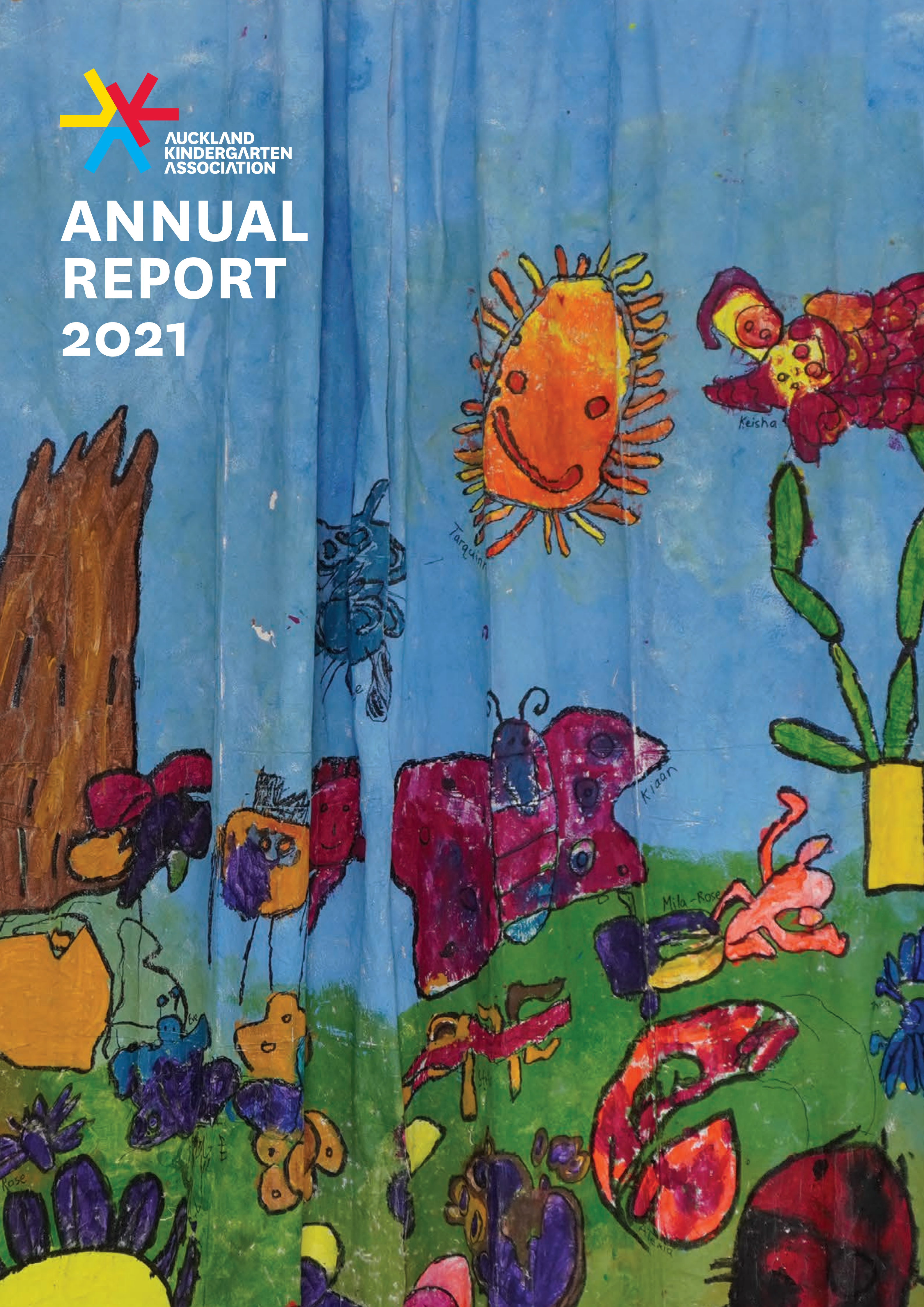
AUCKLAND KINDERGARTEN ASSOCIATION

ANNUAL REPORT 2021



“Kotahi te kākano, he nui ngā hua o te rākau. A tree comes from one seed but bears many fruit.”

In our commonality we are all different. In early learning we celebrate those differences while maintaining our relationship with each other.

E rere ana ngā mihi ki a koutou katoa, i runga ngā āhuatanga o te wā.
Acknowledgements to you all, in these times.

E ngā mana, e ngā reo, e ngā rau rangatira.
To all authorities, to all voices, to you all as leaders.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.
Greetings, greetings, greetings.

Front cover
St Johns Kindergarten

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Report from the Chair and Chief Executive

The year in review with Bruce McLachlan, Chair

This was a year like no other. As I reflect on the year, I feel very proud of Ngā Tamariki Puāwai ō Tāmaki|Auckland Kindergarten Association (AKA) for its achievements for the tamariki of Tāmaki Makaurau, and for the way the Board, Executive team and staff have navigated the unexpected tides of Covid-19. Ngā mihi nui to you all.

The Association continues with its vision that excellence in early education is the right of all tamariki. We delivered education for 6,007 children in kindergartens, KiNZ centres and Playgroups across the city, weaving Te Whāriki through ako and learning through play, in the spirit of partnership and respect. This happened despite multiple shifts of Covid-19 alert levels, including distance learning during Alert Level 3 situations. AKA responded nimbly to changing events and directives from the Government, interpreting shifting guidance from the Ministry of Education in an unfolding situation with major health and education implications.

After several years of very hard work, AKA is of sound financial heart and is well-positioned as a leader in the kindergarten movement. This year we saw a surplus of $807,000, despite the impact of Covid-19 on our revenue. It was timely for the Board to guide the creation of a new Strategic Framework, clarifying the mission, values and priorities of AKA as it further emerges from a transitional period and positions itself for the future. We acknowledge Te Tiriti o Waitangi as the foundation of Aotearoa New Zealand, and have benefited from the wisdom of Professor Tania Ka'ai as the Māori Director on the Board. AKA bases its work on the values of manawanui, kotahitanga, manaakitanga, ngākau pai, ngākau pono, whakamana and atawhai (commitment to purpose, collaboration, respect, positive outlook, trust, empowerment, and kindness.) Our strategic priorities are educational excellence, family and community engagement, and future focus.

With the backing of our democratic base - our Parent Whānau Groups - we began exploring the possibility of uniting with other kindergarten associations as Kindergarten Aotearoa, and that work is ongoing. As part of the development of the Northern Hub, Nicole Thompson from the Kaitiaki Kindergartens Board joined us, and Katherine Souness from the AKA Board joined Kaitiaki's Board.

Parent Whānau Groups form the backbone of AKA, which is a charitable, not-for-profit community-based Association, funded primarily by Government as a public service. As I and my fellow Directors attended kindergarten milestone events, such as Devonport's 75th, Belmont Bayswater's 75th , Pakuranga's 50th , Wesley's 25th and Waitakere's 25th anniversaries, it was evident how beloved and deeply embedded in their communities our services are. Mana whenua - belonging - is a key part of children's learning and feeling of value. Our whānau, staff and wider communities make that possible. Thank you.

Thank you to the Parent Whānau Group Chairs for their invaluable work this year. I acknowledge the steadfast commitment and contribution of our Directors, Deputy Chair Katherine Souness, Professor Tania Ka'ai, Ashleigh Pope, Ankita Sharma, and Nicole Thompson. Ngā mihi nui.

Bruce McLachlan
Chair

Looking to the future with Pauline A. Winter, Chief Executive

Tēnā koutou katoa

Engaging tamariki and whānau in early childhood education makes an enormous contribution to the wellbeing, educational attainment, future participation and social cohesion of Tāmaki Makaurau, and all of Aotearoa New Zealand. It truly is a group effort. As Princess Te Puea Herangi said: "Mehemea ka moemoeā āhau – ko āhau anake. Mehemea ka moemoeā tātou – ka taea e tātou -Tihe Mauriora. My dream and aspiration is self-fulfilling. Our dream and collectiveness is all empowering."

The hard mahi of our excellent kaiako and support teams helped hold the waka steady through turbulent times. Thank you all. We have been unwavering in our delivery of high-quality education and support for whānau, through Covid-19 alerts, a tsunami warning and an RSV outbreak. Our success demonstrates the talents of our individuals and our collective strength.

Our teaching teams and Education and Innovation team have responded to a number of regulatory changes, including a new Professional Growth cycle. All but one of our kindergartens and centres are very well placed or well placed with the Education Review Office. As part of a kindergarten philosophy of employing qualified teachers, we embarked on He Mātauranga Mōa Tatou Mokopuna project, looking at how best to align with that aim. Our Culture, Capability and Wellbeing team has had a busy year recruiting quality teachers and relievers. AKA continues to be a highly desirable employer. Wellbeing has been a focus, particularly in a Covid-19 environment. We have also been working with other associations and NZEI on pay parity, and pay equity for KiNZ teachers. We continue to support priority learners, and have had our Incredible Years contract renewed.

AKA is working to strengthen our commitment to our bicultural foundation, while recognising the multicultural demographic of Tāmaki Makaurau. Our services deliver education to a wide range of ethnicities, with NZ European/Pākeha below 50%. Māori and Pasifika tamariki are the fastest growing population and we need to ensure we are able to serve them well. We began partnering with a Tongan community in South Auckland and hope to provide co-designed services in Ōtāhuhu Central.

Covid-19 has highlighted issues of poverty, housing and social need in our communities. I am pleased to be partnering with Presbyterian Support Northern for a year, to help bolster families in need. Our Community Engagement advisors have played a part in brokering relationships and helping connect teaching teams and whānau with resources and agencies providing food, social services, and wellbeing support.

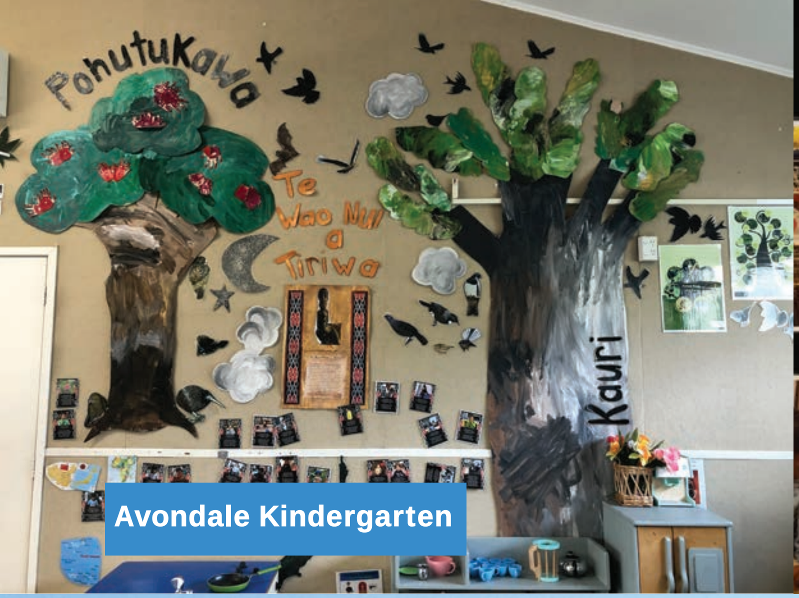
We continue our outreach at community events, and engaging with Auckland Council, Local Boards and Kainga Ora, Auckland Police and other organisations that help our success.

Through the strength of our financial stewardship, we are undertaking some much-needed property works, have re-started the replacement programme of our technology tools, are strengthening professional development opportunities for our teaching staff, and we are working on upgrading our payroll system as part of modernizing our system infrastructure. Our strategic priorities will be supported by having effective systems and processes in all aspects of the Association, including finance, health and safety, and people.

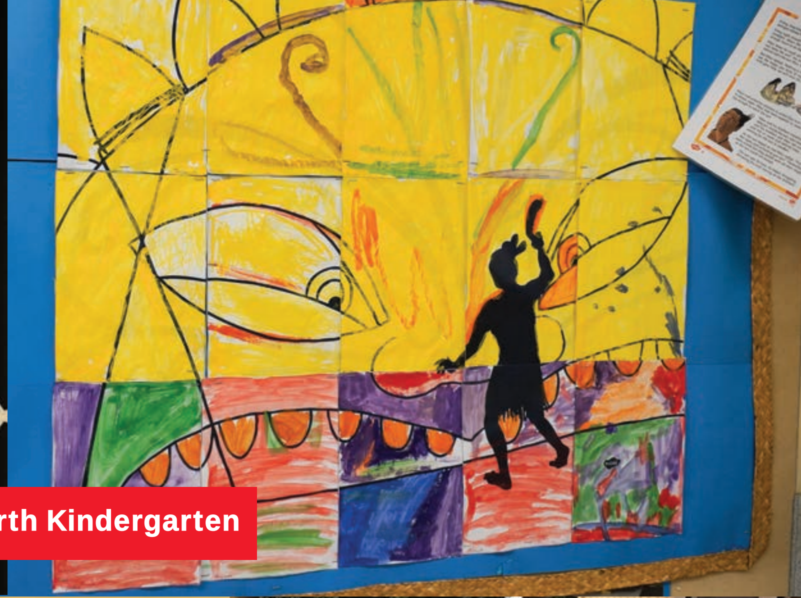
Thank you to the Executive Leadership Team Bram Kukler, Toni Nealie, Richard Selave and Shane Volkov, and their teams in Education and Innovation, Community Engagement, Culture, Capability and Wellbeing, Finance and Payroll, ICT and Property.

I also acknowledge the Chair and Board members for their governance and generosity during a year in which the Association has been challenged by events beyond our control. Ngā mihi nui.

Pauline A. Winter
Chief Executive



Avondale Kindergarten

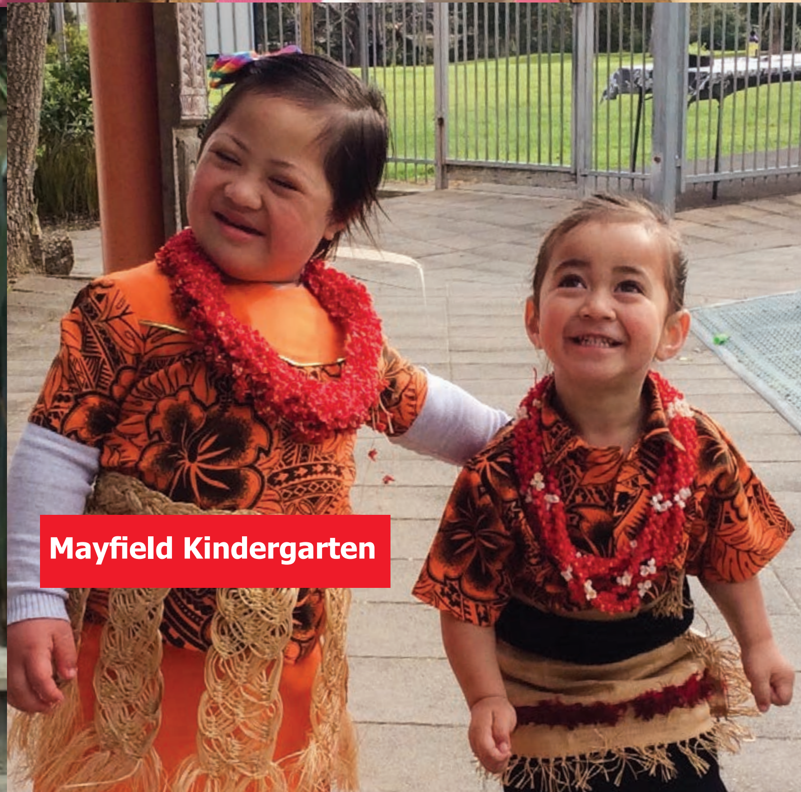

Papatoetoe North Kindergarten


Pigeon Mountain Kindergarten


Westlake Forrest Hill Kindergarten


KiNZ Myers Park


Titirangi Kindergarten


Mayfield Kindergarten

KEY STATISTICS (as at 30 June 2021)

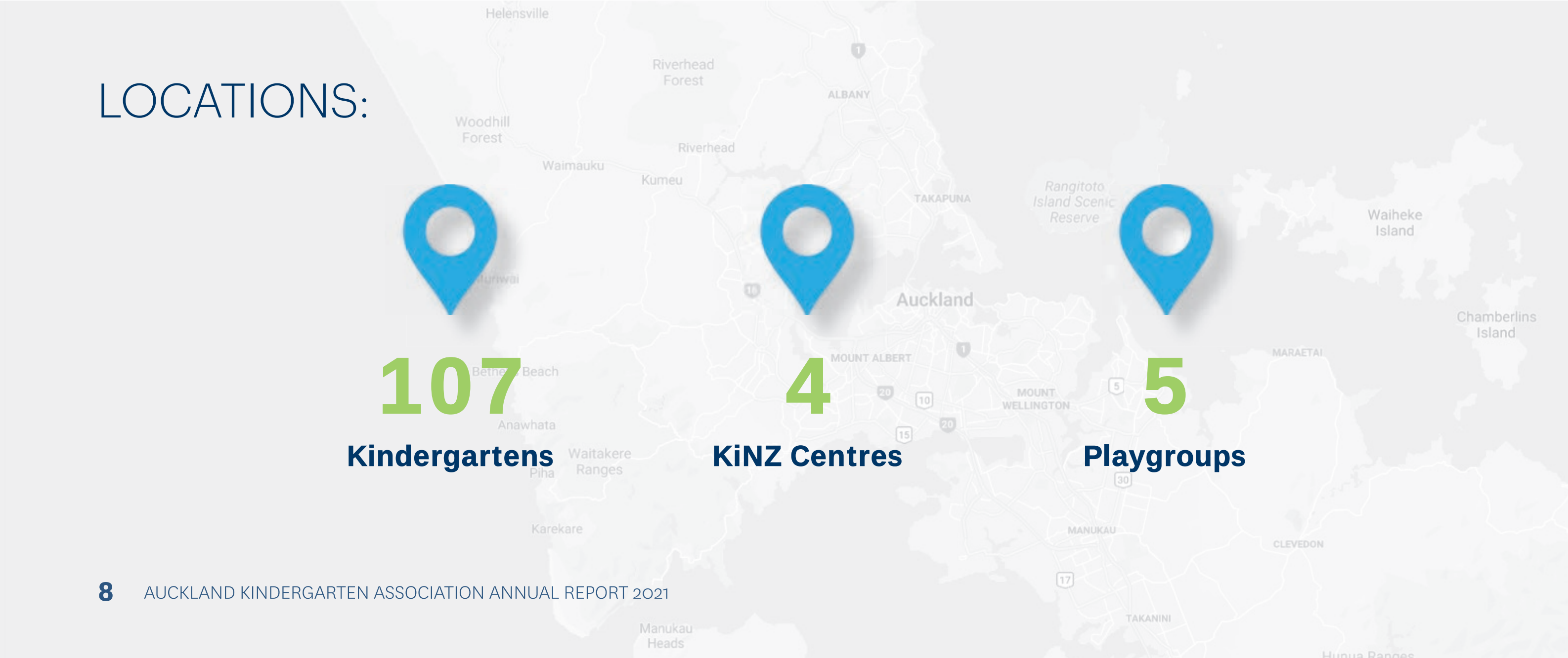
NUMBER OF CHILDREN ENROLLED:

Total	Kindergartens	KiNZ centres	Playgroups
6,007	5,526	214	267

NUMBER OF EMPLOYEES:

Total	Teachers	Support	Relievers	Support Services
1,033	424	267	290	52

LOCATIONS:



107 Kindergartens

4 KiNZ Centres

5 Playgroups

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the 12 months ended 30 June 2021

Revenue	Note	2021	2020
Government funding		51,966	49,261
Grant revenue		158	222
Parent contributions		4,015	4,781
Fundraising revenue		301	275
Interest revenue		118	295
Other sundry revenue		1,348	1,584
Total revenue	4	**57,906**	56,418
Expenses			
Staff	5	45,314	43,512
Professional and consultancy fees		910	1,044
Property and resources		7,491	6,969
Depreciation	11	2,373	2,326
Loss/(gain) on disposal of fixed assets		-	25
Office administration		920	1,164
Marketing and public relations		91	125
Total expenses		**57,099**	55,165
Surplus for the year		**807**	1,253
Total comprehensive revenue		**807**	1,253

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the 12 months ended 30 June 2021

	2021	2020
Accumulated comprehensive revenue and expense at the start of the year	**28,819**	27,566
Surplus for the year	**807**	1,253
Accumulated comprehensive revenue and expense at the end of the year	**29,626**	28,819

The Notes to the financial statements form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Current assets	Note	2021	2020
Cash and cash equivalents	17 (a)	11,339	11,696
Trade and other receivables	8	839	1,576
Taxes receivable	9	115	111
Other assets	10	3,422	450
Total current assets		**15,715**	13,833
Non-current assets			
Property, plant and equipment	11	22,708	22,827
Total non-current assets		**22,708**	22,827
Total assets		**38,423**	36,660
Current liabilities			
Trade and other payables	12	7,673	6,865
Taxes payable	9	1,045	897
Provisions	13	79	79
Total current liabilities		**8,797**	7,841
Total liabilities		**8,797**	7,841
Net assets		**29,626**	28,819
Net assets / equity			
Accumulated comprehensive revenue and expense		**29,626**	28,819
Total net assets/equity		**29,626**	28,819

On behalf of Auckland Kindergarten Association Board:

Bruce McLachlan
Chair

29 September 2021

Katherine Souness
Chair, Audit Risk Assurance Committee

29 September 2021

The Notes to the financial statements form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the 12 months ended 30 June 2021

Cash flows from operating activities	Note	2021	2020
Government funding received		53,648	50,740
Grant revenue received		248	191
Parent contributions received		5,043	5,016
Fundraising revenue received		301	275
Interest received		109	295
Other sundry revenue received		707	152
Payments to employees		(44,838)	(43,447)
Payments to suppliers		(10,326)	(9,195)
Net cash provided by operating activities	17(b)	**4,892**	4,027
Cash flow used in investing activities			
Payment for property, plant and equipment		(2,249)	(773)
Term deposit investment - net		(3,000)	-
Net cash used in investing activities		**(5,249)**	(773)
Net (decrease) / increase in cash and cash equivalents		(357)	3,254
Cash and cash equivalents at the beginning of the period		11,696	8,442
Cash and cash equivalents at the end of the period	17(a)	**11,339**	11,696

The Notes to the financial statements form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Auckland Kindergarten Association was founded in 1908 and is domiciled in New Zealand. Auckland Kindergarten Association is registered as a charitable entity under the Charities Act 2005.

The financial statements comprise Auckland Kindergarten Association (the Association), which includes its constituent kindergartens and its wholly owned subsidiary, Kindergarten NZ Limited (collectively, the Group).

The principal activity of the Group is the provision of early childhood education.

2. Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the requirements of the Charities Act 2005. For the purposes of complying with NZ GAAP, the Group is a public benefit entity.

The financial statements comply with New Zealand Public Benefit Entity International Public Sector Accounting Standards. The financial statements also comply with Public Benefit Entity International Public Sector Accounting Standards.

Measurement basis

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

Functional and presentation currency

All transactions and balances are presented in New Zealand dollars, which is also the functional currency. All amounts are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Use of judgements and estimates

In the process of applying the accounting policies, management makes judgements, estimates and assumptions. Actual results may differ from these estimates.

Information about critical judgements that have the most significant effect on the amounts recognised in the financial statements is included below:

Provisions (note 13)

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the provision can be reliably measured.

Contingent liabilities (note 14)

Contractual lease obligations require the Group to make good the conditions of land and buildings upon terminating a lease and vacating the premises. Estimation and assumptions are made in determining the likelihood, amount and timing of cash necessary to settle the obligations.

Contractual lease obligations for leases assigned to a third party require the Group to pay the outstanding rent due to the leasor should the assignee default on the lease. Estimation and assumptions are made in determining the likelihood, amount and timing of cash necessary to settle the obligations.

NOTES TO THE FINANCIAL STATEMENTS

3. Accounting policies

Basis of consolidation

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the Group's financial statements from the date on which control commences until the date control ceases.

All intra-group balances and transactions, and unrealised income and expenses resulting from intra-group transactions are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group loses control over a subsidiary, it derecognises the related assets and liabilities, and any other components of equity. Any interest in the former subsidiary is measured at fair value when control is lost.

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in the acquisition is measured at fair value at the acquisition date. Acquisition related costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Goodwill is initially measured at cost, being the excess of the consideration transferred and the fair value net identifiable assets acquired and liabilities assumed. Any gain on a bargain purchase is recognised in surplus or deficit immediately. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received less, in the case of financial assets and liabilities not recorded at fair value through surplus or deficit, directly attributable transaction costs.

Subsequently the Group applies the following accounting policies for financial instruments:

(i). Loans and receivables

Financial assets in this category include:

- cash and cash equivalents;
- investment securities: term deposits;
- trade receivables.

Cash and cash equivalents include cash on hand, cash at bank (including any overdraft), money market deposits on call and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognised at their cash settlement value.

Subsequent to initial recognition, loans and receivables are carried at their amortised cost, in accordance with the effective interest rate method, less impairment.

Loans and receivables are regularly reviewed for impairment, both individually and collectively in groups of financial assets with similar risk profiles. An impairment loss is recognised when there is objective evidence that future cash flows from the asset will decline from the previous expected levels. The amount of any impairment is measured as the difference between the assets carrying value and the present value of the re-estimated cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in surplus or deficit with a corresponding reduction in the carrying value of the financial asset through an impairment allowance account.

(ii). Financial liabilities at amortised cost

Financial liabilities in this category include:

- trade and other payables.

Subsequent to initial recognition, financial liabilities at amortised costs are carried at their amortised cost in accordance with the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of non–financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An annual internal review of asset values is performed at the end of each financial year. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for any amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using a discounted cash flow model. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Any impairment losses are recognised in surplus or deficit. Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Property, plant and equipment

Land and Buildings include buildings which have been purchased with government assistance and are recorded at historical cost. Whilst the Group 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 but not owned by the Group, is not attributed any value in the Group's accounts.

Buildings used by the Group, 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 Group are capitalised and depreciated over their estimated economic useful life.

Depreciation is provided on property, plant and equipment, including buildings developed and owned by the Group 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 Group are depreciated at the rate of 3% per annum on cost. Other buildings used by the Group 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

Employee benefits

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

Provisions made in respect of employee benefits are recorded at nominal values. The value of provisions recognised reflect accrued entitlements at balance date calculated at the prevailing rates of pay.

Leases

Payments made under operating leases are charged to surplus or deficit on a straight-line basis over the period of the lease. Any lease incentives are amortised over the estimated occupancy periods and offset against lease expenditure in surplus or deficit. The estimated occupancy period is based on the contractual terms of the lease and is reviewed annually.

Taxes

Current tax

Auckland Kindergarten Association, along with its subsidiary is a registered charitable entity. The Inland Revenue Department has confirmed that the charitable entity is exempt from income tax.

Goods and services tax

All revenues and expenses are recognised net of goods and services tax (GST). Any GST on expenses that is not recoverable is recognised in surplus or deficit.

Receivables and payables are recognised inclusive of any applicable GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Government funding

Government funding is recognised in surplus or deficit on completion of the relevant services.

Grant revenue

Grants are recognised in surplus or deficit when received and applied in accordance with conditions of the grantor. Depending on the nature of the conditions, where conditions are not met at balance date grants received are recognised as a liability and may be repayable to the grantor.

Parent contributions

Parent contributions include parent fees and optional charges. Parent fees are recognised in surplus or deficit on completion of the relevant services. Parent optional charges are recognised in surplus or deficit on receipt.

Fundraising revenue and donations

Money raised from fundraising activities and donations is recognised in surplus or deficit when received.

Interest revenue

Interest revenue is recognised using the effective interest method.

Donated services

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

Presentation of cash flows

Cash flows from operating activities are cash flows from the principle revenue producing activities of the Group.

Cash flows from investing activities are cash flows from the acquisition, holding and disposal of property, plant and equipment and investments.

NOTES TO THE FINANCIAL STATEMENTS

4. Revenue

Government funding:		2021	2020
Operational funding		50,858	48,301
Equity funding	19	992	860
Targeted funding		116	100
Total Government funding		**51,966**	49,261
Grant revenue		158	222
Parent contributions	4(a)	4,015	4,781
Fundraising revenue		301	275
Interest revenue:			
Cash and cash equivalents		**118**	295
Other sundry revenue	4(b)	**1,348**	**1,584**
Total revenue		**57,906**	56,418

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

(a) Parent contributions

Parent contributions includes an historic indirect tax payment dating back to March 2017 of $986,000 (2020: $nil)

(b) Other sundry revenue

Included in Other sundry revenue is Covid-19 business interruption insurance proceeds of $nil (2020: $414,000) and Work and Income NZ Covid-19 wage subsidy revenue of $nil (2020: $228,000)

5. Staff

	2021	2020
Salaries and wages	44,129	42,435
Defined contribution - KiwiSaver	1,185	1,077
	45,314	43,512

6. Remuneration of auditors

	2021	2020
Audit of the financial statements	56	54
	56	54

The auditor of Auckland Kindergarten Association and the Group is Deloitte Limited.

NOTES TO THE FINANCIAL STATEMENTS

7. Key management personnel

Key management personnel comprises the Chief Executive, permanent, seconded or contract members of the Executive Leadership Team and members of the Board.

Key management personnel compensation comprises:	2021	2020
Board member fees - 6 FTE people (2020: 4 FTE people)	121	102
Executive Leadership Team - 5 FTE people (2020: 6 FTE people)	1,204	1,402
	1,325	1,504

FTE = full time equivalent

Board member fees include the salary of an employee board member.

8. Trade and other receivables

Non exchange transactions	2021	2020
Funding receivable	711	1,411
Exchange transactions		
Debtors	386	400
Provision for doubtful debts	(258)	(235)
	839	1,576

Administration costs include the movement in provision for doubtful debt expense of $23,000 (2020: $235,000) and bad debt expense incurred of $20,000 (2020: $13,000).

Doubtful debt provision	2021	2020
Opening balance	(235)	-
Additional provision made	(23)	(235)
Amounts used	-	-
Closing balance	**(258)**	(235)

9. Taxes receivable / (payable)

	2021	2020
Payroll tax (PAYE)	(1,045)	(897)
Goods and services tax (GST)	115	111
	(930)	(786)

10. Other assets

	2021	2020
Prepayments	422	450
Term deposit	3,000	-
	3,422	450

NOTES TO THE FINANCIAL STATEMENTS

11. Property, plant and equipment

	Land	Buildings	Playgrounds	Plant and Equipment	Total
Gross value at 30 June 2019	**342**	**31,352**	**6,801**	**8,851**	**47,346**
Additions	-	-	-	833	833
Disposals	-	(5)	(33)	(409)	(447)
Transfers	-	323	1,893	(2,216)	-
Gross value at 30 June 2020	**342**	**31,670**	**8,661**	**7,059**	**47,732**
Additions	-	1,124	436	708	2,268
Disposals	-	(6)	(5)	(59)	(70)
Gross value at 30 June 2021	**342**	**32,788**	**9,092**	**7,708**	**49,930**

Accumulated depreciation at 30 June 2019	**-**	**(11,697)**	**(3,736)**	**(7,507)**	**(22,940)**
Disposals	-	2	31	328	361
Depreciation expense	-	(1,256)	(543)	(527)	(2,326)
Transfers	-	(79)	(1,621)	1,700	-
Accumulated depreciation at 30 June 2020	**-**	**(13,030)**	**(5,869)**	**(6,006)**	**(24,905)**
Disposals	-	-	-	56	56
Depreciation expense	-	(1,359)	(563)	(451)	(2,373)
Accumulated depreciation at 30 June 2021	**-**	**(14,389)**	**(6,432)**	**(6,401)**	**(27,222)**

Net book value					
At 30 June 2020	342	18,640	2,792	1,053	22,827
At 30 June 2021	**342**	**18,399**	**2,660**	**1,307**	**22,708**

NOTES TO THE FINANCIAL STATEMENTS

12. Trade and other payables

Income in advance from non exchange transactions	**2021**	**2020**
Targeted funding for disadvantaged	302	285
Equity funding for disadvantaged	1,229	1,169
Payables from exchange transactions		
Creditors and accruals	2,528	2,117
Employee entitlements	3,614	3,294
	7,673	6,865

All creditors are due within 50 days of purchase. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. Provisions

Make good	**2021**	**2020**
Opening balance	79	-
Additional provision made	-	79
Amounts used	-	-
Closing balance	**79**	79

The provision for make good arose from one non-cancellable contract where the Group is required to reinstate the condition of a leased asset to its condition as it was at the commencement of the lease.

14. Commitments and contingencies

Operating lease commitments	2021	2020
Payable within 1 year	408	578
Payable after 1 year and within 5 years	-	408
Payable after 5 years	-	-
	408	986

Capital commitments	2021	2020
Property upgrades	-	-
	-	-

Contingent liabilities

The Group leases properties from Auckland Council. Auckland Council is now issuing new lease agreements with an initial term of 3 years, with a tenant only rights of renewal and obligations to make good properties to pre-lease conditions. There is now some doubt regarding the likelihood of leases being renewed or extended beyond their initial terms, although the Group has no historical experience of leases being terminated by Auckland Council. The Group is not able to reliably estimate the costs of reinstatement and has made no provision for any future reinstatement costs.

The Group assigned the leases of one early childhood education centre (Lease 1) and two development sites (Lease 2 and Lease 3) in 2019. Under New Zealand Law the Group remains liable to the landlord for the payment of rent and the performance of the covenants of each lease until the end of the term of each lease. The Group is contingently liable to the landlord, following the date of assignment, in the event of a default by the assignee. The Group is not able to determine the likelihood or timing of any default or reliably estimate the cost of any default and has made no provision for any costs of a default. In addition, the Group has provided to the landlord of Lease 1 a bank guarantee irrevocable until and including the first renewal date and equivalent to twelve months passing rent. The bank guarantee has been provided as security for the observance and performance of the terms and conditions contained in the lease.

	Anniversary date	1st renewal date	Annual rent at date of assignment	Full years since assigment	Fixed rent increase
Lease 1	18th April	4/18/2030	$306,306	2	2% per annum
Lease 2	8th October	8/26/2033	$312,000	2	2% per annum
Lease 3	16th June	6/16/2032	$283,920	2	2% per annum

15. Events after the reporting date

On the 18 August 2021 all of New Zealand was placed into a Covid-19 pandemic lockdown by the Government. The lockdown caused the temporary emergency closure of all of the Groups 107 kindergartens, 4 KiNZ centres and 5 Playgroups.

The Government relaxed restrictions for the Auckland Region on 21 September 2021, meaning that the Group could start to open its kindergartens, KiNZ centres and Playgroups with restrictions on the number of children that could attend.

It is not possible to estimate the financial effect of the closure of the Group's kindergartens, KiNZ centres and Playgroups due to the pandemic lockdown.

NOTES TO THE
FINANCIAL STATEMENTS

16. Related party disclosures

A board member of The Group is also a board member of Northern Auckland Free Kindergarten Association.

An employee of The Group is a member of the executive leadership team of The Group and is contracted on a part-time basis in the position of General Manager of Northern Auckland Free Kindergarten Association. Included within other income is $39,000 (2020: $20,000) for the provision of this service to Northern Auckland Free Kindergarten Association. Included within Debtors is $2,000 (2020: $nil) due from Northern Auckland Free Kindergarten Association and no impairment has been recorded against this debtor.

A new board member appointed by the The Group during the year is also a board member of Devonport Community Creche Incorporated. There were no transactions between the two parties during the year.

17. 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:

	2021	2020
Cash on hand	32	14
Cash in bank	6,252	7,355
Short term deposits	5,055	4,327
	11,339	11,696

In addition to the above, the Group has a credit card facility of $250,000 (2020: $250,000).

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

	2021	2020
Surplus / (Deficit) for the year	807	1,253
Loss / (gain) on sale or disposal of non-current assets	-	25
Depreciation of non-current assets	2,373	2,326
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	737	(424)
Other current assets	24	(51)
Increase/(decrease) in liabilities:		
Current payables	951	898
Net cash inflow provided by operating activities	**4,892**	4,027

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.

Equity funding is received from the Government for the expressed purpose of making early learning opportunities available for all Auckland children. There is no specific timeframe or obligation on the Group to spend these funds. Refer note 19 for further details.

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, however the Group only deals with one bank currently ASB, and its funding receivable is from the Ministry of Education. 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 Group's deposits mature within 3 months from investment date.

(c) Liquidity risk management

Liquidity risk is the risk that the Group 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 17 Cash flows.

All financial liabilities fall due within 30 days of balance date.

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern.

The capital structure of the Group consists of net assets/equity, comprising accumulated comprehensive revenue and expense as disclosed on the Statement of Changes in Net Assets/Equity.

The Group's overall strategy remains unchanged from 2020.

There are no externally imposed capital requirements on the Group.

(e) Fair values

Management considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

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FINANCIAL STATEMENTS

(f) Categories of financial instruments

Consolidated at 30 June 2021

Assets	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Cash and cash equivalents	11,339	-	11,339
Trade and other receivables	839	-	839
Taxes receivable	115	-	115
Term deposit	3,000	-	3,000
Total financial assets	**15,293**	-	**15,293**
Total non-financial assets			**23,130**
Total assets			**38,423**
Liabilities			
Trade and other payables	-	7,673	7,673
Taxes payable	-	1,045	1,045
Total financial liabilities	**-**	**8,718**	**8,718**
Total non-financial liabilities			**79**
Total liabilities			**8,797**

Consolidated at 30 June 2020

Assets	Loans and receivables	Financial assets and liabilities at amortised cost	Total
Cash and cash equivalents	11,696	-	11,696
Trade and other receivables	1,576	-	1,576
Taxes receivable	111	-	111
Total financial assets	**13,383**	-	**13,383**
Total non-financial assets			**23,277**
Total assets			**36,660**
Liabilities			
Trade and other payables	-	6,865	6,865
Taxes payable	-	897	897
Total financial liabilities	**-**	**7,762**	**7,762**
Total non-financial liabilities			**79**
Total liabilities			**7,841**

NOTES TO THE FINANCIAL STATEMENTS

19. Equity funding

Equity funding received from the Government provides targeted funding to make early learning opportunities available for all Auckland children.

Equity funding income:	2021	2020
Low social economic	650	500
Special needs & non-English speaking backgrounds	342	360
	992	860

Equity funding utilised:	2021	2020
Discounted parent contributions	890	762
Learning support	44	71
Other	58	27
	992	860

During the year the Group focused on increasing the participation of children in early learning by offering parents from 41 communities discounted parent contributions

Deloitte.

Independent Auditor's Report

To the Members of Auckland Kindergarten Association

Opinion

We have audited the financial statements of Auckland Kindergarten Association (the 'Association') and its subsidiary ('the group'), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 9 to 24, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2021, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, 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 any of its subsidiaries, 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 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 determines 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 have 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

Auckland, New Zealand
29 September 2021

BOARD MEMBERS

Bruce McLachlan
Board Chair
Member Audit Risk Assurance Committee

Katherine Souness
Board Deputy Chair
Chair Audit Risk Assurance Committee

Professor Tania Ka'ai
Board Member
Member Audit Risk Assurance Committee

Ashleigh Pope
Community Director

Ankita Sharma
Teacher Director

Nicole Thompson
Board Member

EXECUTIVE LEADERSHIP TEAM

Pauline A. Winter
Chief Executive

Shane Volkov
Chief Financial Officer

Bram Kukler
General Manager
Education and Innovation

Richard Selave
General Manager
Culture, Capability and Wellbeing

Toni Nealie
General Manager
Community Engagement

ACKNOWLEDGEMENTS

We are very grateful to the following organisations:

- Auckland Council
- Bunnings
- Bluesky Community Trust
- Dragon Community Trust
- Four Winds Foundation
- Foundation North
- Lottery Grants Board
- Mercury Energy
- Mangawhai Opportunity Shop
- NZ Community Trust
- Pacific People Advancement Trust
- Rano Community Trust
- The Lion Foundation
- The Trust Community Foundation
- The Village Community Services Trust

and to our whānau and friends who support our local kindergartens.

We also acknowledge our Life Members:

- Sue Crockett
- Jeremy Drummond ONZM
- Denise Iverson
- Hewitt Harrison
- Robin Houlker

PO Box 6933
Wellesley Street
Auckland 1141

Tel 0800 4 KINDY
Tel 09 373 5635
Email info@aka.org.nz

www.aka.org.nz

AUCKLAND KINDERGARTEN ASSOCIATION