



ANNUAL REPORT 2017

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“All the kids are supposed
to come here and play.

This is the best kindy
in the world!”

**NOAH HENK (4)
DEVONPORT KINDERGARTEN**



MESSAGE FROM THE CHAIRPERSON OF THE BOARD

Tēnā koutou kātoa

Welcome to the Auckland Kindergarten Association's (AKA) Annual Report for its 109th year of operation. We are proud to provide high quality early childhood education to more than 10,000 young children who attend our 117 kindergartens, centres and playgroups throughout the year.

The year has seen significant change within the AKA as we look to provide the best kindergarten offering to meet the needs of our communities. This year also marked the centenary anniversary of the opening of the Association's iconic Myers Kindergarten. It was a pleasure to welcome many distinguished guests including the Mayor of Auckland, Phil Goff, past and present teachers and tamariki to the anniversary celebration. We were also delighted that Dave Birch, a former kindergartner from the late '30s was able to join us and share some of his recollections. In conjunction with the Myers celebration, we published the book '100 Years Young' by Kerry Bethell.

In keeping with our commitment of valuing our heritage, and the fast changes occurring in our sector we also had the history of the AKA updated with the release of the book 'For the Children, A History of the Auckland Kindergarten Association 1908 – 2016' by Tania Mace. This is a comprehensive review of AKA's history, including each individual centre.

Educational Excellence

Two new work streams have been developed to enhance the achievement of educational excellence in our kindergartens and centres. The first was the creation of a specific role to support the Government's Communities of Learning initiative which has seen a rise in the participation of our kindergartens working with their local schools to address achievement challenges. The establishment of the second work stream, the AKA Learning Support function, has enabled us to respond to internal referrals from 57 of our services for direct support for 93 children. As part of this support we provided up to 200 hours a week of additional teacher aide hours to free up teachers to work on children's goals.

The AKA has specialist teams involved with Learning Support, Early Language, Oranga Tamariki, Positive Behaviour, Kaiarataki Maori, Education for Sustainability and Curriculum. The range and depth of support of these roles is making a positive difference at a local level for children and families. Our specialist teams also continue to work closely with other agencies.

We continued to develop our outcomes-based framework and methodology to measure and evaluate the foundations for ongoing learning and the engagement of families and communities. The work in this area saw us as one of the finalists for the Prime Minister's Education Excellence Awards.

Our centres that were reviewed by the Education Review Office received positive commentary, which is a testament to the excellent work our teachers have put in over the last year. They highlight a magnificent commitment to bicultural teaching practices and our bicultural journey, an unwavering dedication to the importance of child-led initiatives and a keenness to share learnings throughout the organisation.

Premises and Facilities

We continue to place a strong focus on building a sustainable future for the AKA and this year we opened a new KINZ centre in Orewa, with planning well underway for new centres in Pukekohe and Pokeno.

A new playgroup was opened in Glendene in partnership with Glendene Primary School and we are pleased that this new parent-led service offering, supported by our Playgroup Specialist is increasing participation of children and families.

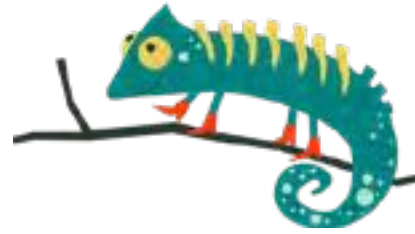
Many of our kindergartens are located in older buildings and our capital and facilities investment programme is important. This year \$4m was spent on property maintenance and upgrades and ensuring our buildings and play areas and equipment are safe to meet the needs of children and staff.

We are now welcoming children and their families to a purpose-built property at Pt Chevalier.

Families

A significant issue that has been grappled with during the past year is the demand from families in Auckland for increased flexibility, and to have the option of kindergarten attendance for their children





during school holidays. We therefore decided to extend our hours of operation by one hour a day, and to offer the kindergarten experience during school holidays, if parents wished to utilise this option. It also offers teachers the additional flexibility to decide when to take their holidays rather than having their holidays set by school breaks.

While these changes have been embraced by many, the Board is aware that some parents are questioning the benefits of the extended offering and are concerned that the change may impact the quality of the kindergarten experience for children, parents, and staff. Following significant research and communications with families and teachers, the Board is confident that offering parents the choice of existing hours, or access to the additional hour and school holidays, is a good balance between meeting parent's changing needs and delivering a top quality early childhood education programme.

As at the end of September we have 30 kindergartens offering the extended service. However, as there has been some feedback from parents against the changes the AKA has decided to formally evaluate the effect of the changes to determine how this may impact further roll out.

Staff

Whenever I visit a kindergarten I am always impressed by the passion of our teaching staff and their expertise in early learning. Our teaching teams are assisted by dedicated support staff who are committed to their local kindergarten team and families.

An advantage of the AKA's scale is the ongoing education and training available to our staff. In addition to the compulsory component of professional learning & development, including Child Protection, Cyber Safety and First Aid training, this year the AKA offered workshops as diverse as Playful Literacy, Autism Spectrum Disorder and Health and Nutrition. Once again our teachers have also contributed their professional knowledge and research at both international and national levels.

The Kindergarten Teachers' Collective Agreement was negotiated and settled between the Ministry of Education and NZEI Te Riu Roa. We are pleased that pay parity was retained with primary teachers.

On behalf of the Board I would like to acknowledge and thank each and every one of you for your dedication to the AKA. We cannot

operate a successful early childhood learning programme without the enthusiasm and hard work of those both in teaching and support roles.

Financial Results

The summary financial statements are at the back of this Annual Report, and a full copy can be accessed on the AKA's website www.aka.org.nz.

The AKA had a surplus for the year of \$397,000 (2016: \$486,000). Being a not-for-profit entity, it is a difficult balance to provide high quality early childhood education at the lowest possible cost for families, but to also ensure the AKA operates at a sufficient surplus in order to fund the ongoing extensive capital works required from operating our services. In the year we undertook a property portfolio audit which indicated that around \$20m is required to continue to maintain our buildings into the future.

Board

The AKA has continued to strengthen Board capability to better deal with the many challenges it is faced with. The prior year we added human resource management and government sector experience to the skill mix, and this year we welcomed Richard Neal and Rachael Tuwhangai. Both Richard and Rachael have strong education sector ties and experience.

At the Annual General Meeting in November 2016, Jeremy Drummond retired from the Board after more than 20 years of governance involvement with the AKA; including her first experiences on the parent committee at Parnell Kindergarten. In recognition of her unparalleled time with the AKA, her enormous contribution and her strong leadership through transformational times from 1998-2016, Jeremy was awarded AKA life membership. Jeremy remains as Chair of the KiNZ Board.

Nō reira, ngā mihi

Simon Jones

Chairperson of the Auckland
Kindergarten Association Board



AKA BOARD MEMBERS

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

Lee-Anne Coburn BA, LLB

Jeremy Fleming B Forestry Science (Hons)
 Consultant

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

Robin Houliker MEd (Hons)
 Education Consultant – Learning Expressed Limited

Richard Neal BA (Hons) Māori and Indigenous Studies, BA (Hons) Philosophy
 Lead of the Tauria Experience – Te Wānanga O Aotearoa

Clive Nelson MBA
 Chief Executive Officer – Health Promotion Agency

Carolyn Tremain BA
 Acting Chief Executive – Ministry of Business, Innovation and Employment

Rachael Tuwhangai M.Ed, M.ProfSt (LangTch), DipTchg
 Managing Director – Māori and Pasifika Support Services

KINZ BOARD MEMBERS

Jeremy Drummond LLB
Chairperson
 Executive Officer – SPELD NZ Inc.

Anne Bateman MPA, MSW
 Managing Director of Bateman Consulting Group
 Head of Mental Health – Homecare Medical (National Telehealth)

Fiona Michel MBA
 Chief HR Officer – Auckland DHB

Graham Rose CA
 Financial Controller – Coca-Cola Amatil (NZ) Ltd

Grant Simpson CA
 General Manager – Tasman Liquor Company Limited

LIFE MEMBERS

Sue Crockett

Jeremy Drummond

Denise Iversen

Ian Kendall

Hewitt Harrison



ALL ABOUT JONAS

Jonas Wright's two big sisters think he is getting a big head. They could be right ... his photo on the front page of this very Annual Report is just the latest piece of Auckland Kindergarten Association collateral to feature him.

Driving around Auckland past AKA kindergarten signs, Jonas will often casually point out the window – “That’s my photo” and then another sign – “that’s my photo” and yet another – “that’s my photo again.”

Mum, Agnes, says his sisters will say “Jonas is being bigheaded about himself Mum” but she says it’s all good-natured.

“They love him and are proud of him. He is proud of himself too and, to be honest, I was very impressed with him when we did the shoot – it was two hours of posing and changing outfits and he was really good the whole time and followed all the instructions.”

Mum wasn’t the only one impressed. The shoot team have called him “a dream model!”

Jonas (4) is of Samoan heritage and, along with his two long-suffering older sisters (8 and 6)

he has a two-year-old baby brother, Gazelem, who has just joined him at Kingsdene Kindergarten in Mangere.

When Jonas was chosen to take part in a photo shoot for AKA, Agnes and Dad, Helaman, went with him thinking they would be one of a number of families there.

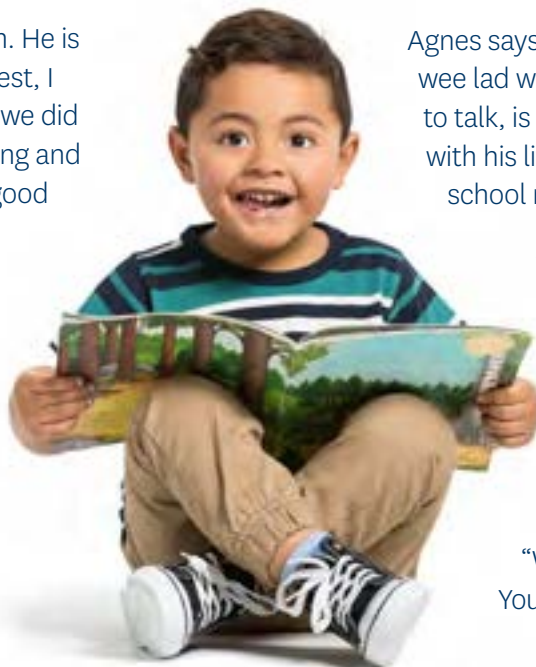
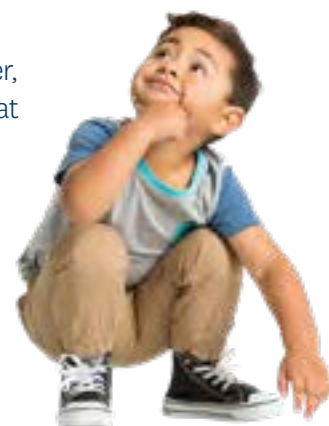
When they got there, they realised it was all about Jonas!

Agnes says he is an open, honest and confident wee lad who has lots of friends at kindy, loves to talk, is good about sharing his kindy family with his little brother and is looking forward to school next year.

So what does he really think of all the photos of himself and does he want to be a model when he grows up?

“I think it’s awesome!” Jonas says, but it’s a ‘no’ to being a model.

“When I grow up I want to be on YouTube and a dancer!”



STRATEGY 2025

Whāngaia ka tupu, ka puāwai

That which is nurtured, grows and blossoms

PURPOSE

As a leading and influential ECE provider, our purpose is to provide exemplary ECE 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

STRATEGY PILLARS

EDUCATIONAL EXCELLENCE

Cutting edge pedagogy.

FAMILY AND COMMUNITY ENGAGEMENT

Communities of learning.

STRENGTHEN THE CORE

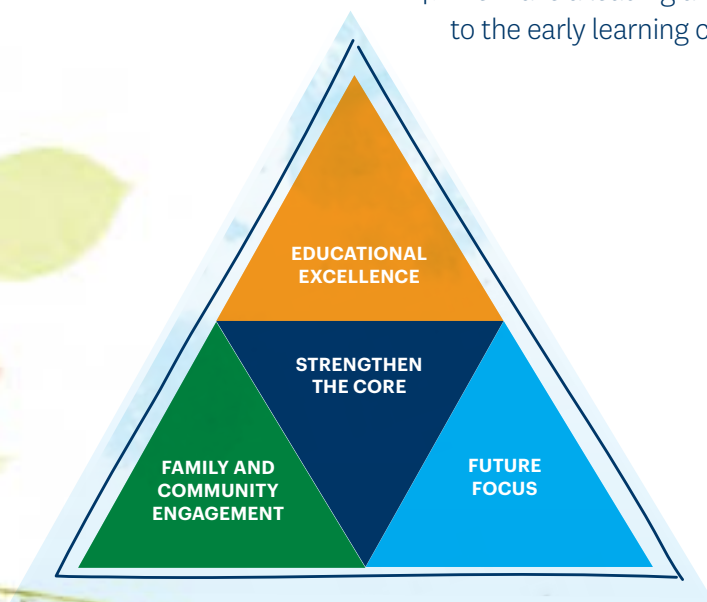
High performing employees and effective systems and processes.

FUTURE FOCUS

Innovative and responsive organisation.

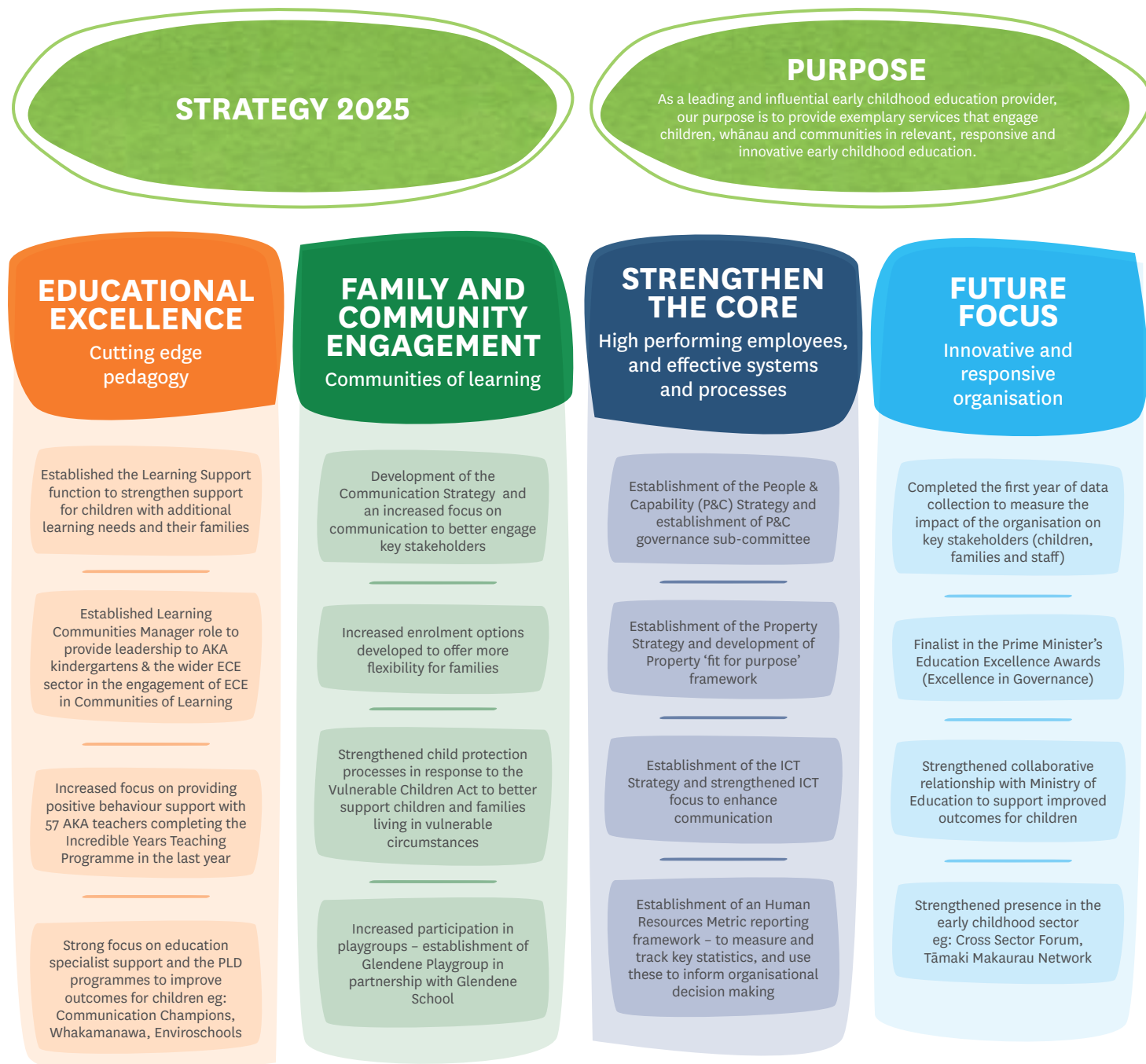
OUTCOMES

1. Children have strong foundations for ongoing learning
2. Families and communities engage with children's learning
3. Our people are empowered to fulfil their greatest potential
4. We make a leading and influential contribution to the early learning community



SIGNIFICANT ACHIEVEMENTS

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



Measuring Social Outcomes

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

As a learning organisation we have an 'opportunity' mindset that enables innovation through listening to ideas, taking

informed risks and challenging the status quo to make the greatest difference for children, families and our people.

Ongoing evaluation and a focus on measuring success will drive continuous improvement and our effectiveness as an organisation.

KEY STATISTICS

The AKA is New Zealand's largest kindergarten association



3*

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

1

KINZ CENTRE
WITH 3 YEAR
"WELL PLACED"
ERO review

41

KINDERGARTENS
WITH 4 YEAR
"VERY WELL PLACED"
ERO reviews

66

KINDERGARTENS
WITH 3 YEAR
"WELL PLACED"
ERO reviews

107

Kindergartens

5

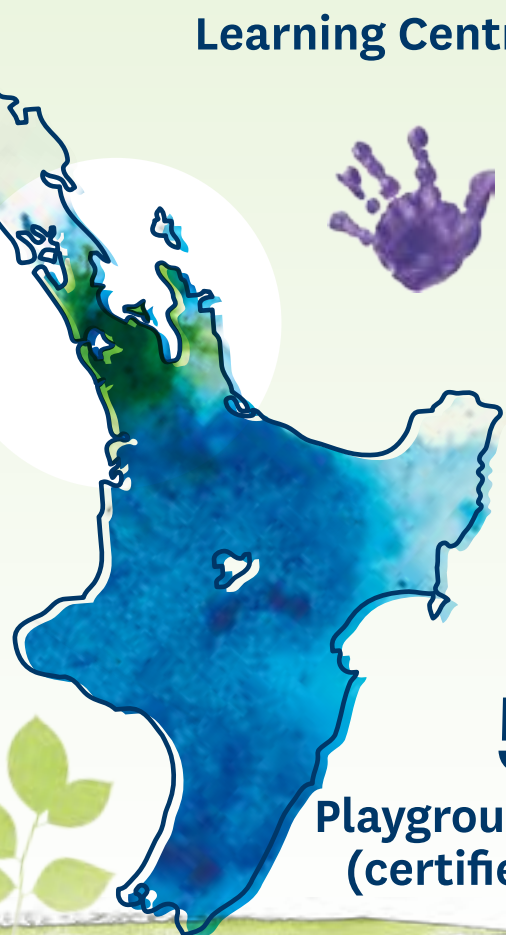
KiNZ Care
and Early
Learning Centres

"Teachers' commitment to bicultural teaching practices has resulted in enriched learning environments that reflect both Māori and Pākehā world views. Teachers provide meaningful opportunities for children to learn about tikanga and te reo Māori through pōwhiri, karakia, pepeha, waiata and story-telling."

AKA KINDERGARTEN ERO REPORT

"As skilled and capable practitioners (teachers) recognise and respond to children's dispositions and emerging interests. Teachers involve children in decisions about their play and learning. These good practices support children's confidence and provide space for them to be inquisitive."

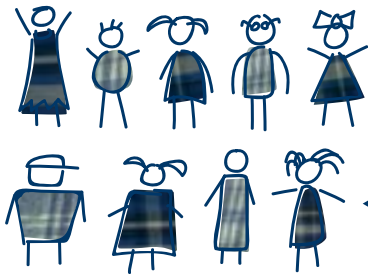
AKA KINDERGARTEN ERO REPORT



5

Playgroups
(certified)

*One KiNZ centre – in first year of operation so not yet reviewed



Currently enrolled at
Auckland Kindergarten
Association (as at 30 June 2017)

5928
Children

Auckland Kindergartens **5515**
KiNZ Centres **286**
Playgroups **127**

NZ European 39.1%

Pacific Peoples 15.3%

NZ Maori 13.3%

Other Asian 9.4%

Chinese 8.3%

Indian 7.2%

European 4.2%

Middle Eastern 1.4%

Latin American 0.8%

African 0.4%

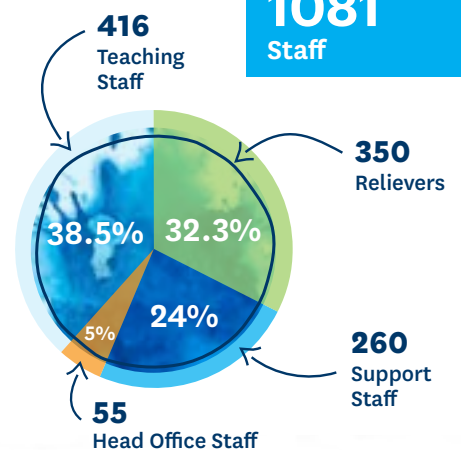
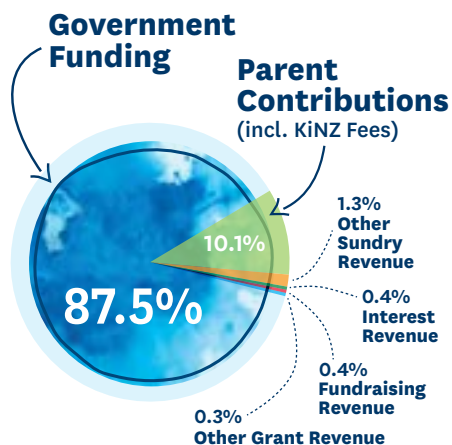
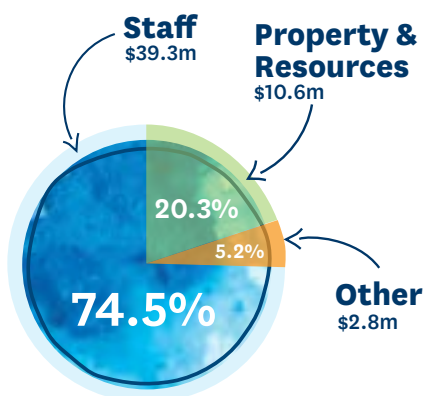
**Not depicted above
or not stated 0.6%**



**We spend our
income on...**

**Source of
Income**

**Employee
grouping**



CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the 12 months ended 30 June 2017

\$000's	Note	2017	2016
Government funding		46,591	45,325
Other grant revenue		170	165
Parent contributions		5,362	4,634
Fundraising revenue		212	182
Interest revenue		228	613
Other sundry revenue		675	840
Total revenue	2	53,238	51,759
Expenses			
Staff		39,431	37,093
Professional and consultancy fees		846	839
Management administration		93	64
Property and resources		8,638	9,593
Depreciation	8	2,027	1,900
Loss/(gain) on disposal of fixed assets		(47)	4
Office administration		1,421	1,389
Marketing and public relations		432	391
		52,841	51,273
Surplus/(deficit) for the period		397	486
Other comprehensive revenue and expense		-	-
Total comprehensive revenue/(expense)		397	486

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the 12 months ended 30 June 2017

\$000's	Note	2017	2016
Accumulated comprehensive revenue and expense at the start of the year as previously reported		31,425	30,939
Surplus/(deficit) for the year		397	486
Total other comprehensive revenue and expense		-	-
Accumulated comprehensive revenue and expense at the end of the year		31,822	31,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

\$000's	Note	2017	2016
Current assets			
Cash and cash equivalents	15(a)	10,186	10,296
Trade and other receivables – non-exchange transactions	5	234	330
Trade and other receivables – exchange transactions	5	2	174
Taxes receivable	7	429	659
Other current assets	6	128	202
Total current assets		10,979	11,661
Non-current assets			
Property, plant and equipment	8	25,800	24,295
Total non-current assets		25,800	24,295
Total assets		36,779	35,956
Current liabilities			
Trade and other payables – exchange transactions	9	4,528	4,154
Taxes payable	7	429	377
Total current liabilities		4,957	4,531
Total liabilities		4,957	4,531
Net assets		31,822	31,425
Net assets/equity			
Accumulated comprehensive revenue and expense		31,822	31,425
Total net assets/equity		31,822	31,425

On behalf of Auckland Kindergarten Association Board:



Chairperson

21 September 2017



Board member

CONSOLIDATED CASH FLOW STATEMENT

For the 12 months ended 30 June 2017

\$000's	Note	2017	2016
Cash flows from operating activities			
Government funding received		46,713	45,615
Other grant revenue received		170	165
Parent contributions received		5,526	4,569
Fundraising revenue received		365	335
Interest received		201	585
Other sundry revenue received		816	818
Payments to employees		(39,042)	(38,225)
Payments to suppliers		(11,374)	(11,757)
Net cash provided by operating activities	15(b)	3,375	2,105
Cash flows used in investing activities			
Payment for property, plant and equipment		(3,547)	(3,793)
Proceeds for term deposit		-	2,305
Proceeds from sale of property, plant and equipment		62	3
Net cash used in investing activities		(3,485)	(1,485)
Net (decrease)/increase in cash and cash equivalents		(110)	620
Cash and cash equivalents at the beginning of the period		10,296	9,676
Cash and cash equivalents at the end of the period	15(a)	10,186	10,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies

Reporting Entity

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with PBE Standards.

The consolidated financial statements are prepared in accordance with the Charities Act 2005, which requires compliance with generally accepted accounting principles in New Zealand (NZGAAP).

The financial statements were authorised for issue by the Auckland Kindergarten Board on 21 September 2017. (See pg 11)

Basis of preparation

The financial statements for the Group have been prepared on the basis of historical cost, except for financial instruments where applicable.

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, and estimated useful life of the asset recognised. Refer note 1 (e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

Significant Accounting Policies

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

(a) Cash and cash equivalents

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

(b) Financial assets

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

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

Impairment of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(c) Revenue recognition

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

Government funding

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

Grant revenue

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

Parent contributions

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

Fundraising revenue and donations

Revenue received from fundraising activities and donations is recognised when received and any related services or goods have been delivered.

Interest revenue

Interest revenue is recognised using the effective interest method.

(d) Donated services

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

(e) Property, plant and equipment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(f) Impairment of assets

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

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

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

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

(g) Goods and services tax

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

(h) Principles of consolidation

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

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

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

(i) Leased assets

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

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

(j) Payables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies (cont'd)

(k) Cash Flow Statement

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

- (i) Cash and cash equivalents represents cash on hand, current bank balances and short term deposits, which can be converted to cash within 3 months.
- (ii) Operating activities include all transactions and other events that are not investing or financing activities.
- (iii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.
- (iv) Financing activities are those activities that result in changes in the size and composition of the equity structure of the Association.

(l) Income tax

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

(m) Employee benefits

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue

\$000's	2017	2016
Government funding:		
Bulk funding income	28,745	27,978
20 hours ECE funding	16,797	16,183
Equity funding income	1,049	1,164
Total Government funding	46,591	45,325
Other grant revenue	170	165
Parent contributions:		
Donations	23	25
Fees	5,268	4,506
Optional charges	71	103
Total parent contributions	5,362	4,634
Fundraising revenue	212	182
Interest revenue:		
Cash and cash equivalents	228	613
Other sundry revenue	675	840
Total revenue	53,238	51,759

3. Key management personnel compensation

The compensation of the Board and Executives being the key management personnel (KMP) of the Group is set out below:

\$000's	2017	2016 Restated
Chairperson honorarium – 1 person (2016: 1 person)	11	10
Board member fees – 9 people (2016: 9 people)	9	9
Executive Leadership Team – 5 people (2016: 4 people)	859	692
	879	711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Remuneration of auditors

\$000's	2017	2016
Audit of the financial statements	48	48
Other assurance services	-	16
	48	64

The auditor of Auckland Kindergarten Association and the Group is Deloitte. Other assurance services relate to analytic procedures.

5. Trade and other receivables

\$000's	2017	2016
Non Exchange transactions		
Funding receivable	234	330
Exchange transactions		
Debtors	2	174
	236	504

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

6. Other current assets

\$000's	2017	2016
Prepayments	132	100
Sundry debtors	(4)	102
	128	202

7. Taxes receivable/(payable)

\$000's	2017	2016
PAYE	(429)	(377)
GST	429	659
	-	282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Property, plant and equipment

\$000's	Land at cost	Buildings at cost	Playgrounds at cost	Plant and equipment at cost	Capital work in progress	Total
Gross carrying amount						
Balance at 30 June 2015	342	26,262	3,725	6,915	199	37,443
Additions	-	-	-	-	3,796	3,796
Disposals	-	-	(5)	(39)	-	(44)
Transfers	-	2,021	809	447	(3,277)	-
Balance at 30 June 2016	342	28,283	4,529	7,323	718	41,195
Additions	-	-	-	-	3,547	3,547
Disposals	-	-	(2)	(265)	-	(267)
Transfers	-	1,943	1,016	530	(3,489)	-
Balance at 30 June 2017	342	30,226	5,543	7,588	776	44,475
Accumulated depreciation						
Balance at 30 June 2015	-	(7,302)	(2,128)	(5,606)	-	(15,036)
Disposals	-	-	-	36	-	36
Depreciation expense	-	(995)	(258)	(647)	-	(1,900)
Balance at 30 June 2016	-	(8,297)	(2,386)	(6,217)	-	(16,900)
Disposals	-	-	-	252	-	252
Transfers	-	-	(176)	176	-	-
Depreciation expense	-	(1,082)	(342)	(603)	-	(2,027)
Balance at 30 June 2017	-	(9,379)	(2,904)	(6,392)	-	(18,675)
Net book value						
As at 30 June 2016	342	19,986	2,143	1,106	718	24,295
As at 30 June 2017	342	20,847	2,639	1,196	776	25,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Trade and other payables – exchange transactions

\$000's	2017	2016
Creditors and accruals	2,931	2,946
Employee entitlements	1,597	1,208
	4,528	4,154

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

10. Capital expenditure commitments

\$000's	2017	2016
Building upgrades	-	1,506
Playground upgrades	210	325
	210	1,831

11. Contingent liabilities and contingent assets

AKA received two capital accommodation grants, \$1,365,000 relating to the KiNZ Mission Heights centre (received in FY10) and \$910,000 relating to the KiNZ East Tamaki centre (received in FY06). If these centres cease to operate, close or are sold within 10 years of receipt of the grant (or in certain other circumstances) AKA may be required to repay the grants in part or full. As such the Group has a contingent liability of \$1,365,000 (2016: \$2,275,000).

12. Subsequent events

None Known (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Operating leases

(a) Leasing arrangements

Operating leases relate to office building lease, and for multifunctional devices with terms of between 2 to 15 years. The Association/ Group does not have an option to purchase the leased asset at the expiry of the lease period. Minimum lease payments below are based on the total of future committed lease payments.

(b) Operating lease rental expenses

\$000's	2017	2016
Minimum lease payments	6,573	2,100
	6,573	2,100

(c) Non-cancellable operating lease commitments

\$000's	2017	2016
Not longer than 1 year	768	361
Longer than 1 year and not longer than 5 years	2,902	1,440
5+ years	2,903	299
	6,573	2,100

14. Related party disclosures

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 were \$36,000 for 2017. (2016: \$22,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

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

\$000's	2017	2016
Cash in bank	1,106	561
Short term deposits	9,080	9,735
	10,186	10,296

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

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

\$000's	Note	2017	2016
Surplus/(deficit) for the period		397	486
Loss on sale or disposal of non-current assets		(47)	3
Depreciation of non-current assets	8	2,027	1,900
Changes in net assets and liabilities:			
(Increase)/decrease in assets:			
Current receivables		268	225
Other current assets		304	(295)
Increase/(decrease) in liabilities:			
Current payables		426	(214)
Net cash inflow/(outflow) from operating activities		3,375	2,105

Gross cash flows are presented exclusive of GST.

(c) Restrictions on cash received

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Financial instruments

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

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

(a) Credit risk management

In the normal course of business, the Group incurs credit risk from trade and other receivables and banking institutions. The Group manages its exposure to credit risk by:

holding cash and cash equivalents and term deposits with New Zealand registered banking institutions; and
maintaining credit control procedures over trade and other receivables.

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

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

(b) Interest rate risk management

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

(c) Liquidity risk management

Liquidity risk is the risk that the Association will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents on hand as disclosed in Note 15.

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 net assets/equity, comprising accumulated comprehensive revenue and expense as disclosed on the statement of changes in net assets/equity.

The Association's overall strategy remains unchanged from 2016.

There are no externally imposed capital requirements on the Association.

(e) Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Financial instruments (cont'd)

(f) Categories of financial instruments

	at 30 June 2017		
\$000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Assets			
Cash and cash equivalents	10,186	-	10,186
Trade and other receivables – non-exchange	234	-	234
Trade and other receivables – exchange	2	-	2
Sundry debtors	128	-	128
Total financial assets	10,550	-	10,550
Total non-financial assets			26,229
Total assets			36,779
Liabilities			
Trade and other payables – exchange	-	4,957	4,957
Total financial liabilities	-	4,957	4,957
Total non-financial liabilities			-
Total liabilities			4,957

	at 30 June 2016		
\$000's	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Assets			
Cash and cash equivalents	10,296	-	10,296
Trade and other receivables – non-exchange	330	-	330
Trade and other receivables – exchange	174	-	174
Sundry debtors	203	-	203
Total financial assets	11,003		11,003
Total non-financial assets			24,953
Total assets			35,956
Liabilities			
Trade and other payables – exchange	-	4,531	4,531
Total financial liabilities	-	4,531	4,531
Total non-financial liabilities			-
Total liabilities			4,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Government equity funding income

Equity funding income

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

\$000's	2017	2016
Property	6	34
Sundry expenses	24	159
Parent fees forgiven	94	-
Teaching resources	246	329
Participation and Engagement	679	643
	1,049	1,164

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

	Equity funding received \$		Equity funding received \$
Anchorage Park	10,204	Mt Roskill	4,473
Aorere	5,276	Murdoch Park	3,024
Avondale	2,344	New Lynn	4,950
Bairds	2,722	Omana	4,107
Birdwood	6,724	Oranga	7,026
Colwill	5,631	Otahuhu	2,463
Don Buck	10,687	Otahuhu Central	4,485
Favona	9,440	Owairaka	1,927
Flat Bush	13,488	Papatoetoe	3,182
Glen Eden	3,918	Papatoetoe North	4,414
Glen Eden West	3,623	Pt England	11,654
Glen Innes	10,251	Ranui	8,703
Henderson	2,711	Roskill South	3,908
Hillsborough	3,337	St Johns	3,266
Kingsdene	12,428	Sunnyvale	5,909
KiNZ East Tamaki*	94,452	Sylvia Park	1,737
Lincoln North	6,927	Waterview	3,086
Mangere West	19,022	Wellsford	4,940
Massey	109	Wesley	22,789
Mayfield	15,559	Yendarra	11,536
McNaughton	13,545	Participation & Engagement	678,786
			1,048,763

* KiNZ East Tamaki equity funding received is:

component A: Low social economic (\$63,623)

component B: Special needs & non-English speaking backgrounds (\$30,829)

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

Independent Auditor's Report

To the Members of Auckland Kindergarten Association

Opinion

We have audited the financial statements of Auckland Kindergarten Association and its subsidiary ('the group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements, on pages 10 to 26, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity or its subsidiary, except that partners and employees of our firm deal with the entity and its subsidiary on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiary.

Other information

The Association is responsible on behalf of the group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Association's responsibilities for the consolidated financial statements

The Association is responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards and for such internal control as the Association determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Association is responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Association either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members of the Association, as a body, in accordance with Section 10 of the Constitution of the Association. 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.

Deloitte Limited

ACKNOWLEDGEMENTS 2017

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

- All those who fundraise to assist kindergartens
- Auckland Airport Community Trust
- Auckland Council
- Awataha Marae - North Shore
- Brainwave Trust
- Community Constable George Harder
- Community Organisation Grants Scheme (COGS)
- Duffy Books in Homes Programme
- EcoMatters
- Enviroschools Foundation (Toimata)
- Four Winds Foundation
- Fresh Choice
- Fuji Xerox
- Glendene Community Centre
- Heart Foundation
- Hesketh Henry
- HIPPY – Great Potentials Foundations (Wesley, Kelston & Mt Wellington Coordinators)
- Infinity Foundation
- Karrikins Group
- Keep Waitakere Beautiful
- Kelston Community Hub
- Kelston Girls College School – ECE pathway students
- Lion Foundation
- Local Community Boards
- Local Licensing Trusts
- Local Rotary Clubs
- Local RSAs
- Massey Library
- Matariki Marae - Howick
- Metlifecare
- Ministry of Defence
- Ministry of Education
- Mt Roskill Library
- Mt Wellington Foundation
- Nautilus Foundation
- North and South Trust
- NZ Lottery Grants Board
- Ōrākei Marae - Ōrākei
- Papatuanuku Marae - Māngere
- Playgroup Host schools: Hay Park, Lincoln Heights, Glendene and Panama Road Schools and Kelston Girls College
- Plunket/Karitane nurse - Glendene Community Centre
- Riverside Community Centre – Tamati
- SPARC
- Sport Waitakere
- Tahawai Marae - Edgewater College
- Te Noho Kotahitanga Marae - Unitec
- Te Taua Moana Marae - Devonport
- Te Whānau O Waipareira
- The June Gray Charitable Trust
- The Trusts Community Foundation Inc (TTCF)
- Trillian Trust
- West Auckland Fono
- Westpac Bank
- Whaiora Marae - Ōtara
- Winger Motors Ltd





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