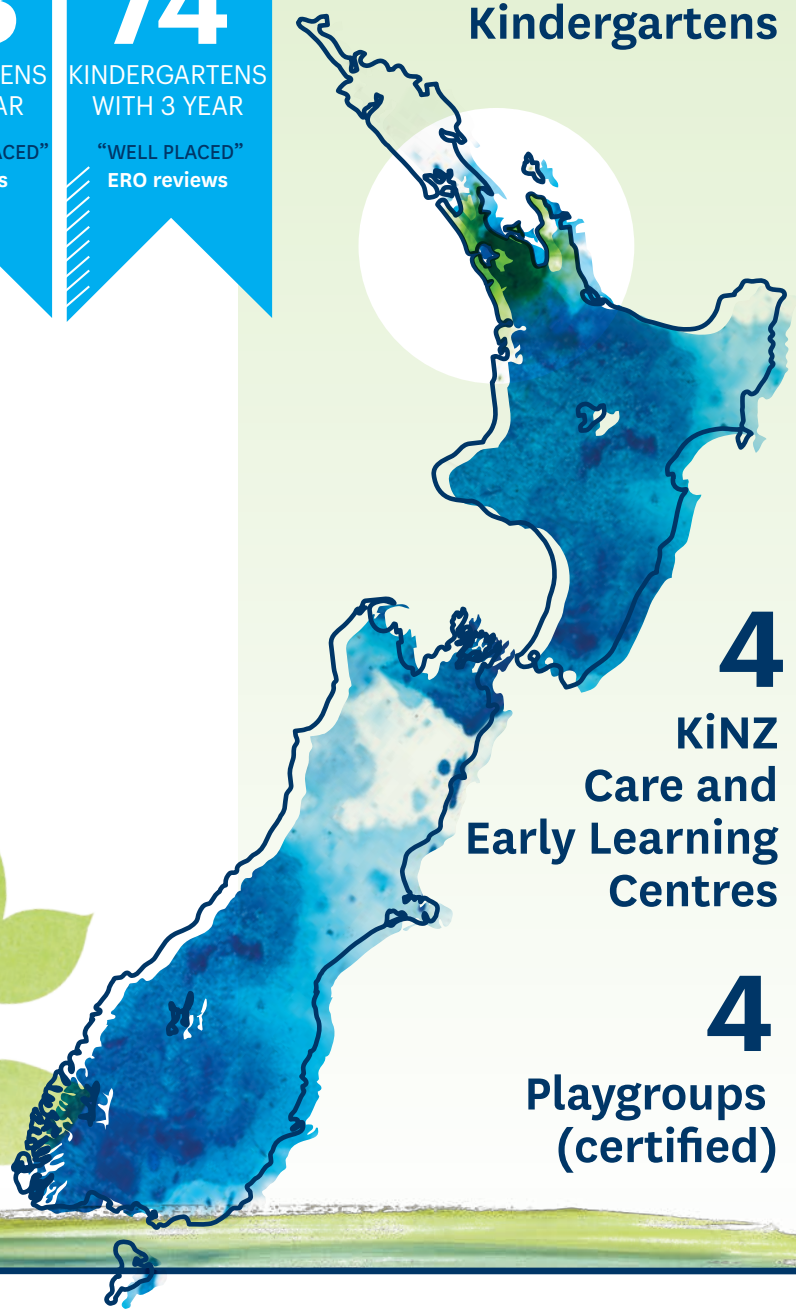
3
KINZ CENTRES WITH 4 YEAR
"VERY WELL PLACED" ERO reviews

1
KINZ CENTRE WITH 3 YEAR
"WELL PLACED" ERO review

33
KINDERGARTENS WITH 4 YEAR
"VERY WELL PLACED" ERO reviews

74
KINDERGARTENS WITH 3 YEAR
"WELL PLACED" ERO reviews

107
Kindergartens



4
KiNZ Care and Early Learning Centres

4
Playgroups (certified)

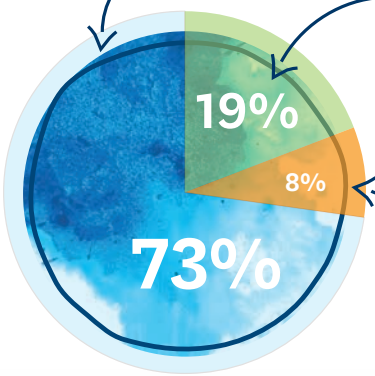
Currently enrolled at Auckland Kindergarten Association (as at 30 June 2016)

6058 Children

Auckland Kindergartens	5674
KiNZ	266
Playgroup	118

- NZ European 41.2%
- Pacific Peoples 16.5%
- NZ Maori 13.2%
- Other Asian 8.7%
- Indian 6.5%
- Chinese 6.5%
- European 4.5%
- Middle Eastern 1.3%
- South American 0.7%
- African 0.5%
- North American 0.4%

We spend our income on ...



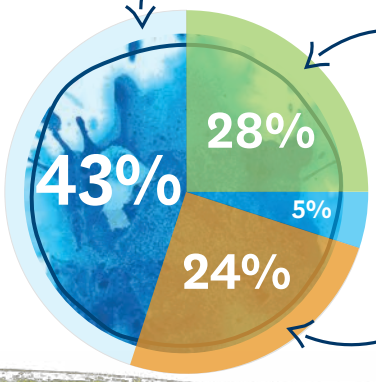
Staff $37m

Property and Resources $9.5m

Other $4m

Employee grouping

1012 Staff



432 Teaching Staff

284 Support Staff

54 Head Office Staff

242 Relievers

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the 12 months ended 30 June 2016

$000's	Note	2016	2015 Restated
Government funding		**45,325**	45,004
Other grant revenue		**165**	171
Parent contributions		**4,634**	4,298
Fundraising revenue		**182**	270
Interest revenue		**613**	752
Other sundry revenue		**840**	894
Total revenue	2	**51,759**	51,389
Expenses			
Staff		**37,093**	35,960
Professional and consultancy fees		**839**	708
Management administration		**64**	43
Property and resources		**9,593**	9,504
Depreciation	8	**1,900**	1,863
Loss/(gain) on disposal of fixed assets		**4**	2
Office administration		**1,389**	962
Marketing and public relations		**391**	493
		51,273	49,535
Surplus/(deficit) for the period		**486**	1,854
Other comprehensive revenue and expense		**-**	-
Total comprehensive revenue/(expense)		**486**	1,854

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the 12 months ended 30 June 2016

$000's	Note	2016	2015 Restated
Accumulated comprehensive revenue and expense at the start of the year as previously reported		**30,939**	27,444
Restatement	1(n)	**-**	1,641
Restated accumulated comprehensive revenue and expense at the start of the year		**30,939**	29,085
Surplus/(deficit) for the year		**486**	1,854
Total other comprehensive revenue and expense		**-**	-
Accumulated comprehensive revenue and expense at the end of the year		**31,425**	30,939

The contents of this page should be read in conjunction with the Summary of Accounting Policies and Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

$000's	Note	2016	2015 Restated
Current assets			
Cash and cash equivalents	15(a)	**10,296**	9,676
Trade and other receivables – non-exchange transactions	5	**330**	620
Trade and other receivables – exchange transactions	5	**174**	109
Taxes receivable	7	**659**	487
Other current assets	6	**202**	80
Total current assets		**11,661**	10,972
Non-current assets			
Investments		**-**	2,305
Property, plant and equipment	8	**24,295**	22,407
Total non-current assets		**24,295**	24,712
Total assets		**35,956**	35,684
Current liabilities			
Trade and other payables – exchange transactions	9	**4,154**	4,632
Taxes payable	7	**377**	113
Total current liabilities		**4,531**	4,745
Total liabilities		**4,531**	4,745
Net assets		**31,425**	30,939
Net assets/equity			
Accumulated comprehensive revenue and expense		**31,425**	30,939
Total net assets/equity		**31,425**	30,939

On behalf of Auckland Kindergarten Association Board:

Chairperson
6 October 2016

Board member

The contents of this page should be read in conjunction with the Summary of Accounting Policies and Notes to the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

For the 12 months ended 30 June 2016

$000's	Note	2016	2015 Restated
Cash flows from operating activities			
Government funding received		**45,615**	44,817
Other grant revenue received		**165**	171
Parent contributions received		**4,569**	4,298
Fundraising revenue received		**335**	270
Interest received		**585**	787
Other sundry revenue received		**818**	999
Payments to employees		**(38,225)**	(35,747)
Payments to suppliers		**(11,757)**	(12,231)
Net cash provided by/(used in) operating activities	15(b)	**2,105**	3,364
Cash flows from investing activities			
Payment for property, plant and equipment		**(3,793)**	(2,614)
Proceeds from investments		**2,305**	-
Payment for investments		**-**	(2,305)
Proceeds from sale of property, plant and equipment		**3**	2
Net cash used in investing activities		**(1,485)**	(4,917)
Net (decrease)/increase in cash and cash equivalents		**620**	(1,553)
Cash and cash equivalents at the beginning of the period		**9,676**	11,229
Cash and cash equivalents at the end of the period	15(a)	**10,296**	9,676

The contents of this page should be read in conjunction with the Summary of Accounting Policies and Notes to the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies

Reporting Entity

The Auckland Kindergarten Association was founded in New Zealand in 1908; it is registered as a charitable entity under the Charities Act 2005, and therefore is a public benefit entity (PBE) for financial reporting purposes. The reporting group consists of the Association, which includes its constituent kindergartens and its wholly owned subsidiary company, Kindergarten NZ Limited ("Association" or "Group"). The principal activity of the Group is the provision of Early Childhood Education.

Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with Tier 1 not- for-profit PBE Standards. These are the Group's first financial statements prepared in accordance with PBE Standards, see note 1(n) for further details.

The consolidated financial statements are prepared in accordance with the Charities Act 2005 and the Charitable Trusts Act 1957.

The financial statements were authorised for issue by the Auckland Kindergarten Association Board on 6 October 2016.

Basis of preparation

The financial statements for the Group have been prepared on the basis of historical cost.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal policies are set out below.

The functional and presentation currency is New Zealand Dollars and has been presented to the nearest thousand dollars ($'000s) unless otherwise stated. The financial statements have been prepared on a going concern basis.

Key sources of estimation uncertainty

Management has exercised judgment in determining whether to capitalise works on kindergartens, based on the nature of the work performed. An estimate has also been made as to the useful life of assets for depreciation purposes. Refer note 1 (e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

Significant Accounting Policies

The following accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand; cash in bank and investments with a maturity of less than 3 months in money market instruments.

(b) Financial assets
Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Group financial assets are classified as 'loans and receivables' and are recorded at amortised cost less impairment.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Impairment of a trade receivable is established when there is objective evidence that the Association will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(c) Revenue recognition
All revenue and expenses due or owing at balance date have been brought to account.

Government funding
Government funding is received in advance from the Ministry of Education and is recognised in the Statement of Comprehensive Revenue and Expense as revenue, except where it is probable at balance date, that a portion will need to be returned (as a deduction from future contributions), in which case the related amount is recognised as a liability. In addition, a liability is recognised in respect of other return clauses of a grant where it is probable that payment will be required.

Grant revenue
Grants received are recognised in the Statement of Comprehensive Revenue and Expense as revenue, except where grant conditions which require the grant to be used as specified or returned to the grantor, remain unfulfilled at balance date, in which case the related amount is recognised as a liability. In addition, a liability is recognised in respect of other return clauses of a grant where it is probable that payment will be required.

Parent contributions
Parent fees and optional charges received or receivable are recognised as revenue as the services are provided.

Fundraising revenue and donations
Revenue received from fundraising activities and donations is recognised when received.

Interest revenue
Interest revenue is recognised using the effective interest method.

(d) Donated services
The work of the kindergartens is partly dependent on the voluntary service of parents, caregivers and the general public. Since these services are not normally purchased by the Association and because of the difficulty of determining their value with reliability, donated services are not recognised in these financial statements.

(e) Property, plant and equipment
Land and Buildings include kindergarten buildings, which have been purchased with government assistance and are recorded at historical cost. Whilst the Association is responsible for the care and maintenance of these buildings, there may be restrictions on the entitlements to any proceeds from a sale or disposition of such land and buildings – refer to note 11.

Land used by the Association for kindergarten purposes, but not owned by the Association, is not attributed any value in the Association's accounts.

Buildings used by the Association under a lease to occupy are not attributed a value on commencement of the lease. Any improvements of a capital nature required to ensure the buildings meet the needs of the Association are capitalised and depreciated over its estimated economic useful life.

Depreciation is provided on property, plant and equipment, including buildings developed and owned by the Association but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost of an asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Buildings erected on land owned by the Association are depreciated at the rate of 3% per annum on cost. Other buildings used by kindergartens are depreciated at rates calculated to amortise the cost of the buildings over their economic useful life.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	25 – 50 years
Playgrounds	10 years
Plant and equipment	2 – 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(f) Impairment of assets

The Association's property, plant and equipment are not held primarily to generate a commercial return, and are therefore considered non-cash-generating assets. They are assessed at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable as to whether there is an indication they may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the Association has adopted the depreciation replacement cost approach. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The best evidence of fair value less costs to sell is a price in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the Association determines fair value less cost to sell based on the best available information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is impaired and the carrying amount is written down to the recoverable service amount. The impairment loss is recognised in the statement of comprehensive revenue and expense.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

(h) Principles of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the parent entity, Auckland Kindergarten Association and its subsidiary, Kindergarten NZ Limited. All inter-entity transactions and balances have been eliminated on consolidation. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is recognised in surplus and deficit in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Association obtains control and until such time as the Association ceases to control the subsidiary.

(i) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Payables

Trade payables and other accounts payable are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services.

Trade payables and other accounts payable are classified as 'liabilities at amortised cost' and are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(k) Cash Flow Statement

The following are the definitions of the terms used in the Cash Flow Statement:

(i) Cash and cash equivalents represents cash on hand, current bank balances and short term deposits, which can be converted to cash within approximately 3 months.

(ii) Operating activities include all transactions and other events that are not investing or financing activities.

(iii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.

(iv) Financing activities are those activities that result in changes in the size and composition of the equity structure of the Association.

(l) Income tax

The Auckland Kindergarten Association, along with its subsidiary is a registered Charitable Trust. The Inland Revenue Department has confirmed that the charitable trust and the company are exempt from income tax.

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to reporting date.

(n) Adoption of new and revised Standards and Interpretations

Auckland Kindergarten Association and Group are reporting in accordance with Tier 1 Not-for-profit PBE Standards. These are the Group's first financial statements presented in accordance with PBE Standards.

There have been a number of disclosure changes:

- Revenue has been disaggregated into revenue from exchange transactions and revenue from non-exchange transactions. This is visible on the statement of comprehensive revenue and expense;
- Taxes (GST and PAYE) have been reclassified out of trade and other receivables and trade and other payables (as appropriate). These reclassifications are visible on the statement of financial position;
- Key management personnel (KMP) disclosure has been amended to show compensation by class and number of full time equivalent KMP; and
- Certain items have been renamed for consistency with terminology used in PBE Standards.

These changes have not impacted the amounts recognised.

In addition there are a number of new standards that have been issued but are not yet effective, these are not expected to have a material impact on these financial statements and will be adopted when they become mandatory.

Capital accommodation grants of $1,365,000 and $910,000 received in FY06 and FY10 respectively were previously being deferred over a period from receipt. Under PBE IPSAS 23 Revenue from non-exchange transactions if there is no condition attached to these grants which would require recognition as a liability, then the grant shall be recognised as revenue. AKA has determined that no such conditions exist and accordingly has restated these amounts retrospectively. As a result, opening equity has increased by $1,641,000, (2015) other income (release of deferred income) has reduced by $83,000, and 30 June 2015 deferred revenue of $83,000 has been derecognised. AKA notes that they may be liable to return (in part or full) the grants if they cease operating these centers, close or sell them within 10 years of receipt of the grant, or in certain other situations. AKA does not consider this to be probable and as such has disclosed a contingent liability in relation to this, refer note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue

$000's	2016	2015 Restated
Government funding:		
Bulk funding income	**27,978**	27,809
20 hours ECE funding	**16,183**	16,158
Equity funding income	**1,164**	1,037
Total Government funding	**45,325**	45,004
Other grant revenue	**165**	171
Parent contributions:		
Donations	**25**	40
Fees	**4,506**	4,050
Optional charges	**103**	208
Total parent contributions	**4,634**	4,298
Fundraising revenue	**182**	270
Interest revenue:		
Cash and cash equivalents	**613**	752
Other sundry revenue	**840**	894
Total revenue	**51,759**	51,389

Revenue is classified as exchange and non-exchange. The group has determined exchange transactions to include parent fees, interest revenue and other sundry income. All other revenue sources are considered to be non-exchange.

3. Key management personnel compensation

The compensation of the Board and Executives being the key management personnel of the group is set out below:

$000's	2016	2015
Chairperson honorarium – 1 person (2015: 1 person)	**10**	10
Board meeting fees – 9 people (2015: 8 people)	**9**	7
Senior management executive team - 9 people (2015: 9 people)	**1,421**	1,201
	1,440	1,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Remuneration of auditors

$000's	2016	2015
Audit of the financial statements	**48**	48
Other assurance services	**16**	6
	64	54

The auditor of Auckland Kindergarten Association and the Group is Deloitte. Other assurance services relate to analytic procedures, and assistance with the transition to PBE standards.

5. Trade and other receivables

$000's	2016	2015
Non Exchange transactions		
Funding receivable	**330**	620
Exchange transactions		
Other receivables	**174**	109
	504	729

The Group does not have any trade receivables and therefore no provision for bad debts is required.

6. Other current assets

$000's	2016	2015
Prepayments	**100**	27
Sundry debtors	**102**	53
	202	80

7. Taxes receivable/(payable)

$000's	2016	2015
PAYE	**(377)**	(113)
GST	**659**	487
	282	374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Property, plant and equipment

$000's	Land at cost	Buildings at cost	Playgrounds at cost	Plant and equipment at cost	Capital work in progress	Total
Gross carrying amount						
Balance at 30 June 2014	342	23,915	3,342	6,457	853	34,909
Additions	-	2,347	528	530	2,414	5,819
Disposals	-	-	(145)	(72)	(3,068)	(3,285)
Balance at 30 June 2015	342	26,262	3,725	6,915	199	37,443
Additions	-	2,021	809	447	3,796	7,072
Disposals	-	-	(5)	(39)	(3,277)	(3,321)
Balance at 30 June 2016	**342**	**28,283**	**4,529**	**7,323**	**718**	**41,194**
Accumulated depreciation						
Balance at 30 June 2014	-	(6,363)	(1,908)	(4,978)	-	(13,249)
Disposals	-	-	6	70	-	76
Depreciation expense	-	(939)	(226)	(698)	-	(1,863)
Balance at 30 June 2015	-	(7,302)	(2,128)	(5,606)	-	(15,036)
Disposals	-	-	-	36	-	36
Depreciation expense	-	(995)	(258)	(647)	-	(1,900)
Balance at 30 June 2016	-	**(8,297)**	**(2,386)**	**(6,217)**	**-**	**(16,900)**
Net book value						
As at 30 June 2015	342	18,960	1,597	1,309	199	22,407
As at 30 June 2016	**342**	**19,987**	**2,143**	**1,106**	**718**	**24,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Trade and other payables – exchange transactions

$000's	2016	2015
Creditors and accruals	**2,946**	2,292
Employee entitlements	**1,208**	2,340
	4,154	4,632

All payables are due within 30 days of purchase. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

10. Capital expenditure commitments

$000's	2016	2015
Building upgrades	**1,506**	940
Playground upgrades	**325**	-
	1,831	940

11. Contingent liabilities and contingent assets

The Association received a capital accommodation grant, $1,365,000 relating the the KiNZ Mission Heights centre (received in FY10). If this centre ceases to operate, closes or is sold within 10 years of receipt of the grant (or in certain other circumstances) the Association may be required to repay the grant in part or full. As such the Group has a contingent liability of $1,365,000 (2015: $2,275,000).

12. Subsequent events

None known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Operating leases

(a) Leasing arrangements

Operating leases relate to building lease terms of between 2 to 6 years. The Association/Group does not have an option to purchase the leased asset at the expiry of the lease period. Minimum lease payments below are based on the total of future committed lease payments.

(b) Operating lease rental expenses

$000's	2016	2015
Minimum lease payments	**2,040**	203
	2,040	203

(c) Non-cancellable operating lease commitments

$000's	2016	2015
Not longer than 1 year	**361**	203
Longer than 1 year and not longer than 5 years	**1,440**	-
5+ years	**239**	-
	2,040	203

The Group has entered into an agreement to lease a building. At the time of signing the accounts, the conditions of the agreement have not been fulfilled. As such these have been excluded from the numbers above.

14. Related party disclosures

A Board Member, Lee-Anne Coburn, is the partner of a company lawyer, Brian Coburn (Hesketh Henry) which the Association engages for legal advice. Fees paid to Hesketh Henry were $22,000 for 2016 (2015: $40,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks and investments in term deposits. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

$000's	2016	2015
Cash in bank	**561**	1,097
Short term deposits	**9,735**	8,579
	10,296	9,676

In addition to the above a credit card facility is held.

(b) Reconciliation of profit for the period to net cash flows from operating activities

$000's	Note	2016	2015
Surplus/(deficit) for the period		**486**	1,854
Loss on sale or disposal of non-current assets		**3**	2
Depreciation of non-current assets	8	**1,900**	1,863
Changes in net assets and liabilities:			
(Increase)/decrease in assets:		**225**	11
Current receivables		**(295)**	42
Other current assets			
Increase/(decrease) in liabilities:		**(214)**	(408)
Current payables			
Net cash inflow/(outflow) from operating activities		**2,105**	3,364

Gross cash flows are presented exclusive of GST.

(c) Restrictions on cash received

Cash received from grants is restricted to the purpose for which the grant was approved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Financial instruments

All financial instruments to which the Group is a party are recognised in the financial statements.

There are no changes from the previous year in how the Group manages its credit risk, interest risk and liquidity risk.

(a) Credit risk management
In the normal course of business, the Group incurs credit risk from trade and other receivables and banking institutions. The Group manages its exposure to credit risk by:
(i) holding cash and cash equivalents and term deposits with New Zealand registered banking institutions; and
(ii) maintaining credit control procedures over trade and other receivables.

The Group has no significant concentration of credit risk. The maximum exposure at balance date is equal to the total amount of cash and cash equivalents, short term deposits and trade and other receivables disclosed in the Statement of Financial Position.

The Group does not require any collateral or security to support financial instruments it holds due to the low risk associated with the realisation of these instruments.

(b) Interest rate risk management
The interest rate risk on funds held is managed through the use of term investments, held until maturity. The interest rate risk associated with short term deposits is considered minimal as the Association deposits matures within approximately 3 months from investment date.

(c) Liquidity risk management
All financial liabilities fall due within 30 days of balance date.

(d) Capital risk management
The Association manages its capital to ensure that the Association will be able to continue as a going concern.

The capital structure of the Association consists of cash and cash equivalents as disclosed in Note 15, and net assets/equity, comprising accumulated comprehensive revenue and expense as disclosed on the statement of changes in net assets/equity.

The Association's overall strategy remains unchanged from 2014.

There are no externally imposed capital requirements on the Association.

(e) Fair values
The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Financial instruments (cont'd)

(f) Categories of financial instruments

	at 30 June 2016		
$000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Assets			
Cash and cash equivalents	**10,296**	**-**	**10,296**
Trade and other receivables – non-exchange	**330**	**-**	**330**
Trade and other receivables – exchange	**174**	**-**	**174**
Sundry debtors	**202**	**-**	**202**
Total financial assets	**11,002**	**-**	**11,002**
Total non-financial assets	**-**	**-**	**24,954**
Total assets	**-**	**-**	**35,956**
Liabilities			
Trade and other payables – exchange	**-**	**2,946**	**2,946**
Total financial liabilities	**-**	**2,946**	**2,946**
Total non-financial liabilities	**-**	**1,585**	**1,585**
Total liabilities	**-**	**-**	**4,531**

	at 30 June 2015		
$000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Assets			
Cash and cash equivalents	9,676	-	9,676
Trade and other receivables – non-exchange	620	-	620
Trade and other receivables – exchange	109	-	109
Investments	2,305	-	2,305
Sundry debtors	80	-	80
Total financial assets	**12,790**	**-**	**12,790**
Total non-financial assets	**-**	**-**	**22,894**
Total assets	**-**	**-**	**35,684**
Liabilities			
Trade and other payables – exchange	**-**	**2,292**	**2,292**
Total financial liabilities	**-**	**2,292**	**2,292**
Total non-financial liabilities	**-**	**-**	**2,453**
Total liabilities	**-**	**-**	**4,745**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Government equity funding income

Equity funding income

An analysis of how the Group has spent its equity funding is as follows:

$000's	2016	2015
Property	**34**	75
Sundry expenses	**159**	128
Support staff	**-**	16
Teaching resources	**329**	324
Participation and Engagement	**642**	494
	1,164	1,037

In accordance with Ministry of Education circular 2014/37 we report the following:

	Equity funding received $
Anchorage Park	**1,495**
Aorere	**4,130**
Avondale	**9,732**
Bairds	**11,662**
Birdwood	**12,555**
Colwill	**3,578**
Don Buck	**9,841**
Favona	**13,459**
Flat Bush	**17,736**
Glen Eden	**6,499**
Glen Eden West	**5,861**
Glen Innes	**18,574**
Henderson	**10,079**
Hillsborough	**5,624**
Kingsdene	**22,361**
KiNZ East Tamaki*	**118,365**
Kotiri	**5,454**
Lincoln North	**8,327**
Mangere West	**16,685**
Massey	**8,131**
Mayfield	**21,803**

	Equity funding received $
McNaughton	**11,172**
Mt Roskill	**16,606**
Murdoch Park	**10,886**
New Lynn	**1,743**
Omana	**5,779**
Oranga	**5,995**
Otahuhu	**15,264**
Otahuhu Central	**11,364**
Owairaka	**9,015**
Papatoetoe	**5,388**
Pt England	**17,153**
Ranui	**10,773**
Roskill South	**8,536**
St Johns	**6,937**
Sunnyvale	**4,193**
Sylvia Park	**9,680**
Waterview	**11,665**
Wellsford	**1,591**
Wesley	**13,026**
Yendarra	**12,789**
Participation & Engagement	**642,703**
	1,164,209

* KiNZ East Tamaki equity funding received is:

component A: Low social economic ($84,648)
component B: Special needs & non-English speaking backgrounds ($33,717)

Equity funding received for all other services is component A: Low socio economic.

Deloitte.

Independent Auditor's Report to the Members of Auckland Kindergarten Association

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Auckland Kindergarten Association and its subsidiary ('the Group') on pages 10 to 26, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets / equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Board's Responsibility for the Consolidated Financial Statements
The Board is responsible on behalf of the Association for the preparation and fair presentation of these consolidated financial statements, in accordance with Not For Profit Public Benefit Association Standards, and for such internal control as the Board determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements 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 Association's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other assignments for Auckland Kindergarten Association and its subsidiary in the area of other assurance services. These services have not impaired our independence as auditor of the Association and Group. In addition to this, partners and employees of our firm deal with Auckland Kindergarten Association and its subsidiary on normal terms within the ordinary course of trading activities of the business of Auckland Kindergarten Association and its subsidiary. The firm has no other relationship with, or interest in, Auckland Kindergarten Association or its subsidiary.

Opinion
In our opinion, the consolidated financial statements on pages 10 to 26 present fairly, in all material respects, the financial position of Auckland Kindergarten Association and its subsidiary as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with Not For Profit Public Benefit Entity Standards.

Chartered Accountants
6 October 2016
Auckland, New Zealand

ACKNOWLEDGEMENTS 2016

We are very grateful to the following organisations for their support of the Auckland Kindergarten Association:

- Auckland Airport Community Trust
- Auckland Council
- Awataha Marae – North Shore
- Chenery Memorial Trust
- Community Organisation Grants Scheme (COGS)
- Duffy Books in Homes Programme
- Enviroschools Foundation
- Four Winds Foundation
- Fresh Choice
- Fuji Xerox
- Hesketh Henry
- Infinity Foundation
- Keep Waitakere Beautiful
- Lion Foundation
- Local Community Boards
- Local Licensing Trusts
- Local Rotary Clubs
- Local RSAs
- Matariki Marae – Howick
- Metlifecare
- Mt Wellington Foundation
- Nautilus Foundation
- North and South Trust
- NZ Lottery Grants Board
- Ōrākei Marae
- Oxford Community Trust
- Papatuanuku Marae – Māngere
- Pelorus Trust
- Sir John Logan Campbell Trust
- SPARC
- Tahawai Marae – Edgewater College
- Te Noho Kotahitanga Marae – Unitec
- Te Taua Moana Marae – Devonport
- The June Gray Charitable Trust
- The Trusts Community Foundation Inc (TTCF)
- Trillian Trust
- Westpac Bank
- Whaiora Marae – Ōtara
- Winger Motors Ltd
- All those who fundraise to assist kindergartens

Auckland Kindergartens

KiNZ
care and early learning
Te Tiaki, Te Ako Kōhungahunga

Playgroup

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