

# ANNUAL REPORT 2015



# KINDERGARTEN INSPIRES AND NURTURES YOUNG CHILDREN TO EXPERIENCE AND DISCOVER THE WORLD AROUND THEM

And it's in the garden – the children's garden – where, through imagination and play, they learn to express their personalities and develop self-confidence; and where they begin to lay the foundations for the essential skills of life.





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# 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

## OBJECTIVES

### **EDUCATIONAL EXCELLENCE**

1. Define and deliver on expectations of Educational Excellence

### **FAMILY AND COMMUNITY ENGAGEMENT**

2. Increase the participation and engagement of priority learners and their families

### **STRENGTHEN THE CORE**

3. Embed the principles and practices of Health and Safety throughout the AKA
4. Honour and uphold the principles of Te Tiriti O Waitangi
5. Identify, review and improve existing priority processes

### **FUTURE FOCUS**

6. Implement evidence based continuous improvement models

## STRATEGY PILLARS

### **EDUCATIONAL EXCELLENCE**

Cutting edge pedagogy

### **FAMILY AND COMMUNITY ENGAGEMENT**

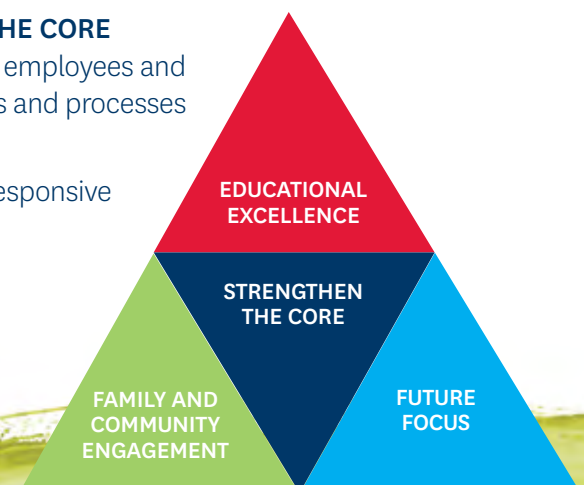
Communities of learning

### **STRENGTHEN THE CORE**

High performing employees and effective systems and processes

### **FUTURE FOCUS**

Innovative and responsive organisation



### **VISION: EDUCATIONAL EXCELLENCE**

We are committed to providing exemplary equitable learning opportunities and environments to ensure quality inquiry-based learning for the 21st century child. To facilitate this, robust research will be undertaken, strong partnerships with whānau will be fostered and innovative educational programmes will be explored.

We value our professionally qualified teachers and provide support and guidance for them to continually build their knowledge and become experts in their field. As an organisation we are recognised as, and are, strong advocates for expertise in programme innovation, research, pedagogy, community engagement and environments.

We offer consistent quality Early Childhood Education to the highest standard and deliver on our promise of educational excellence for the benefit of all children.

### **VISION: FAMILY AND COMMUNITY ENGAGEMENT**

Over 100 years ago, the Auckland Kindergarten Association was established as a response to community need. We want to continue this legacy and strengthen the longevity of our charitable purpose.

We envisage AKA services at the heart of every community. This means working in partnership with community groups to create new services as well as strengthening the relationships between established kindergartens and their families/whānau. Every community is different and we need to be flexible in order to be relevant to their diverse needs and demands.

We recognise the unique position of Tangata Whenua and the influence of Pasifika and other cultures in many of our communities, and we respect parents and whānau in their role as the child's most important advocates and support.

By working in partnership with families and communities we will foster integration and enhance transitions for children and families to, from, and within ECE.

Every child benefits from participating in high quality early learning. We will target communities where children are most vulnerable and work collaboratively with social agencies and local services to increase our responsiveness to these families and support their access to quality ECE services.

### **VISION: STRENGTHEN THE CORE**

We have a responsibility today to set the platform for our longevity. We will do this by ensuring our systems and processes support our people to be experts in their field and enablers for innovation and change.

At the core of what we do is our commitment to best outcomes for young children. We are united by a shared vision and sense of purpose, underpinned by excellent governance and effective management. We acknowledge the importance of Te Tiriti o Waitangi and strive to ensure that the principles of partnership, participation and protection are embedded in all areas of our work.

Our decision making is based on shared values and is financially responsible. In order to achieve this we need to ensure that we clearly communicate our rationale and the impact of our decision making at all levels of the organisation. We value the contributions of all staff and will ensure that they are well informed and that they have the opportunity to be involved.

We take pride in the service we offer and are responsive to our customers and their changing demands. Our community and stakeholders know who we are and what we do, and they see us as leaders in education.

### **VISION: FUTURE FOCUS**

As an organisation we have an 'opportunity' mindset that enables innovation through listening to ideas, taking informed risks, embracing the right technology solutions and challenging the status quo.

We encourage new thinking at all levels of the organisation, recognising that the staff who work most closely in a particular field are likely to be amongst the first to recognise new opportunities. As a 'learning organisation' we will identify, refine and deliver on those ideas that will make the greatest difference for children, families, teachers, support and head office staff. A sound financial basis enables us to invest wisely in growth and innovation.

We foster strategic alliances with the Ministry of Education, ECE providers, Social Services, Academics and Community leaders in the understanding that collaborative approaches add value to all our work, and we will take the lead in proposing new initiatives that contribute to the achievement of better outcomes for children, families and whānau.

# MESSAGE FROM THE CHAIRPERSON OF THE AKA BOARD

## Tēnā Koutou

The past year has seen the Auckland Kindergarten Association (AKA) reflect on its 107 year history of stewardship for kindergarten, review the current environment within which we operate high quality early childhood education, and look to the future to enhance our service to children and whānau.

To this end, a comprehensive review of our purpose was undertaken which culminated in a 10 year strategy as shown throughout this report. Four key strategic pillars were identified alongside a vision and key objectives for each in the areas of Educational Excellence, Strengthen the Core, Family and Community Engagement and Future Focus. The expected behaviours for staff are supported by the Whakatauki and overarching purpose that we all have. There was extensive engagement with all of our key stakeholders throughout this process and the strategy was shared with all staff in October last year.

These changes also precipitated a re-structure and review of the Professional Services Managers' role and the creation of specialist areas for Curriculum & Pedagogy, Professional Practice and Operations. In addition, an Enviroschools Facilitator role was created, and our bi-cultural development programme has been strengthened with the Kaiarataki Māori and Kaihāpai Māori & Pasifika education roles.

The Education Review Office affirmed the quality provided by 39 of our kindergartens by providing positive feedback during their visits as part of their three-yearly cycle. Of these, 16 kindergartens met the new evaluation for high quality and will now move to a four yearly review cycle bringing our total number to 22.

The operational face of the AKA has continued to change with 104 kindergartens now providing the Kindergarten Day Model (essentially 9-3pm, which offers the longer and shorter sessions with a 1:10 ratio). The trend of the last few years of parents wanting longer hours is continuing. We will keep working with our communities to ensure our hours of operation meet their needs, now and into the future.

I would like to thank all the staff who work hard to make our kindergartens a positive learning environment, reinforcing the AKA's position as leaders in education. I would also like to recognise the commitment from parents and the wider AKA whānau that help make our kindergartens such a special place.

# SIGNIFICANT ACHIEVEMENTS AND EVENTS FOR THE YEAR ENDING 30TH JUNE 2015

## Education

- Mangere Bridge and Anchorage Park Kindergartens were finalists at the Prime Ministers Education Excellence Awards. Mangere Bridge won the award for 'Focussing on Learner-lead pathways'
- Seven kindergartens achieved Silver Reflection status and Grey Lynn completed their Green Gold reflection (the highest level)
- 100% of kindergartens are using Storypark to document children's learning and progress
- The Education Team completed a year-long project 'What is evidence?' with the NZ Teachers Council (now EDUCANZ)
- Twelve kindergartens were involved in the Ministry of Education's Special Education Inclusion project
- Four kindergartens were involved in the Ministry of Education Rapid Cycle Change Evaluation Model
- Two Head Teachers presented at the Melbourne Transition to School & Inclusion Conference
- A comprehensive review of the Curriculum and Pedagogy Policy and Procedures was undertaken.

## Property

- Five kindergarten capital projects completed; total cost approximately \$2.4m
- Two kindergarten playgrounds upgraded; total cost approximately \$684k
- Seven buildings had complete repaints and flooring replacement to bring them up to the AKA standard ensuring clean and hygienic surfaces throughout
- Two buildings had acoustic absorption ceilings installed
- Established and enhanced our working relationship with Auckland City for building and resource consent works; we are now included in their 75 high value client list
- Continued to work collaboratively with the independent panel and Auckland City on the Auckland Unitary Plan to ensure areas effecting early childhood education were addressed.

## Finance

- The Finance Support Officer focus group has continued to streamline and improve reporting and remove unnecessary financial processes; including a full refresh of the accounts payable and petty cash procedures
- Further improvement to the grants process to increase the time spent on applying for grants rather than non-value add activities.

## Health and Safety

- Appointment of a Health and Safety Specialist
- ACC Workplace Management Practices Programme Audit achieved tertiary level accreditation for a 3rd consecutive period
- A concentrated focus on Hazard and Incident Management processes at Head Teacher Hui
- Enhanced the process for managing the ACC Reimbursement Programme to provide greater efficiency of reimbursement processes
- Utilised one provider for Occupational Therapy workplace assessments.

## Human Resources

- Snaphire e-recruitment tool implemented. All roles are now advertised on the Careers site (accessed via the AKA website)
- Presented a Harassment and Bullying Awareness Seminar at Head Teacher Hui
- Employee induction and orientation project well established with a pilot of on boarding aspects for all roles being undertaken
- Established a focus group to review the Head Teacher position description
- Implemented changes in police vetting of employees in accordance with the Vulnerable Children Act 2015.





## Marketing

- Marketing and Digital Manager appointed
- Refreshed and launched the new AKA and KiNZ websites
- Creation of the AKA promotional video
- Successful 'Discover Your Local Kindergarten' campaign to raise awareness of kindergarten
- Rebranding of KiNZ care and early learning centres
- Developed a 'Red Carpet' customer service training programme in conjunction with EMA.

## ICT

- E-portfolios (Storypark) rolled out for all kindergartens and centres across the AKA with 3,800 parents currently joined, 26,000 comments shared and 21,500 e-learning stories having been viewed.

## Family and Community Engagement

- Establishment of Te Whānau Atawhai as a steering group for the bi-cultural development strategy
- Enhanced the Kaiarataki Māori and Kaihāpai Māori and Pasifika roles
- Developed the Whakamanawa programme which was rolled out to 19 kindergartens
- Appointed a Child and Family Advocate
- Appointed an Early Language Specialist
- Appointed a Playgroup Facilitator who established three additional playgroups (working in partnership with decile 1 & 2 schools to engage priority families in high quality early learning experiences)
  - Lincoln Heights opened 15/09/2014
  - Panama Road opened 04/11/2014
  - Hay Park opened 10/03/2015
- Pilot of Oral Language Programme, Kelston Girls Playgroup
- Delivered five Incredible Years Parent programmes and 12 Teacher programmes.

## KiNZ care and early learning

- Chief Operating Officer appointed with the objective to refresh the KiNZ brand and grow the number of KiNZ centres
- Strategic Plan developed that will deliver upon the growth objectives and provide a return on investment to the AKA
- ERO has recognised two of the four KiNZ centres as 'very well placed', and these are now on a four year review cycle. The other two KiNZ centres will be reviewed later this year.

## Financial Matters

The Government Budget 2015 allowed for no increase in bulk funding for the early childhood sector, however Kindergarten Associations did receive a slight increase in funding to meet the Kindergarten Teachers' Collective Agreement Pay Scale increase. The financial statements for the year ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and an unqualified audit report has been issued by Deloitte. The key reports and those most read are in this report; however a full copy can be accessed on the AKA's website [www.aka.org.nz](http://www.aka.org.nz) or by calling 09 373 5635.

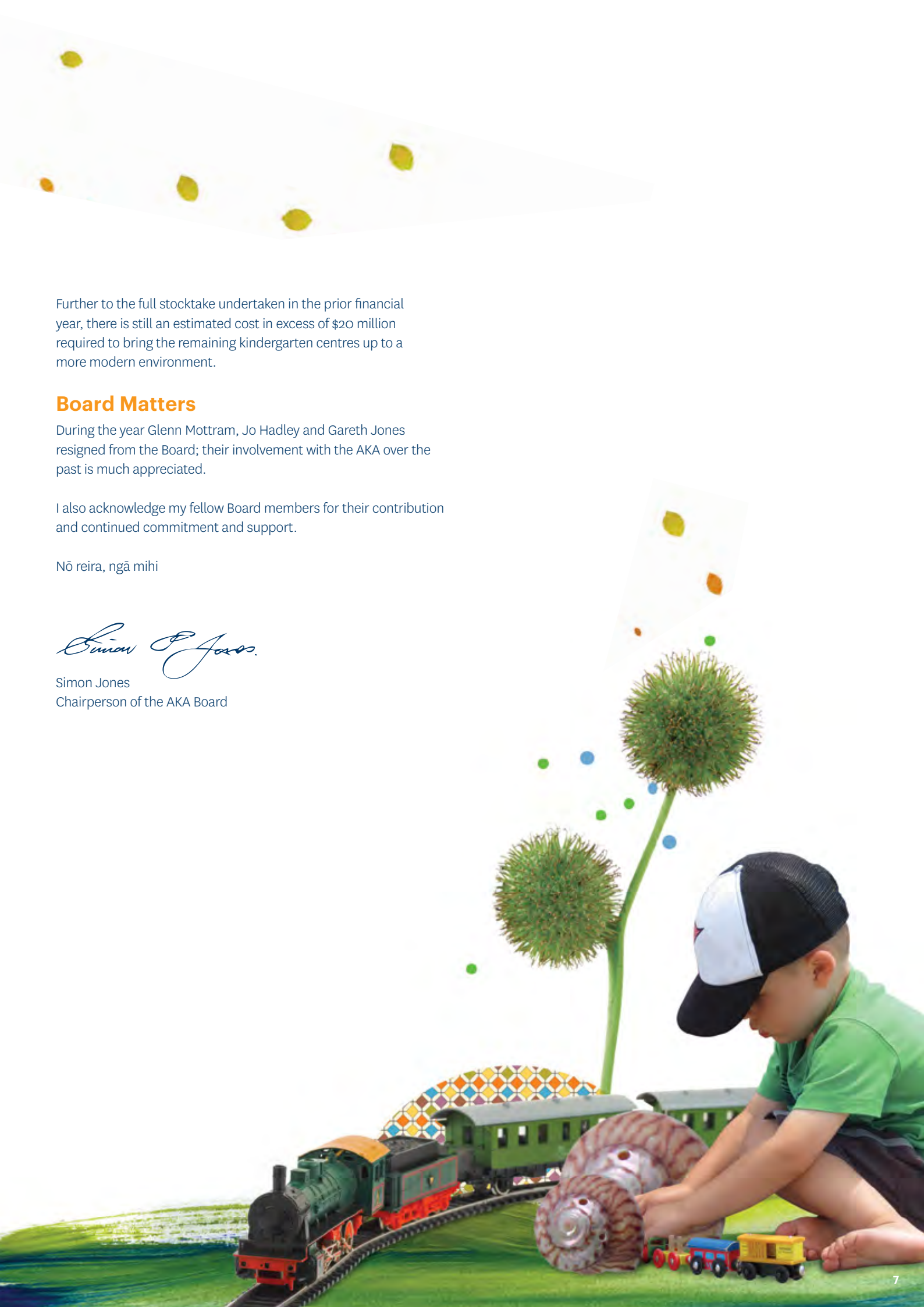
The "consolidation" is the combination of the Association and the 100% owned subsidiary company, Kindergarten NZ Ltd (KiNZ). This company operates four early learning centres and provides advisory consultancy to the ECE sector.

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:

<b>\$NZ000's</b>	<b>2015</b>	<b>2014</b>
Consolidated Profit/(Loss)	<b>1,937</b>	(760)

It is important to note that following on from the previous year's capital investment, an additional \$3.6 million has been allocated in the 2016 financial year for the upgrade of older buildings and playgrounds to transform them into modern kindergarten facilities. A further \$2 million has also been allocated for general repairs and maintenance and infrastructure works to the facilities, upkeep of our buildings, and improvement of our playgrounds. Further utilisation of Reserves has been planned for the future financial years property works.





Further to the full stocktake undertaken in the prior financial year, there is still an estimated cost in excess of \$20 million required to bring the remaining kindergarten centres up to a more modern environment.

## Board Matters

During the year Glenn Mottram, Jo Hadley and Gareth Jones resigned from the Board; their involvement with the AKA over the past is much appreciated.

I also acknowledge my fellow Board members for their contribution and continued commitment and support.

Nō reira, ngā mihi



Simon Jones  
Chairperson of the AKA Board

The AKA is New Zealand's largest kindergarten association

## KEY STATISTICS

2

KINZ CENTRES  
WITH 4 YEAR

"VERY WELL PLACED"  
ERO reviews

22

KINDERGARTENS  
WITH 4 YEAR

"VERY WELL PLACED"  
ERO reviews

### OUR SERVICES

Kindergarten

Playgroups

Incredible  
Years  
Programme

Whakamanawa  
Programme

KiNZ Advisory

Family &  
Community  
Engagement

KiNZ Care &  
Early Learning Centres

EnviroSchools  
Coordination

Early  
Language  
Specialist

107  
Kindergartens

4  
KiNZ  
Care and Early  
Learning Centres

4  
Playgroups  
(certified)



Currently enrolled at  
Auckland Kindergarten  
Association (as at 30 June 2015)

**3903**  
Children

NZ European 60.9%

NZ Maori 9.8%

Pacific Island 8.8%

Other Asian 5.6%

Indian 5.3%

Chinese 4.9%

European 1.3%

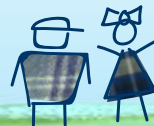
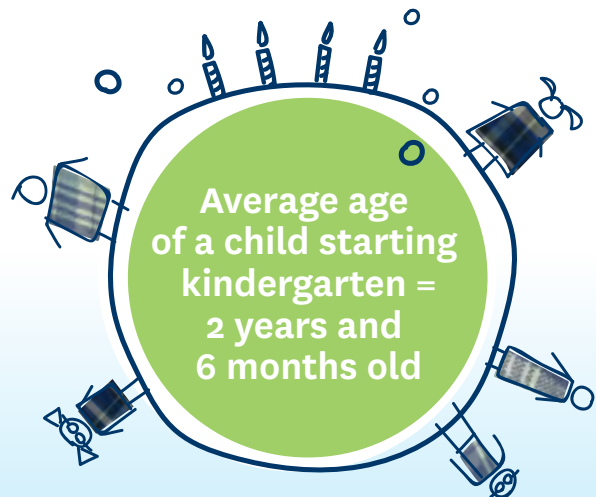
African 1.2%

American\* 0.9%

Middle Eastern 0.8%

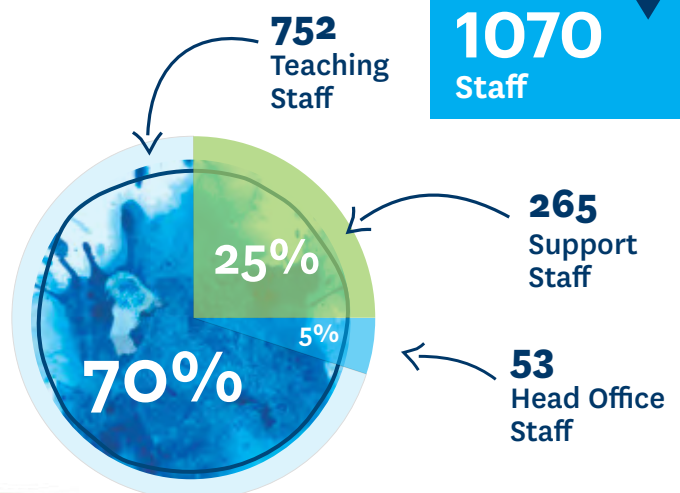
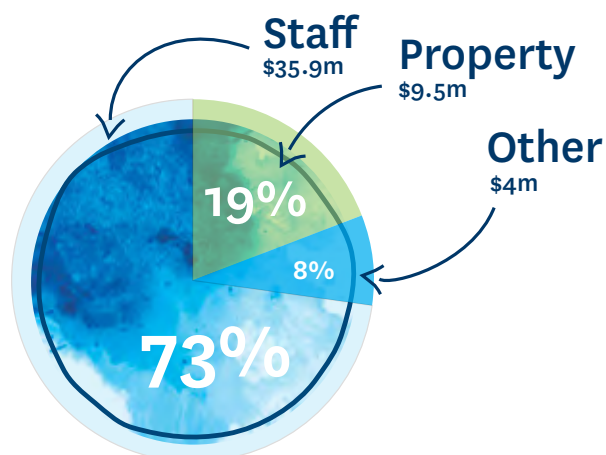
Australian 0.5%

\* includes both South and North American



We spend our income on ...

Employee grouping



# STATEMENT OF COMPREHENSIVE INCOME

For the 12 months ended 30 June 2015

\$NZ000's	Notes	Consolidated	
		2015	2014
Revenue	2	50,054	46,266
Other income	2	1,418	1,505
		51,472	47,771
<b>Expenses</b>			
Staff		35,960	33,825
Professional and consultancy fees		708	710
Management administration		43	42
Property and resources		9,504	10,973
Depreciation	8	1,863	1,725
Loss / (gain) on disposal of fixed assets		2	4
Office administration		962	790
Marketing and public relations		493	462
		49,535	48,531
<b>Profit / (loss) for the period</b>		1,937	(760)
Other comprehensive income		-	-
<b>Total comprehensive profit / (loss)</b>		1,937	(760)

# STATEMENT OF CHANGES IN EQUITY

For the 12 months ended 30 June 2015

\$NZ000's	Consolidated	
	2015	2014
<b>Opening balance</b>	27,444	28,204
Profit / (loss) for the period	1,937	(760)
Total comprehensive profit / (loss)	1,937	(760)
<b>Closing balance</b>	29,381	27,444



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

\$NZ000's	Notes	Consolidated	
		2015	2014
<b>Current assets</b>			
Cash and cash equivalents	17	9,676	11,229
Trade and other receivables	5	1,208	1,217
Other	6	80	122
<b>Total current assets</b>		<b>10,964</b>	12,568
<b>Non-current assets</b>			
Investments	7	2,305	-
Property, plant and equipment	8	22,407	21,660
<b>Total non-current assets</b>		<b>24,712</b>	21,660
<b>Total assets</b>		<b>35,676</b>	34,228
<b>Current liabilities</b>			
Trade and other payables	9	4,737	5,143
Deferred income	10	83	83
<b>Total current liabilities</b>		<b>4,820</b>	5,226
<b>Non-current liabilities</b>			
Deferred income	10	1,475	1,558
<b>Total non-current liabilities</b>		<b>1,475</b>	1,558
<b>Total liabilities</b>		<b>6,295</b>	6,784
<b>Net assets</b>		<b>29,381</b>	27,444
<b>Equity</b>			
Retained earnings		29,381	27,444
<b>Total equity</b>		<b>29,381</b>	27,444

On behalf of Auckland Kindergarten Association Board:



**Chairperson**

29 September 2015



**Board Member**

# CASH FLOW STATEMENT

For the 12 months ended 30 June 2015

\$NZ000's	Notes	Consolidated	
		2015	2014
<b>Cash flows from operating activities</b>			
Government funding received		<b>44,817</b>	41,429
Interest received		<b>787</b>	820
Receipts from parents		<b>4,298</b>	3,824
Sundry income		<b>1,440</b>	1,695
Payments to employees		<b>(35,747)</b>	(32,996)
Payments to suppliers		<b>(12,231)</b>	(12,098)
<b>Net cash provided by/(used in) operating activities</b>	17(b)	<b>3,364</b>	2,674
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		<b>(2,614)</b>	(4,045)
Payment for term deposit		<b>(2,305)</b>	-
Proceeds from sale of property, plant and equipment		<b>2</b>	2
<b>Net cash used in investing activities</b>		<b>(4,917)</b>	(4,043)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,553)</b>	(1,369)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>11,229</b>	12,598
<b>Cash and cash equivalents at the end of the period</b>	17(a)	<b>9,676</b>	11,229

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 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 ("Association" or "Group"). The principal activity of the Group is the provision of Early Childhood Education.

### **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 Board on 29 September 2015.

### **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**

Management has exercised judgment in determining whether to capitalise works on kindergartens, based on the nature of the work performed. Refer note 1 (f).



# NOTES TO THE 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of accounting policies (cont'd)

### **(c) Revenue recognition**

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

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.

Parent fees are recognised on a cash basis.

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) 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.

### **(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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of accounting policies (cont'd)

### **(f) Property, plant and equipment (cont'd)**

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.

### **(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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of accounting policies (cont'd)

### (i) Principles of consolidation (cont'd)

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.

### (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 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 asset structure of the Association.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of accounting policies (cont'd)

### **(m) Income tax**

The parent entity, Auckland Kindergarten Association is a registered Charitable Trust and has a wholly owned subsidiary, Kindergarten NZ Limited, which is also a registered charitable entity. 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.

### **(o) Adoption of new and revised Standards and Interpretations**

For periods beginning on or after 1 April 2015, new PBE standards will become applicable for not-for-profit entities. The XRB A1 Accounting Standards Framework establishes a tier structure, criteria for the tiers and related accounting standards. It is expected that the financial statements for the Group will need to be prepared in accordance with Tier 1 – PBE Accounting Standards (NFP). The transition will require a review of the Group's accounting policies to consider the impact of the recognition, measurement and disclosure of items in the financial statements.





# NOTES TO THE FINANCIAL STATEMENTS

## 2. Profit from operations

\$NZ000's	Consolidated	
	2015	2014
<b>(a) Revenue</b>		
Bulk funding income	27,809	26,530
20 hours ECE funding	16,158	14,491
	43,967	41,021
Equity funding income <b>(i)</b>	1,037	657
Parent contributions:		
Donations	40	67
Fees	4,050	3,270
Optional charges	208	487
	4,298	3,824
Interest revenue:		
Cash and cash equivalents	752	764
	50,054	46,266
<b>(i) Equity funding income</b>		
An analysis of expenditure is as follows:		
Property	75	71
Sundry expenses	128	99
Support staff	16	16
Teaching resources	324	287
Participation and Engagement	494	184
	1,037	657
<b>(b) Other income</b>		
Government grants recognised as income	83	83
	83	83
Other grants received	171	264
Sundry income	1,164	1,158
	1,418	1,505
<b>(c) Other expenses</b>		
Kiwisaver employer contributions	711	592

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Key management personnel compensation

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

\$NZ000's	Consolidated	
	2015	2014
Short-term employee benefits	1,119	915
	1,119	915

## 4. Remuneration of auditors

\$NZ000's	Consolidated	
	2015	2014
Audit of the financial statements	54	47
Other assurance services – Dcode	-	3
	54	50

The auditor of Auckland Kindergarten Association is Deloitte.

## 5. Trade and other receivables

\$NZ000's	Consolidated	
	2015	2014
Funding receivable	620	434
Debtors	109	119
Goods and services tax (GST) receivable	479	664
	1,208	1,217

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

## 6. Other current assets

\$NZ000's	Consolidated	
	2015	2014
Prepayments	27	25
Sundry debtors	53	97
	80	122

## 7. Investments

\$NZ000's	Consolidated	
	2015	2014
Term Deposits	2,305	-
	2,305	-

# NOTES TO THE FINANCIAL STATEMENTS

## 8. Property, plant and equipment

### Consolidated

\$NZ000's	Land at cost	Buildings at cost	Playgrounds at cost	Plant and equipment at cost	Capital work in progress	Total
<b>Gross carrying amount</b>						
<b>Balance at 30 June 2013</b>	342	21,126	3,008	6,245	578	31,299
Additions	-	2,789	345	638	853	4,625
Disposals	-	-	(11)	(426)	(578)	(1,015)
<b>Balance at 30 June 2014</b>	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)
<b>Balance at 30 June 2015</b>	<b>342</b>	<b>26,262</b>	<b>3,725</b>	<b>6,915</b>	<b>199</b>	<b>37,443</b>
<b>Accumulated depreciation</b>						
<b>Balance at 30 June 2013</b>	-	(5,535)	(1,707)	(4,711)	-	(11,953)
Disposals	-	-	4	425	-	429
Depreciation expense	-	(828)	(205)	(692)	-	(1,725)
<b>Balance at 30 June 2014</b>	-	(6,363)	(1,908)	(4,978)	-	(13,249)
Disposals	-	-	6	70	-	76
Depreciation expense	-	(939)	(226)	(698)	-	(1,863)
<b>Balance at 30 June 2015</b>	-	(7,302)	<b>(2,128)</b>	<b>(5,606)</b>	-	<b>(15,036)</b>
<b>Net book value</b>						
As at 30 June 2014	342	17,552	1,434	1,479	853	21,660
As at 30 June 2015	<b>342</b>	<b>18,960</b>	<b>1,597</b>	<b>1,309</b>	<b>199</b>	<b>22,407</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 9. Trade and other payables

\$NZ000's	Consolidated	
	2015	2014
Creditors and accruals	2,292	2,905
Employee entitlements	2,453	2,240
Goods and services tax (GST) payable	(8)	(2)
	4,737	5,143

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

Deferred income relates to Capital Accommodation Grants received under the Government Discretionary Grant Scheme for the construction of KiNZ East Tamaki Early Learning Centre (\$980,600 GST inclusive received 2006/2007) and KiNZ Mission Heights Early Learning Centre (\$1,364,113 GST inclusive received 2010/2011).

\$NZ000's	Consolidated	
	2015	2014
Balance brought forward	1,641	1,724
Recognised as income	(83)	(83)
Balance carried forward	1,558	1,641
Current portion	83	83
Term portion	1,475	1,558
	1,558	1,641

## 11. Capital expenditure commitments

\$NZ000's	Consolidated	
	2015	2014
Building and playground upgrades	940	446
	940	446

## 12. Contingent liabilities and contingent assets

None known.

## 13. Subsequent events

None known.



# NOTES TO THE FINANCIAL STATEMENTS

## 14. Operating leases

### (a) Leasing arrangements

Operating leases relate to office building leases with terms of 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

\$NZ000's	Consolidated	
	2015	2014
Minimum lease payments	203	471
	203	471

### (c) Non-cancellable operating lease payments

\$NZ000's	Consolidated	
	2015	2014
Not longer than 1 year	203	269
Longer than 1 year and not longer than 5 years	-	202
	203	471

## 15. Subsidiaries

		Ownership interest and voting rights	
Name of Entity	Country of incorporation	2015 %	2014 %
Parent entity			
Auckland Kindergarten Association	New Zealand	-	-
Subsidiary			
Kindergarten NZ Limited	New Zealand	100	100

## 16. Related party disclosures

There were management fees of \$60,000 (2014: \$60,000) and a dividend of \$nil (2014: \$nil) paid by Kindergarten NZ Limited to Auckland Kindergarten Association for the 12 months ended 30 June 2015. The Chairperson was paid an honorarium of \$10,500 for the 12 months ended 30 June 2015 (2014: \$10,050).

A Board Member, Lee-Anne Coburn, is the partner of a company lawyer, Brian Coburn (Hesketh Henry) which AKA engages for legal advice. Fees paid to Hesketh Henry was \$40,000 for 2015. (2014: \$19,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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:

\$NZ000's	Consolidated	
	2015	2014
Kindergartens	3,111	2,979
Head Office	3,203	5,430
Kindergarten NZ Limited	3,362	2,820
	9,676	11,229

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

\$NZ000's	Note	Consolidated	
		2015	2014
Profit/(loss) for the period		1,937	(760)
Loss on sale or disposal of non-current assets		2	4
Depreciation of non-current assets	8	1,863	1,725
Changes in net assets and liabilities:			
(Increase)/decrease in assets:			
Current receivables		11	(243)
Other current assets		42	1
Increase/(decrease) in liabilities:			
Current payables		(408)	2,030
Deferred income		(83)	(83)
Net cash inflow/(outflow) from operating activities		3,364	2,674

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 FINANCIAL STATEMENTS

## 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 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.

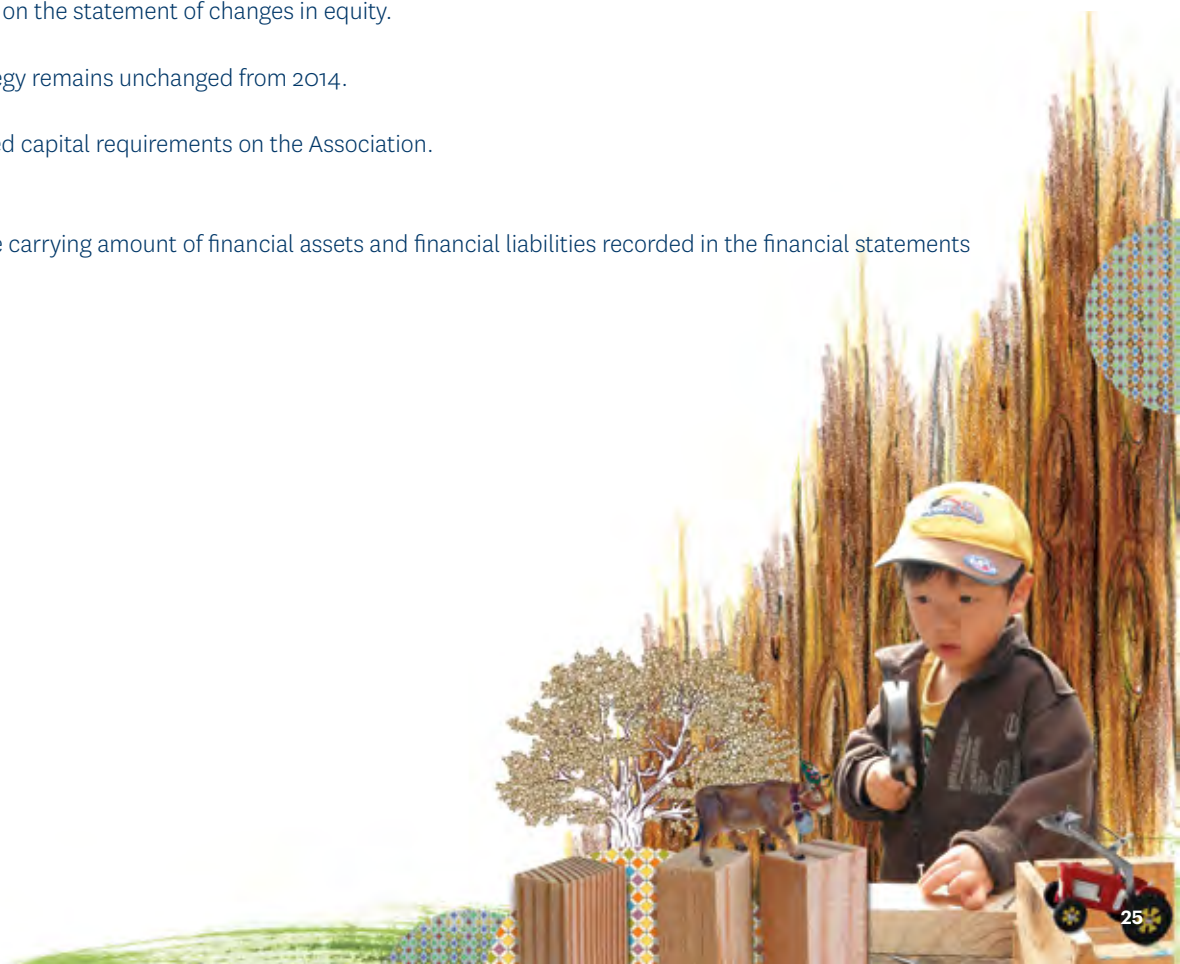
The capital structure of the Association consists of cash and cash equivalents as disclosed in Note 17, and equity, comprising retained earnings as disclosed on the statement of changes in equity.

The Association's overall strategy remains unchanged from 2014.

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.



# NOTES TO THE FINANCIAL STATEMENTS

## 18. Financial instruments (cont'd)

### (f) Categories of financial instruments

Consolidated at 30 June 2015			
\$NZ000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
<b>Assets</b>			
Cash and cash equivalents	9,676	-	9,676
Trade and other receivables	729	-	729
Sundry debtors	53	-	53
Total financial assets	10,458	-	10,458
Total non-financial assets	-	-	25,218
Total assets	-	-	35,676
<b>Liabilities</b>			
Creditors and accruals	-	2,292	2,292
Total financial liabilities	-	2,292	2,292
Total non-financial liabilities	-	-	4,003
Total liabilities	-	-	6,295

Consolidated at 30 June 2014			
\$NZ000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
<b>Assets</b>			
Cash and cash equivalents	11,229	-	11,229
Trade and other receivables	553	-	553
Sundry debtors	97	-	97
Total financial assets	11,879	-	11,879
Total non-financial assets	-	-	22,349
Total assets	-	-	34,228
<b>Liabilities</b>			
Creditors and accruals	-	2,905	2,905
Total financial liabilities	-	2,905	2,905
Total non-financial liabilities	-	-	3,879
Total liabilities	-	-	6,784

# NOTES TO THE FINANCIAL STATEMENTS

## 19. Government funding subsidies

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

	Equity funding received \$
Anchorage Park	<b>7,147</b>
Aorere	<b>12,156</b>
Avondale	<b>8,299</b>
Bairds	<b>19,449</b>
Birdwood	<b>2,817</b>
Colwill	<b>4,787</b>
Don Buck	<b>8,750</b>
Favona	<b>15,669</b>
Flat Bush	<b>17,390</b>
Glen Eden	<b>6,370</b>
Glen Eden West	<b>3,325</b>
Glen Innes	<b>21,403</b>
Henderson	<b>9,684</b>
Hillsborough	<b>8,110</b>
Kingsdene	<b>11,391</b>
KiNZ East Tamaki*	<b>109,797</b>
Kotiri	<b>6,055</b>
Lincoln North	<b>14,065</b>
Mangere West	<b>22,510</b>
Massey	<b>5,010</b>
Mayfield	<b>21,783</b>

	Equity funding received \$
McNaughton	<b>11,768</b>
Mt Roskill	<b>7,763</b>
Murdoch Park	<b>11,783</b>
New Lynn	<b>8,620</b>
Omana	<b>9,636</b>
Oranga	<b>3,525</b>
Otahuhu	<b>15,732</b>
Otahuhu Central	<b>7,904</b>
Owairaka	<b>6,074</b>
Papatoetoe	<b>8,446</b>
Pt England	<b>18,579</b>
Ranui	<b>12,055</b>
Roskill South	<b>6,575</b>
St Johns	<b>6,590</b>
Sunnyvale	<b>4,957</b>
Sylvia Park	<b>3,096</b>
Waterview	<b>18,077</b>
Wellsford	<b>7,201</b>
Wesley	<b>13,620</b>
Yendarra	<b>25,405</b>
Participation & Engagement	<b>494,034</b>
	<b>1,037,407</b>

For further analysis of expenditure for equity funding refer to Note 2(a)(i).

\* KiNZ East Tamaki equity funding received consists of

component A: Low social economic (\$94,122)

component B: Special needs & non-English speaking backgrounds (\$15,675)

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



# INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Auckland Kindergarten Association and its subsidiary ("the Group") on pages 10 to 27, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated 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 these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards with Public Benefit Entity Modifications and generally accepted accounting practice in New Zealand, 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 entity'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 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 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. 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. These services have not impaired our independence as auditor of Auckland Kindergarten Association and Group. 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 27 present fairly, in all material respects, the financial position of Auckland Kindergarten Association and its subsidiary as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards with Public Benefit Entity Modifications and generally accepted accounting practice in New Zealand.



### Chartered Accountants

29 September 2015

Auckland, New Zealand

This audit report relates to the financial statements of Auckland Kindergarten Association for the year ended 30 June 2015 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 29 September 2015 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.

# AKA BOARD MEMBERS



**Simon Jones**

**Chairperson**

MBA, MCom (Hons), CA  
Chief Financial Officer  
Aotearoa Fisheries Limited



**Robin Houliker**

**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 & Compliance  
TOWER Insurance



**Lee-Anne Coburn**

BA, LLB  
Manager  
Hearing Association  
(Auckland) Inc.

# KiNZ BOARD MEMBERS



**Jeremy Drummond**

**Chairperson**

LLB Executive Officer  
SPELD NZ Inc.



**Ken Knarston**

Company Director



**Ron Crawford**

Director of Painting and  
Decorating Business



**Giles Ellis**

Bachelor of Commerce  
CA Managing Director of GECA  
Chartered Accountants



**Grant Simpson**

CA General Manager of Tasman Liquor  
Company Limited



**Graham Rose**

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

# ACKNOWLEDGEMENTS 2015

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

- Auckland Airport Community Trust
- Auckland City Council
- Blue Sky Community Trust
- Chenery Memorial Trust
- 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 RSA's
- Mt Wellington Foundation
- North and South Trust
- NZ Post
- SPARC
- The June Gray Charitable Trust
- The Trusts Community Foundation Inc (TTCF)
- Trillian Trust
- Westpac Bank
- Winger Motors Ltd
- All those who fundraise to assist kindergartens.





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