



AUCKLAND KINDERGARTEN
ASSOCIATION



Annual Report 2013

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Mission Statement

To provide leadership in education.

Vision Statement

Every Aucklander has the opportunity to excel and realise their cultural distinctiveness and potential in a community of learning.

Values

Act with integrity to educate,
empower and ensure excellence.
Enjoy what you do!

We view children as capable, competent, life-long learners. Here children are encouraged to make their own learning choices, problem solve, observe and explore at their own pace, with support from teachers, whanau and their peers. We value the importance of child initiated, play based experiences.



Message from the Chairperson of the AKA Board

Tena Koutou

Over the past year the Auckland Kindergarten Association (AKA) has continued to deliver on our mission statement to provide leadership in education. The past was celebrated with St James Kindergarten celebrating their 100th anniversary while the present and future is embodied in the Kindergarten Celebration Books that have been published. These showcase the amazing work that is occurring and leading the AKA into the 21st century of teaching and learning.

On any given day there are over 7,500 children, parents and whanau attending our centres so it is important for the AKA to keep ahead with educational theory and practice, alongside caring for our families and providing support in the many facets of their lives as best we can.

The Education Review Office continues to confirm our achievement of our mission by providing positive feedback during their visits. Four kindergartens, Mangere Bridge, Highland Park, Massey and Waiheke have met the new evaluation of high quality and will not be reviewed for a further four years; normally a three yearly cycle.

The operational face of the AKA has continued to change with 19 kindergartens now operating the traditional afternoon/morning sessions (with 1:15 ratio) and 88 kindergartens providing the Kindergarten Day Model (essentially 9am-3pm, which offers the longer and shorter sessions with a 1:10 ratio). We are seeing a trend towards longer hours in our communities; where traditionally we have had long waiting lists and a relatively high age of entry, this is no longer the situation in many cases. We continue to work with our communities to ensure our hours of operation meet their needs, now and into the future.

With an ever increasing number of employees; currently at 982 and growing with more kindergartens moving away from the sessional model, additional staff were employed in our head office to ensure that the support provided by head office could continue to improve and allow the teaching teams to focus more on the educational component in the kindergartens.

A Participation & Engagement team was also created to help enhance the social services work and liaison that occurs alongside the quality early childhood education that we provide. Their role is to increase participation in kindergartens, and/or within the greater early childhood environment if another service helps to better meet the needs of families. They are also supporting kindergartens with engaging families within our service; by supporting teachers with the physical environment, providing advice on specific curriculum areas and enhancing bi-cultural practice.

We also established nine focus areas for Head Teachers to take the lead in to work collaboratively with head office on Maori Education, Pasifika Education, Vulnerable Children, Inclusive Practice, Quality Outcomes, Marketing, ICT, Transition to School and Sustainable Organisation. The groups have met to discuss collaborative initiatives between kindergartens and head office that could continue to progress our mission statement over the next two years. This work also looks to achieve the objectives of the Better Public Service goals of the Government.

Significant achievements and events for the year ending 30th June 2013

Education

- Creation of an additional Education Services Manager and additional Professional Services Manager
- Successful AKA conference in July - 'Putting Children First' with keynote speakers Whaanau Ora, Dr Sarah Te One, Dr Innes Asher and Diane Mara, alongside three Kindergarten teams who shared their work
- Five additional Enviroschool Kindergartens working towards the bronze award and 15 towards the silver award
- 80 Head Teachers participated in a year-long leadership symposium
- New 'Leader In You' workshops developed to inspire teachers to become Head Teachers
- All Kindergartens now re-licensed under the 2008 ECE Regulations
- Over 300 teachers attended Incredible Years training
- 107 Head Teachers and 4 Centre Managers completed the child protection training, 'Child Matters'
- On-going Professional Development workshops well attended.

Professional development

Teachers are involved in professional development to provide them with new and inspirational ideas, plus support teachers to remain informed about current theory and teaching practice. Most importantly, professional development influences and supports positive learning outcomes for children.



Property

- Hobsonville North Kindergarten was relocated next door to Whenuapai Primary School to make way for the redevelopment of the Hobsonville Point area
- Waterview Kindergarten was relocated to the other side of the school grounds allowing the Waterview tunnels project to commence
- An ongoing commitment from the Ministry of Education that Pt Chevalier Kindergarten can remain on the school land until a suitable alternative site is found; and one which meets the AKA's expectations
- A sustainable buildings programme began, with capital works, to allow for passive ventilation and insulation
- More streamlined processes to provide a more efficient delivery of both capital and facilities projects
- Environmental upgrades making buildings healthier
- 12 major upgrades of kindergarten buildings and/or playgrounds.

Human Resources

- A review of the Finance and HR areas in head office was conducted, resulting in a restructuring of duties to better serve the kindergartens and provide operational efficiencies.

Finance

- Professional development session(s) for all Head Teachers, on payroll and finance frequently asked questions
- Clearer delegation of authorities established for expenditure
- Renegotiation of energy contractor with financial benefits for both new contract signees (parents and staff) and the nominated kindergarten.

Health and Safety

- A continuance of tertiary accreditation with the ACC Workplace Management Practices Programme
- On-going training through EMA to enhance management skills, knowledge and understanding of Health and Safety practices.



Marketing

- Design and printing of over 20 individual kindergartens flyers, posters and brochures. Printing 100% sponsored by Fuji Xerox
- Increased involvement in social media e.g. Facebook profile
- Participation in the annual Toddler Day Out, Baby Show, along with several local community events
- Comprehensive brand awareness research conducted incorporating feedback from potential parents, current parents and parents of children currently attending other ECE providers
- Launch of a second Celebration Book showcasing the wonderful learning experiences that are happening at our centres
- Developed new sponsorship opportunities with New World and Daltons
- A long term sponsorship deal was re-signed with Fuji Xerox
- Our parent survey showed that we continue have a positive influence on the lives of the children, families and communities that attend our kindergartens.

ICT

- Merged the two head office sites into one – servers, phone system and computers
- Installed fibre to meet the growing communication and data requirements of the head office and Kindergartens
- Moved to online offsite secure data backups to reflect disaster recovery recommendations
- Migrated to new email servers to benefit from software enhancements and in preparation for SecureNet focus
- Consolidated and improved file server arrangements to bring in line with best business practice.



Celebrating our diversity

Our kindergarten environments reflect the diversity of New Zealand society, and are inclusive of and support all children and their families. Cultural diversity is celebrated for its ability to enhance and enrich the learning environment.



KiNZ Early Learning Centres

- Positive ERO reviews for centres, highlighting the strengths of the teachers to provide quality teaching and learning in an all day learning centre
- Research continued between KiNZ Myers Park and Auckland University on provision of care for Under 2 year olds.

Financial Matters

- The Government Budget 2013 was not unexpected in that it allowed for only a slight increase in bulk funding in line with the Consumer Price Index; although the targeted increase in equity funding was seen as a positive move that continued from the previous year. As noted in last year's report this extra equity funding impacts 34 of our kindergartens and the additional funding was pooled to develop the Participation and Engagement workstream outlined earlier, alongside providing a direct increase of funding to the centres
- The financial statements for the year ended 30 June 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and an unqualified audit report has been issued by Deloitte
- The 'Consolidation' is the combination of the Association and the 100% subsidiary company, Kindergarten NZ Ltd (KiNZ). This company operates four early learning centres and provides advisory consultancy to the ECE sector
- The financial statements for the AKA are detailed at the back of the annual report; however a summary of the operating results is as follows:

	2013 000's	2012 000's
Association profit	1,320	4,396
Consolidated profit	1,970	4,875

It is important to note that there has been a significant investment in capital projects which was started in the current year and will be completed in the next financial year. In the meantime, a deficit in cashflow of just over \$1 million occurred and further \$2 million remaining Reserves will be utilised in completing the budgeted capital works. In addition, a further \$2 million has been allocated towards Repairs & Upkeep of kindergartens in the coming year. This is expected to reduce the AKA's Reserves in 2014 to the minimum operating level per the AKA policy.

We are mindful that the Kindergarten Teachers', Head Teachers and Senior Teachers' Collective Agreement expires this year, and with their Unified Pay Scale clause with the primary school sector there were three annual salary increases negotiated earlier in the year that may flow through to Kindergartens; whose teachers are State Sector employees. There has been no guarantee of funding by the Government for these increases, if they were to occur, so costs would need to be met from Reserves.



Board Matters

We were saddened earlier this year with the passing of Edwina Myers, a long term supporter and whose family gifted the Myers Park building to the AKA.

On a more positive note, we welcomed one new AKA Board members at the Annual Meeting; Gareth Jones, with Kim Gordon being elected to the Board of KiNZ.

We appreciate everyone's commitment to the AKA, whether it be past or present Board members, staff, parents, whanau and children, and look forward to another exciting year ahead.

No rera, nga mihi



Jo Hadley
Chairperson of the AKA Board

Board Members

Chairperson

Jo Hadley

Deputy Chairperson

Shane Hinton – *Dip Bus (Fin), BCom - Business Risk Consultant*

Members

Lee-Anne Coburn – *BA LLB*

Jeremy Drummond – *LLB - Executive Officer SPELD NZ Inc*

Robin Houlker – *MEd (Hons) - Education Consultant, Learning Expressed Limited*

Gareth Jones – *CA*

Simon Jones – *MBA, MCom (Hons), CA - Chief Financial Officer, Aotearoa Fisheries Limited*

Glenn Mottram – *CA JP - Company Director*

Ron Viviani



Acknowledgements 2013

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

- ASB Bank
- Auckland Airport Community Trust
- Auckland Council
- Community Organisation Grants Scheme (COGS)
- Duffy Books in Homes Programme
- Enviroschools Foundation
- Four Winds Foundation
- Fuji Xerox
- Hesketh Henry
- Infinity Foundation
- Lion Foundation
- Local Community Boards
- Local Licensing Trusts
- Local Rotary Clubs
- Local RSA's
- Nautilus Foundation
- North and South Trust
- Oxford Community Trust
- Pelorus Trust
- Mt Wellington Foundation
- NZ Lottery Grants Board
- Sir John Logan Campbell Trust
- Southern Trust
- SPARC
- The Trusts Community Foundation Inc (TTCF)
- Westpac Bank
- Winger Motors Ltd
- All those who fundraise to assist kindergartens



Statement of Comprehensive Income For the 12 months ended 30 June 2013

		Consolidated		Association	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue	2	41,997	40,658	38,358	37,164
Other income	2	2,053	2,958	1,978	2,893
		44,050	43,616	40,336	40,057
Expenses					
Staff		30,454	28,995	28,188	26,655
Professional and consultancy fees		527	444	483	423
Management administration		38	35	37	34
Property and resources		8,573	7,110	8,142	6,740
Depreciation	8	1,499	1,308	1,283	1,070
Loss/(gain) on disposal of fixed assets		22	5	22	5
Office administration		824	686	746	615
Marketing and public relations		143	158	115	119
		42,080	38,741	39,016	35,661
Profit/(loss) for the period		1,970	4,875	1,320	4,396
Other comprehensive income		–	–	–	–
Total comprehensive profit/(loss)		1,970	4,875	1,320	4,396

Statement of Changes in Equity For the 12 months ended 30 June 2013

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening balance	26,234	21,359	25,369	20,973
Profit/(loss) for the period	1,970	4,875	1,320	4,396
Total comprehensive profit/(loss)	1,970	4,875	1,320	4,396
Closing balance	28,204	26,234	26,689	25,369

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



Statement of Financial Position For the 12 months ended 30 June 2013

Consolidated			Association		
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current assets					
Cash and cash equivalents	17	12,598	12,839	10,569	11,576
Trade and other receivables	5	973	1,050	674	778
Other	6	123	280	127	247
Total current assets		13,694	14,169	11,370	12,601
Non-current assets					
Investments	7	–	–	1,900	1,900
Property, plant and equipment	8	19,346	16,785	16,110	13,349
Total non-current assets		19,346	16,785	18,010	15,249
Total assets					
		33,040	30,954	29,380	27,850
Current liabilities					
Trade and other payables	9	3,113	2,913	2,691	2,481
Deferred income	10	83	83	–	–
Total current liabilities		3,196	2,996	2,691	2,481
Non-current liabilities					
Deferred income	10	1,640	1,724	–	–
Total non-current liabilities		1,640	1,724	–	–
Total liabilities					
		4,836	4,720	2,691	2,481
Net assets					
		28,204	26,234	26,689	25,369
Equity					
Retained earnings		28,204	26,234	26,689	25,369
Total equity		28,204	26,234	26,689	25,369

On behalf of Auckland Kindergarten Association Board:
24 September 2013


Chairperson


Board Member

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

Cash Flow Statement

For the 12 months ended 30 June 2013

		Consolidated		Association	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash Flows from operating activities					
Government funding received		37,738	37,498	35,183	34,949
Interest received		810	838	722	777
Receipts from parents		3,499	3,222	2,506	2,238
Sundry income		2,229	2,783	2,230	2,824
Payments to employees		(30,262)	(29,395)	(28,006)	(27,060)
Payments to suppliers		(10,172)	(8,406)	(9,575)	(7,915)
Net cash provided by/(used in) operating activities	17(b)	3,842	6,540	3,060	5,813
Cash Flows from investing activities					
Payment for property, plant and equipment		(4,083)	(3,094)	(4,067)	(3,050)
Net cash used in investing activities		(4,083)	(3,094)	(4,067)	(3,050)
Net increase/(decrease) in cash and cash equivalents		(241)	3,446	(1,007)	2,763
Cash and cash equivalents at the beginning of the period		12,839	9,393	11,576	8,813
Cash and cash equivalents at the end of the period	17(a)	12,598	12,839	10,569	11,576

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

Notes to the Financial Statements

1. Summary of accounting policies

Reporting entity

The Auckland Kindergarten Association was founded in 1908 and is registered as a charitable entity under the Charities Act 2005. The reporting group consists of the Association, which includes its constituent kindergartens and its wholly owned subsidiary company, Kindergarten NZ Limited. The principal activity of the Group is the provision of Early Childhood Education. The group is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

Statement of compliance

The financial statements have been prepared in New Zealand dollars in accordance with generally accepted accounting practice in New Zealand, applying New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate to public benefit entities.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Auckland Kindergarten Association Board on 24 September 2013.

Basis of preparation

The financial statements for the group have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

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.

Key sources of estimation uncertainty

Some judgment was required in the calculation of teacher's holiday pay in the current year. The balance of teacher's holiday pay as at 30 June 2013 is \$338,714 (2012: \$247,177).

Management has exercised judgment in determining that the computer leases do not transfer substantially all of the risks and rewards of ownership to the Group.



1. Summary of accounting policies (continued)

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 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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified as 'loans and receivables'.

Loans and receivables

Trade and other receivables 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 investment have been impacted.

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. 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 profit or loss.

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 profit or loss 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.



1. Summary of accounting policies (continued)

(c) Revenue recognition

All income and expenses due or owing at balance date have been brought to account.

Funding Received in Advance

Funding received in advance from the Ministry of Education is recognised on an accrual basis and is recognised as earned based on actual enrolled child hours.

Interest Revenue

Interest revenue is recognised using the effective interest rate 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) Grants

Grants received are recognised in the Statement of Comprehensive Income as revenue, except where some grant conditions remain unfulfilled at balance date, in which case the related amount is recognised as a liability.

Government grants are assistance by the government in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants include government assistance where there are no conditions specifically relating to the operating activities of the group other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

The following estimated useful life is used in the calculation of deferred income:

Capital Accommodation Grant	25 years
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There are no unfulfilled conditions and other contingencies attached to government assistance.



1. Summary of accounting policies (continued)

(f) 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 buildings.

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

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	5 years

(g) Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.



1. Summary of accounting policies (continued)

(h) 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.

(i) 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 as defined in NZ IAS 27 'Consolidated and Separate Financial Statements'. 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 profit and loss 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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

(j) 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.

In classifying the leases of computers as operating leases management has exercised significant judgment in determining that the leases do not transfer substantially all of the risks and rewards of ownership to the Group. This judgment was based on:

- management's estimated life of the computers being 5 years and therefore the average lease term of 3 years does not constitute a major part of the asset's life;
- the computers being less susceptible to technological obsolescence than windows based computers;
- the fact that there is no legal transfer of title at the end of the lease term and no option to purchase below fair value; and
- the assets not being considered to be specialised in nature.

1. Summary of accounting policies (continued)

(k) 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.

(l) 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 two working days.
- (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 asset structure of the Association.

(m) Income tax

The parent entity, Auckland Kindergarten Association is a registered Charitable Trust and has a wholly owned subsidiary, Kindergarten NZ Limited. The Inland Revenue Department has confirmed that the charitable trust and the company are exempt from income tax.

(n) 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.



1. Summary of accounting policies (continued)

(o) Adoption of new and revised Standards and Interpretations

(i) Standards and Interpretations effective in the current period

Amendments to NZ IAS 1 Presentation of Financial Statements [1 July 2012] – Presentation of Items of Other Comprehensive Income. AKA is in compliance with this standard and this amendment does not affect any of the amounts recognised in the financial statements.

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but will change the presentation and disclosures presently made in relation to the Association's and group's financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Improvements to IFRS:2009 – 2011 cycle	1 January 2013	30 June 2014
NZ IFRS 9 'Financial Instruments'	1 January 2015	30 June 2016
Revised NZ IFRS 9 'Financial Instruments' (2010)*	1 January 2015	30 June 2016
Amendments to NZ IFRS 9 and NZ IFRS 7 Mandatory Effective Date and Transition Disclosures	1 January 2015	30 June 2016

* The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and de-recognition of financial instruments. The effective date is the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

2. Profit from operations

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Revenue				
Bulk funding income	26,107	26,138	24,436	24,506
20 hours ECE funding	10,929	9,988	10,122	9,196
	37,036	36,126	34,558	33,702
Equity funding income (i)	623	580	545	555
Parent contributions:				
Donations	69	132	69	132
Fees	2,228	1,854	1,235	870
Optional charges	1,202	1,236	1,202	1,236
	4,122	3,222	2,506	2,238
Interest revenue:				
Cash and cash equivalent	839	730	749	669
	41,997	40,658	38,358	37,164
(i) Equity funding income				
An analysis of expenditure is as follows:				
Property	95	37	47	37
Sundry expenses	29	56	29	56
Support staff	13	103	–	103
Teaching resources	387	384	370	359
Participation and Engagement	99	–	99	–
	623	580	545	555
(b) Other income				
Government grants recognised as income	83	83	–	–
	83	83	–	–
Other grants received	194	275	194	275
Sundry income	1,776	2,600	1,784	2,618
	2,053	2,958	1,978	2,893
(c) Other expenses				
Kiwisaver employer contributions	351	262	318	233

3. Key management personnel compensation

The compensation of the Chairperson and Executives being the key management personnel of the entity, is set out below:

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Short-term employee benefits	871	733	871	733
	871	733	871	733

4. Remuneration of auditors

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Audit of the financial statements	46	42	40	37
Other assurance services	3	1	3	1
	49	43	43	38

The auditor of the Auckland Kindergarten Association is Deloitte.

5. Current trade and other receivables

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Funding receivable	184	264	(88)	(8)
Debtors	337	406	310	406
Goods and services tax (GST) receivable	452	380	452	380
	973	1,050	674	778

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

6. Other current assets

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Prepayments	4	111	–	102
Sundry debtors	119	169	127	145
	123	280	127	247

7. Investments

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Shares in subsidiary	–	–	1,900	1,900
	–	–	1,900	1,900



8. Property, plant and equipment

Consolidated

	Land at cost \$'000	Buildings at cost \$'000	Playgrounds at cost \$'000	Plant and equipment at cost \$'000	Capital Work in progress \$'000	Total \$'000
Gross carrying amount						
Balance at 30 June 2011	342	15,644	2,144	4,956	1,448	24,534
Additions	–	1,655	407	917	1,563	4,542
Disposals	–	–	(1)	(123)	(1,448)	(1,572)
Balance at 30 June 2012	342	17,299	2,550	5,750	1,563	27,504
Additions	–	3,863	461	751	578	5,653
Disposals	–	(36)	(3)	(255)	(1,563)	(1,857)
Balance at 30 June 2013	342	21,126	3,008	6,246	578	31,300
Accumulated depreciation						
Balance at 30 June 2011	–	(4,252)	(1,381)	(3,897)	–	(9,530)
Disposals	–	–	1	118	–	119
Depreciation expense	–	(610)	(151)	(547)	–	(1,308)
Balance at 30 June 2012	–	(4,862)	(1,531)	(4,326)	–	(10,719)
Disposals	–	20	9	235	–	264
Depreciation expense	–	(694)	(185)	(620)	–	(1,499)
Balance at 30 June 2013	–	(5,536)	(1,707)	(4,711)	–	(11,954)
Net book value						
As at 30 June 2012	342	12,437	1,019	1,424	1,563	16,785
As at 30 June 2013	342	15,590	1,301	1,535	578	19,346

8. Property, plant and equipment (continued)

Association

	Land at cost \$'000	Buildings at cost \$'000	Playgrounds at cost \$'000	Plant and equipment at cost \$'000	Capital Work in progress \$'000	Total \$'000
Gross carrying amount						
Balance at 30 June 2011	342	11,800	2,033	4,510	1,448	20,133
Additions	–	1,654	402	879	1,563	4,498
Disposals	–	–	(1)	(123)	(1,448)	(1,572)
Balance at 30 June 2012	342	13,454	2,434	5,266	1,563	23,059
Additions	–	3,863	461	733	578	5,635
Disposals	–	(36)	(3)	(252)	(1,563)	(1,854)
Balance at 30 June 2013	342	17,281	2,892	5,747	578	26,840
Accumulated depreciation						
Balance at 30 June 2011	–	(3,769)	(1,349)	(3,641)	–	(8,759)
Disposals	–	–	1	118	–	119
Depreciation expense	–	(457)	(138)	(475)	–	(1,070)
Balance at 30 June 2012	–	(4,226)	(1,486)	(3,998)	–	(9,710)
Disposals	–	20	9	234	–	263
Depreciation expense	–	(542)	(175)	(566)	–	(1,283)
Balance at 30 June 2013	–	(4,748)	(1,652)	(4,330)	–	(10,730)
Net book value						
As at 30 June 2012	342	9,228	948	1,268	1,563	13,349
As at 30 June 2013	342	12,533	1,240	1,417	578	16,110

9. Current trade and other payables

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Creditors and accruals	1,698	1,689	1,474	1,446
Employee entitlements	1,411	1,219	1,217	1,035
Goods and services tax (GST) payable	4	5	0	–
	3,113	2,913	2,691	2,481

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. Deferred income

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance bought forward	1,807	1,890	–	–
Recognised as income	(83)	(83)	–	–
Balance carried forward	1,724	1,807	–	–
Current portion	83	83	–	–
Team portion	1,641	1,724	–	–
	1,724	1,807	–	–

11. Capital expenditure commitments

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Building and playground upgrades	2,447	1,661	2,447	1,661
	2,447	1,661	2,447	1,661

12. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2013 (30 June 2012: \$nil).

13. Subsequent events

There have been no subsequent events impacting the Association.

14. Operating leases

(a) Leasing arrangements

Operating leases relate to computers, office building and motor vehicles with lease terms between 2 to 3 years. The Association/Group does not have an option to purchase the leased asset at the expiry of the lease period. Contingent rent payable is determined based on the total of future lease payments.

(b) Operating lease rental expenses

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Minimum lease payments	744	340	738	329
	744	340	738	329

(c) Non-cancellable operating lease payments

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Not longer than 1 year	273	208	271	201
Longer than 1 year and not longer than 5 years	471	4	467	4
	744	212	738	205

15. Subsidiaries

		Ownership interest and voting rights	
Name of Entity	Country of Incorporation	2013 %	2012 %
Parent entity			
Auckland Kindergarten Association	New Zealand		
Subsidiaries			
Kindergarten NZ Limited	New Zealand	100	100

16. Related party disclosures

There were management fees of \$60,000 (2012: \$50,000) and a dividend of \$nil (2012: \$nil) paid by Kindergarten NZ Limited to Auckland Kindergarten Association for the 12 months ended 30 June 2013. The Chairperson was paid an honorarium of \$9,375 for the 12 months ended 30 June 2013 (2012: \$7,500).

A Board Member, Lee-Anne Coburn, is the partner of a company lawyer, Brian Coburn (Hesketh Henry).

17. 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 money market instruments. 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:

	Consolidated		Association	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Kindergartens	2,854	2,643	2,854	2,643
Head Office	7,715	8,933	7,715	8,933
Kindergarten NZ Limited	2,029	1,263	–	–
	12,598	12,839	10,569	11,576

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

		Consolidated		Association	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit/(loss) for the period		1,970	4,875	1,320	4,396
Loss on sale or disposal of non-current assets		22	5	22	5
Depreciation of non-current assets	8	1,499	1,308	1,283	1,070
Changes in net assets and liabilities:					
(Increase)/decrease in assets:					
Current receivables		78	609	106	509
Other current receivables		157	65	120	92
Increase/(decrease) in liabilities:					
Current payables		199	(239)	209	(259)
Other current liabilities		–	–	–	–
Funds received in advance		–	–	–	–
Intercompany advance		–	–	–	–
Deferred income		(83)	(83)	–	–
Net cash inflow/(outflow) from operating activities		3,842	6,540	3,060	5,813

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.

18. 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 short term investments, held until maturity. The interest rate risk associated with short term deposits is considered minimal because Association deposits matured in July 2013 (2012: deposits matured in July 2012) and Kindergarten NZ Limited deposits matured between July and October 2013 and one \$100k deposit maturing in January 2014 (2012: deposits matured between July and September 2012).

(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 17, and equity, comprising retained earnings as disclosed on the statement of changes in equity.

The Association's overall strategy remains unchanged from 2012.

There are no externally imposed capital requirements on the Association.

(e) Carrying amount

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



18. Financial instruments (continued)

(f) Categories of financial instruments

Consolidated at 30 June 2013				Association at 30 June 2013		
	Loans and receivables \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000	Loans and receivables \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000
Assets						
Cash and cash equivalents	12,598	–	12,598	10,569	–	10,569
Trade and other receivables	521	–	521	222	–	222
Sundry debtors	119	–	119	127	–	127
Total financial assets	13,238	–	13,238	10,918	–	10,918
Total non-financial assets			19,802			18,462
Total assets			33,040			29,380
Liabilities						
Creditors and accruals	–	1,697	1,697	–	1,473	1,473
Total financial liabilities	–	1,697	1,697	–	1,473	1,473
Total non-financial liabilities			3,138			1,217
Total liabilities			4,835			2,690

Consolidated at 30 June 2012				Association at 30 June 2012		
	Loans and receivables \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000	Loans and receivables \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000
Assets						
Cash and cash equivalents	12,839	–	12,839	11,576	–	11,576
Trade and other receivables	670	–	670	398	–	398
Sundry debtors	169	–	169	145	–	145
Total financial assets	13,678	–	13,678	12,119	–	12,119
Total non-financial assets			17,276			15,731
Total assets			30,954			27,850
Liabilities						
Creditors and accruals	–	1,689	1,689	–	1,446	1,446
Total financial liabilities	–	1,689	1,689	–	1,446	1,446
Total non-financial liabilities			3,031			1,035
Total liabilities			4,720			2,481

19. Government funding subsidies

In accordance with Ministry of Education circular 2005/04 we report the following:

Equity funding received \$		Equity funding received \$	
Akarana Avenue	2,868	Meadowbank	–
Anchorage Bridge	6,080	Milford	–
Aorere	10,204	Mission Bay	–
Avondale	9,237	Morningside	–
Bairds	14,803	Mt Albert	–
Beach Haven	–	Mt Eden	–
Belmont Bayswater	–	Mt Wellington	6,247
Birdwood	7,470	Murdoch Park	12,204
Blockhouse Bay	–	New Lynn	4,828
Broadlands	–	Northbridge	–
Bucklands Beach	–	Omana	10,323
Colwill	4,763	Oranga	4,879
Constance Colegrove	–	Orakei	–
Dannemora	–	Oratia	–
Devonport	–	Otahuhu	14,165
Don Buck	6,819	Owairaka	5,830
Eden Epsom	–	Pakuranga	–
Ellerslie	–	Papatoetoe	5,062
Favona	25,010	Parnell	–
Flat Bush	14,793	Pigeon Mountain	–
Fort Richard Road	14,428	Ponsonby	–
Freemans Bay	–	Pt Chevalier	–
Glen Eden	5,088	Pt England	15,138
Glen Innes	14,113	Ranui	8,216
Glendowie	–	Rosier Road	5,626
Glenfield	–	Roskill South	5,524
Green Bay	–	Snells Beach	–
Henderson	7,338	Somerville	–
Highland Park	–	St Heliers	–
Hillsborough	5,634	Sturges Road	–
Idlewild	46,362	Summerland	–
Kauri Park	–	Sunnyvale	5,756
Kingsdene	35,858	Takapuna	–
KiNZ East Tamaki	78,075	Tamaki	6,308
KiNZ Mission Heights	–	Taupaki	–
KiNZ Myers Park	–	Te Atatu South	–
KiNZ Sandringham	–	Te Atatu Village	–
Kotiri	8,152	Titirangi	–
Lady Cobham	–	Waiheke	–
Laingholm	–	Waitakere	–
Lincoln North	6,967	Waterview	6,120
Mangawhai	–	Wellsford	5,831
Mangere Bridge	–	Wesly	10,846
Maraetai Beachlands	–	Westlake Forrest Hill	–
Marlborough	–	Westmere	–
Massey	3,288	Whiteacres	–
Mayfield	31,326	Yendarra	14,904
McNaughton	17,810	Participation & Engagement	98,890
			623,186

For further analysis of expenditure for equity funding and PRT refer to Note.2.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUCKLAND KINDERGARTEN ASSOCIATION**

Report on the Financial Statements

We have audited the financial statements of Auckland Kindergarten Association and group on pages 10 to 29, which comprise the consolidated and separate statement of financial position as at 30 June 2013, and the consolidated and separate statement of comprehensive income, statement of changes in equity and 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 Financial Statements

The Board is responsible for the preparation and fair presentation of financial statements; in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Board determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

In addition to the audit of the financial statements, partners and employees of our firm deal with Auckland Kindergarten Association on normal terms within the ordinary course of trading activities of the business of Auckland Kindergarten Association. The firm has no other relationship with, or interest in, Auckland Kindergarten Association.



Opinion

In our opinion, the financial statements on pages 10 to 29 present fairly, in all material respects, the financial position of Auckland Kindergarten Association as at 30 June 2013, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

A stylized, handwritten signature of the Deloitte firm, rendered in black ink.

Chartered Accountants

24th September 2013

Auckland, New Zealand

This audit report relates to the financial statements of Auckland Kindergarten Association for the year ended 30 June 2013 included on Auckland Kindergarten Association's website. The Board is responsible for the maintenance and integrity of Auckland Kindergarten Association's website. We have not been engaged to report on the integrity of the Auckland Kindergarten Association's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 September 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Strategic Plan 2012 - 2015

Mission Statement

To provide leadership in education.

Vision Statement

Every Aucklander has the opportunity to excel and realise their cultural distinctiveness and potential in a community of learning.

Values

Act with integrity to educate, empower and ensure excellence. Enjoy what you do!

Strategy One

Be innovative and responsive leaders in the ECE sector

Supporting Strategies

- Influence the decision making processes of central and local Government and other key stakeholders
- Recognise the success and innovative practice of kindergartens
- Ensure a research based approach to teaching and learning
- Focus on vulnerable children not participating in ECE (MOE target 98% by 2016)

Key Performance Indicator

Influence to achieve positive outcomes

Strategy Two

Ensure a responsive high quality ECE service

Supporting Strategies

- Facilitate access for families to service providers
- Engage volunteers, corporate organisations and the community
- Provide flexibility in the provision of ECE

Key Performance Indicator

To maximise participation of kindergarten service

Strategy Three

Continuously improve and communicate the quality of teaching and learning in kindergarten

Supporting Strategies

- Promote the value of ECE
- Promote the value of kindergarten
- Ensure that reflective practice is promoted

Key Performance Indicator

To have 50% of primary school leaders and new entrant teachers actively involved with, and advocates for, their local kindergarten

Strategy Four

Ensure the sustainability of the organisation

Supporting Strategies

- Ensure strong governance and management within the AKA
- Be the employer of choice within the Auckland ECE sector
- Ensure financial viability
- Ensure environments are safe, stimulating and challenging with sustainable operating practices

Key Performance Indicator

To maximise kindergarten operations

To modernise kindergartens to enhance 21st century learning



Level 5, 385 Queen Street, Auckland Central
PO Box 6933, Wellesley Street, Auckland
Ph: 09 373 5635 | Fax: 09 307 1248

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