Ngā Tamariki Puāwai o Tāmaki

AUCKLAND KINDERGARTEN ASSOCIATION

ANNUAL REPORT 2022

“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.

CONTENTS

Report from the Chair and Chief Executive

The year in review with Bruce McLachlan, Chair

Tēnā koutou katoa and warm Pacific greetings

Ngā Tamariki Puāwai o Tāmaki | Auckland Kindergarten Association (AKA) has been a community-based not-for-profit organisation since our beginning in 1908. This year reinforces that parents, whānau and our neighbourhoods provide our wairua, the wellspring of our vitality.

It's hard to imagine life before the COVID-19 pandemic and the relative ease our kindergartens experienced. We were pleased to see our 2021 revenues finally back in the black, after our successful programme to first rescue, then restore AKA. Then we met unprecedented pandemic challenges. Enrolments, attendance, and revenue dropped, although we have kept kindergartens open most of the time.

A lot has happened since we last reported, including last year's 107-day lockdown in Tāmaki Makaurau. The Government introduced vaccination mandates and the COVID-19 Protection Framework with its traffic light colours. Auckland was stuck in Red for some time, before emerging into Orange. Ngā mihi nui to all teaching teams and Parent Whānau Group Chairs for staying connected, keeping up with changing guidance, and supporting education for tamariki.

Many parents and whānau needed to have their tamariki in kindergartens during the lockdown, while others took up distance learning again. Some helped their tamariki learn about caring for plants as part of the Dalton's Sunflower Challenge (congratulations to the award winners at Kauri Park and Oratia,) engaged with kaiako in creative learning practices, and helped create "Spoonville" townships from spoon creatures.

Then Omicron hit us. First the BA. 2 subvariant, then the extremely transmissible BA. 5. I couldn't be prouder of our teaching teams for their steadfastness and dedication, providing excellent education while ensuring health and safety came first. From February 27, 2022, we had a steady surge of Covid cases, including tamariki, head teachers, teachers, and non-teaching staff. We juggled staff and relievers to keep most kindergartens open, with a few closures. We experienced prolonged absences by tamariki due to Covid and the impact of other illnesses. We find ourselves in the red again, with a deficit of $1,054m, against our revenue of $57,076m. It could have been far worse in terms of illness and possibly death. Our financial losses are bolstered by our otherwise strong performance.

It has been a testing time with hardship among our communities, social unrest, flooding, and a cyclone. I am grateful that our constitutional democracy in AKA has strengthened, with 84 kindergartens now represented by a Parent Whānau Group Chair.

This year we forged ahead with He Mātauranga Huanga, the programme to restore 100% trained teachers, aligning with the kindergarten philosophy. Educational excellence is our foundation, and our Parent Whānau Groups campaigned for Government to support our fully qualified teachers. We continue to strengthen our educational offering, aligning ourselves with the Ministry of Education's National Education Learning Priorities and Education Review Office (ERO) evaluation frameworks Ngā Ara Whai Hua: Quality Framework for Early Childhood Services, and Te Ara Poutama, and improving professional learning and development opportunities for our kaiako.

As an organisation, we are aware of our responsibilities to Te Tiriti o Waitangi. We continue to use the curriculum Te Whāriki and note that the Ministry of Education recently gazetted changes to more firmly root the curriculum in Te Ao Māori and te Reo. We are committed to a meaningful bicultural partnership.

As educational leaders, we made submissions to Government on important legislation: the Education and Training, and Fair Pay Agreement Bills. We also made submissions to the Ministry of Education on Priorities for National and Regional Statements and New Network Management Regulations for licensed early childhood services, Tranche Two of the Early Learning Review, and Implementing the New Network Management Function for ECE.

I'd like to thank my colleagues on the Board, Deputy Board Chair Katherine Souness, Professor Tania Ka'ai, Ashleigh Pope, Ankita Sharma and Nicole Thompson; our Executive team and staff; our life members; and each of our Parent Whānau Group Chairs. Together, we help nurture many kākano.

Bruce McLachlan
Chair

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

Tēnā koutou katoa

We look forward this year to tautīnei, sustaining our organisation. As we approach raumati |summer and rejuvenation, I hope the new year will be positive for our kindergartens, KiNZ centres and Playgroups. The outstanding mahi of our teaching and support teams keeps our waka on course, despite a pandemic described by UNICEF as a "children's crisis."

Parents and whānau are attracted to our excellent and accessible education, stable teaching teams, community connections, philosophy of learning through play, and our beautiful playgrounds. Outdoor spaces allow tamariki to explore, gain confidence, and experience Te Ao Māori. Ventilation, vaccinations, hand-washing, cough and sneeze hygiene, staying home when sick, and staff and parents wearing masks when appropriate, continue to help keep our kindergartens safely open.

Some areas have long waiting lists, others have lower enrolment, and attendance is still low in places hard-hit by illness. As a snapshot on 30 June, across the organisation we welcomed 5,355 tamariki, down on our usual 6,000 or so. Please encourage tamariki back to kindergarten and on their early learning journeys. Kindergarten helps their transition to school, fosters their mana whenua, and their sense of belonging. This is crucial in times of social upheaval. Early learning sets children on a life-long education path.

A UNICEF study shows pandemic disruption harms children's social, emotional and cognitive development. It is challenging for children with disabilities who rely on learning support. It's hard for children living with violence. Inequality and poverty are heightened. We have a major role in ensuring all tamariki can participate in early education.

Following on from our 2018 transition roadmap and reviews in 2020 and 2022, this year we focus on "resetting" the organisation, undertaking internal infrastructure projects and progressing our strategic priorities: Educational Excellence, Family and Community Engagement and Future Focus. This includes responding to community needs, as seen in the new co-designed Tongan language kindergarten in Ōtāhuhu opening this year.

Unlike schools, we are only partially funded by Government. Most of our revenue is spent on qualified teacher salaries, and the funding model means we lose revenue if children don't attend. We ask for help to raise funds, and have reviewed our fundraising policy to make it clearer and fairer to our communities. Please help us seek Government funding to meet increased need for learning support. AKA's vision is that excellence in early childhood education continues to be the right of all tamariki and our purpose is to ensure tamariki and whānau of Tāmaki Makaurau fully participate in kindergarten. We ask for your support to advocate for all tamariki and whānau.

As an educational organisation, we value our affiliations with other educators, and support research that enhances understanding of education, health, and society. Our Research and Ethics Committee has approved several studies involving researchers from the University of Auckland and Auckland University of Technology. One, from Te Ipukarea Research Institute at AUT, is Te Kōhanga o te Tūī: The potential of voice recognition (VR) technology and artificial intelligence (AI) to support the early acquisition of te reo Māori and digital literacy in early child development. We look forward to fostering future research. We also support initiatives that improve health, wellbeing and sustainability in our kindergartens, communities and environment, such as the Healthy Hearts programme and our 37 Enviroschools.

AKA continues to forge relationships across Tāmaki Makaurau with external organisations, agencies and individuals that pave the way for our success, including the Ministry of Education, Auckland Council, Local Boards, Eke Panuku, Kāinga Ora, Auckland Police, Oranga Tamariki, Auckland Regional Health Board, Teaching Council, ERO, NZEI, politicians and others.

At the heart of all we do are our values: manawanui, kotahitanga, manaakitanga, ngākau pai, ngākau pono, whakamana and atawhai (commitment to purpose, collaboration, respect, positive outlook, trust, empowerment, and kindness.) Ngā mihi nui for your support as we embark on tautīnei, sustaining and nurturing Ngā Tamariki Puāwai o Tāmaki, the blossoming children of Tāmaki Makaurau.

Pauline A. Winter
Chief Executive

STRATEGIC FRAMEWORK

Values

Manawanui

To show commitment and dedication

Atawhai

Sincere use of one's time, talents and resources to better the lives of others by showing compassion, generosity and service

Whakamana

Supporting others to become stronger and more confident

Kotahitanga

Oneness or unity; working collaboratively towards the same goal

Manaakitanga

Caring and respecting each other

Ngākau Pai

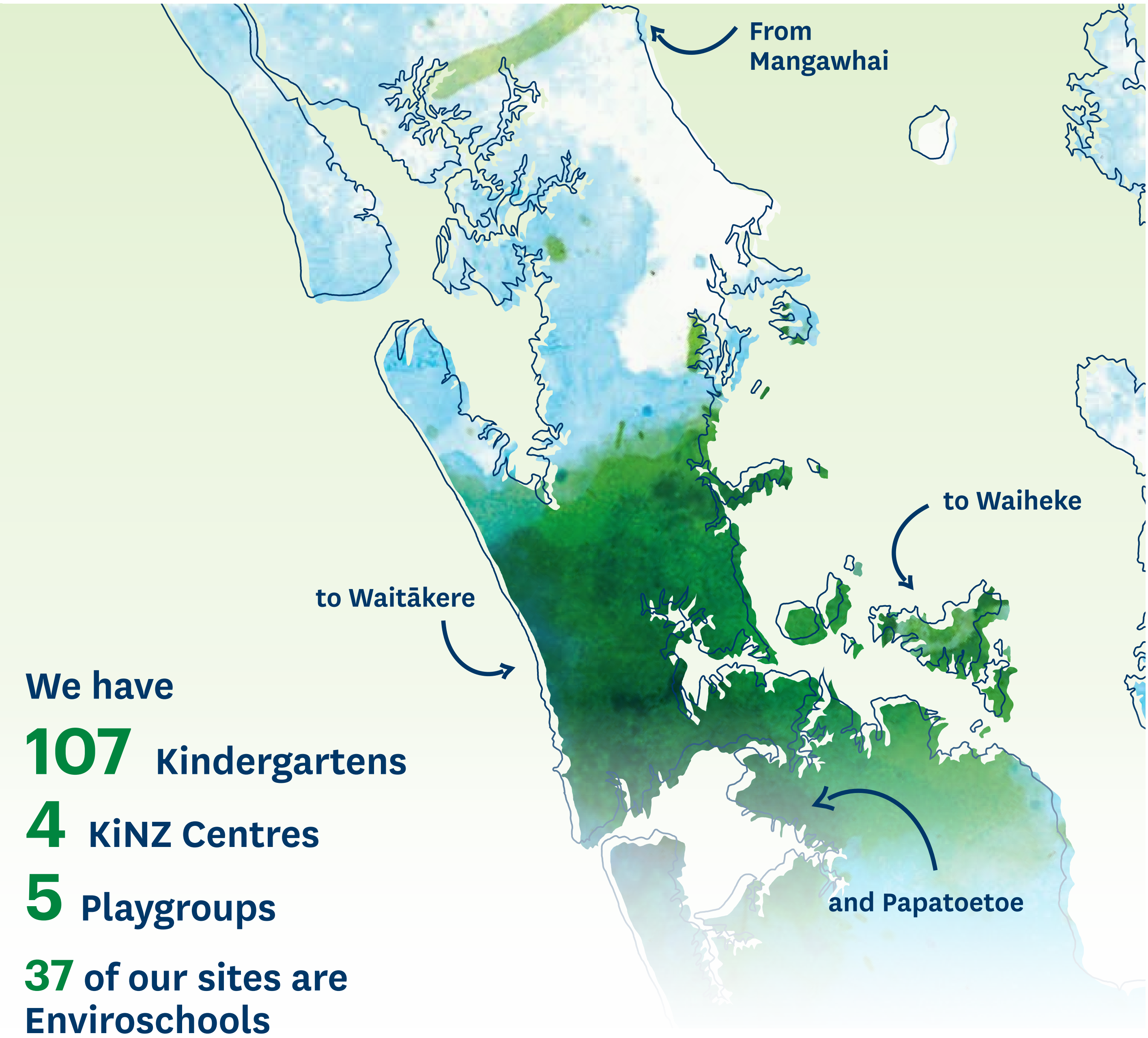
To act with positivity

Ngākau Pono

To act in a way which shows your trust in others and engenders trust in others

KEY STATISTICS

AKA is New Zealand's largest kindergarten association



We have

107 Kindergartens

4 KiNZ Centres

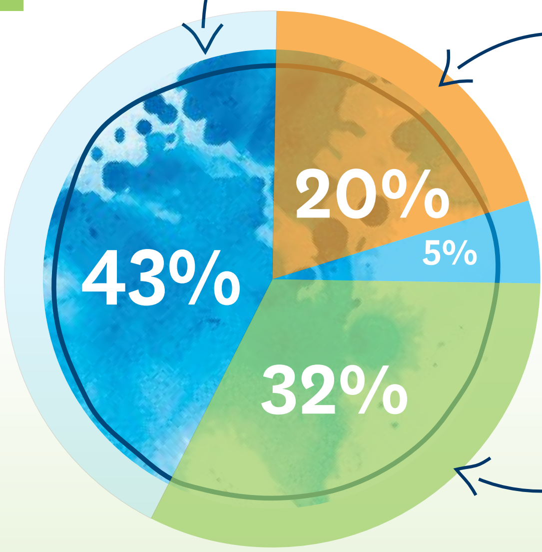
5 Playgroups

37 of our sites are Enviroschools

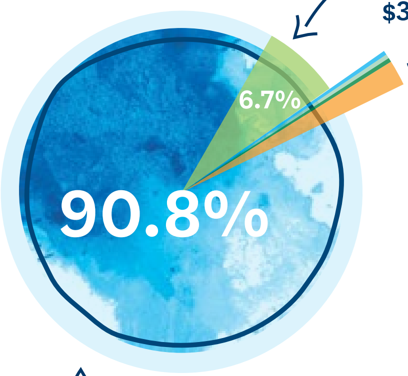
Average number of tamariki enrolled each day

5355 Tamariki

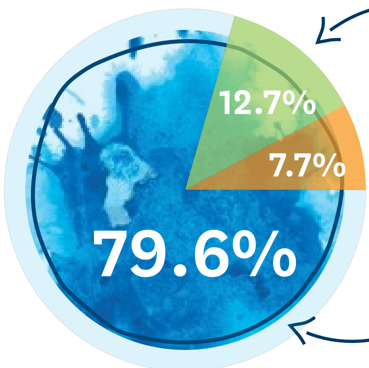
1004 Staff



Sources of income ...



We spend our income on ...



June 2021-2022 AKA

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the 12 months ended 30 June 2022

Revenue	Note	2022	2021
Government funding		51,845	51,966
Grant revenue		119	158
Parent contributions		3,820	4,015
Fundraising revenue		103	301
Interest revenue		147	118
Other sundry revenue		1,042	1,348
Total revenue	4	**57,076**	**57,906**

Expenses	Note	2022	2021
Staff	5	46,280	45,314
Professional and consultancy fees		1,113	910
Property and resources		7,400	7,491
Depreciation	11	2,471	2,373
Office administration		772	920
Marketing and public relations		94	91
Total expenses		**58,130**	**57,099**

		2022	2021
(Deficit) / Surplus for the year		**(1,054)**	**807**
Total comprehensive revenue and expense		**(1,054)**	**807**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the 12 months ended 30 June 2022

	2022	2021
Accumulated comprehensive revenue and expense at the start of the year	**29,626**	28,819
(Deficit) / Surplus for the year	**(1,054)**	807
Accumulated comprehensive revenue and expense at the end of the year	**28,572**	29,626

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

CROWE NEW ZEALAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Current assets	Note	2022	2021
Cash and cash equivalents	18 (a)	13,991	11,339
Trade and other receivables	8	855	839
Taxes receivable	9	94	115
Other assets	10	68	3,422
Total current assets		**15,008**	15,715
Non-current assets			
Property, plant and equipment	11	21,045	22,708
Total non-current assets		**21,045**	22,708
Total assets		**36,053**	38,423
Current liabilities			
Trade and other payables	12	1,491	1,845
Income in advance	13	2,099	2,214
Employee entitlements		2,727	3,614
Taxes payable	9	1,085	1,045
Provisions	14	79	79
Total current liabilities		**7,481**	8,797
Total liabilities		**7,481**	8,797
Net assets		**28,572**	29,626
Net assets / equity			
Accumulated comprehensive revenue and expense		**28,572**	29,626
Total net assets / equity		**28,572**	29,626

On behalf of Auckland Kindergarten Association Board:

Bruce McLachlan
Chair

5 October 2022

Katherine Souness
Chair, Audit Risk Assurance Committee

5 October 2022

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

CONSOLIDATED CASH FLOW STATEMENT

For the 12 months ended 30 June 2022

Cash flows from operating activities	Note	2022	2021
Government funding received		52,455	53,648
Grant revenue received		191	248
Parent contributions received		3,618	5,043
Fundraising revenue received		103	301
Interest received		147	109
Other sundry revenue received		235	707
Payments to employees		(47,125)	(44,838)
Payments to suppliers		(9,164)	(10,326)
Net cash provided by/(used in) investing activities	18(b)	**460**	4,892

Cash flow used in investing activities			
Payment for property, plant and equipment		(808)	(2,249)
Term deposit investment - net		3,000	(3,000)
Net cash used in investing activities		**2,192**	(5,249)

Net increase / (decrease) in cash and cash equivalents		2,652	(357)
Cash and cash equivalents at the beginning of the period		11,339	11,696
Cash and cash equivalents at the end of the period	18(a)	**13,991**	11,339

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 Tier 1 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 14)

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 15)

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.

Accounting standard and interpretations

PBE IFRS 41 Financial Instruments is effective for financial years beginning on or after 1 January 2022, with early adoption permitted. The standard establishes new classifications for financial assets and liabilities at either amortized cost or at fair value. The standard also introduces the 'expected credit loss' model where impairment losses are recognised prior to defaults occurring based on the likelihood of future probable defaults. The Group does not expect there to be a significant impact on the financial statements as the primary source of revenue and receivables are derived from government.

PBE FRS 48 Service Performance Reporting is effective for financial years beginning on or after 1 January 2022, with early adoption permitted. The standard seeks to guide entities in defining what service performance information is and how this should be reported in their annual reports. The Group has not yet determined the impact of non-financial information included in the Group's annual report.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

Government funding

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

Grant revenue

The recognition of revenue from grants depends on whether the grant comes with any stipulations imposed.

Stipulations that are conditions specifically require the Group to return the grant if they are not used in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as revenue as and when the conditions are satisfied.

Stipulations that are restrictions do not specifically require the Group to return the grant received if they are not utilised in the way stipulated, and therefore do not result in the recognition of liability, which results in the immediate recognition of revenue.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

4. Revenue

Government funding:		**2022**	**2021**
Operational funding		50,670	50,858
Equity funding	20	1,078	992
Targeted funding		97	116
Total Government funding		**51,845**	51,966
Grant revenue		119	158
Parent contributions	4(a)	3,820	4,015
Fundraising revenue		103	301
Interest revenue		147	118
Other sundry revenue	4(b)	1,042	1,348
Total revenue		**57,076**	57,906

(a) Parent contributions

Parent contributions includes an historic indirect tax payment dating back to March 2017 of $nil (2021: $986,000)

(b) Other sundry revenue

Other sundry revenue includes funding received from the Ministry of Education for Incredible Years and Incredible Beginnings programmes $363,000 (2021: $478,000) and Ministry of Social Development for Covid leave payments $165,000 (2021: $nil)

CROWE NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS

5. Staff

	2022	2021
Salaries and wages	45,083	44,129
Defined contribution - KiwiSaver	1,197	1,185
	46,280	45,314

6. Remuneration of auditors

	2022	2021
Audit of the financial statements	56	56
	56	56

The auditor of Auckland Kindergarten Association Group is Crowe New Zealand Audit Partnership (2021: Deloitte Limited)

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:	2022	2021
Board member fees - 7 FTE people (2021: 6 FTE people)	134	121
Executive Leadership Team - 6 FTE people (2021: 5 FTE people)	1,318	1,204
	1,452	1,325

FTE = full time equivalent

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

8. Trade and other receivables

Non exchange transactions	2022	2021
Funding receivable	716	711
Exchange transactions		
Debtors	217	386
Provision for doubtful debts	(78)	(258)
	855	839

Administration costs include the movement in provision for doubtful debt expense of $24,000 (2021: $23,000) and bad debt expense incurred of $204,000 (2021: $20,000).

Doubtful debt provision	2022	2021
Opening balance	(258)	(235)
Additional provision made	(24)	(23)
Amounts used	204	-
Closing balance	**(78)**	(258)

NOTES TO THE FINANCIAL STATEMENT

9. Taxes receivable / (payable)

	2022	2021
Payroll tax (PAYE)	(1,085)	(1,045)
Goods and services tax (GST)	94	115
	(991)	(930)

10. Other assets

	2022	2021
Prepayments	68	422
Term deposit	-	3,000
	68	3,422

11. Property, plant and equipment

	Land	Buildings	Playgrounds	Plant and Equipment	Total
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**
Additions	-	343	267	197	807
Disposals	-	-	-	(520)	(520)
Gross value at 30 June 2022	**342**	**33,131**	**9,359**	**7,385**	**50,217**
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)**
Disposals	-	-	-	521	521
Depreciation expense	-	(1,394)	(574)	(503)	(2,471)
Accumulated depreciation at 30 June 2022	**-**	**(15,783)**	**(7,006)**	**(6,383)**	**(29,172)**
Net book value					
At 30 June 2021	342	18,399	2,660	1,307	22,708
At 30 June 2022	**342**	**17,348**	**2,353**	**1,002**	**21,045**

CROWE NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS

12. Trade and other payables

Payables from exchange transactions	2022	2021
Trade and other payables	1,491	1,845
	1,491	1,845

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. Income in advance

Income in advance from non exchange transactions	2022	2021
Targeted funding for disadvantaged	348	302
Equity funding for disadvantaged	1,136	1,229
Grant funding in advance	198	124
Other income in advance	417	559
	2,099	2,214

14. Provisions

Make good	2022	2021
Opening balance	79	79
Additional provision made	-	-
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.

NOTES TO THE FINANCIAL STATEMENTS

15. Commitments and contingencies

Operating lease commitments	**2022**	**2021**
Payable within 1 year	629	408
Payable after 1 year and within 5 years	2,194	-
Payable after 5 years	40	-
	2,863	408

Capital commitments	**2022**	**2021**
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	18/04/2030	$306,306	3	2% per annum
Lease 2	8th October	26/08/2033	$312,000	3	2% per annum
Lease 3	16th June	16/06/2032	$283,920	3	2% per annum

16. Events after the reporting date

There were no subsequent events.

NOTES TO THE FINANCIAL STATEMENTS

17. 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 $44,000 (2021: $39,000) for the provision of this service to Northern Auckland Free Kindergarten Association. Included within Debtors is $5,000 (2021: $2,000) due from Northern Auckland Free Kindergarten Association and no impairment has been recorded against this debtor. Included in Professional and consultancy fees is $11,000 (2021: $nil) for the provision of services by Northern Auckland Free Kindergarten Association to The Group. Included within Creditors is $nil (2021:$nil) due to Northern Auckland Free Kindergarten Association.

A board member of 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. (2021: $nil)

A member of the Executive Leadership Team of The Group is also a board member of Tui Ora Limited. Included in Professional and consultancy fees is $26,000 (2021: $nil) for the provision of services by Tui Ora Limited to The Group. Included within Creditors is $nil (2021:$nil) due to Tui Ora Limited.

18. Reconciliation of cash flow from operating activities

(a) Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, in banks and in short term deposits of less than 90 days. 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:

	2022	**2021**
Cash on hand	26	32
Cash in bank	1,465	6,252
Short term deposits	12,500	5,055
	13,991	11,339

In addition to the above, the Group has a credit card facility of $250,000 (2021: $250,000).

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

	2022	**2021**
(Deficit) / surplus for the year	(1,054)	807
Loss / (gain) on sale or disposal of non-current assets	-	-
Depreciation of non-current assets	2,471	2,373
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(16)	737
Other current assets	375	24
Increase/(decrease) in liabilities:		
Current payables	(1,316)	951
Net cash inflow provided by operating activities	**460**	4,892

Gross cash flows are presented exclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS

(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 20 for further details.

19. 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 18 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 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

(f) Categories of financial instruments

Assets	Consolidated at 30 June 2022 Loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
Cash and cash equivalents	13,991	-	13,991
Trade and other receivables	855	-	855
Taxes receivable	94	-	94
Total financial assets	**14,940**	-	**14,940**
Liabilities			
Trade and other payables	-	1,491	1,491
Income in advance	-	2,099	2,099
Employee entitlements	-	2,727	2,727
Taxes payable	-	1,085	1,085
Total financial liabilities	**-**	**7,402**	**7,402**

Assets	Consolidated at 30 June 2021 Loans and receivables at amortised cost	Financial 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**
Liabilities			
Trade and other payables	-	1,845	1,845
Income in advance	-	2,214	2,214
Employee entitlements	-	3,614	3,614
Taxes payable	-	1,045	1,045
Total financial liabilities	**-**	**8,718**	**8,718**

NOTES TO THE FINANCIAL STATEMENTS

20. Equity funding

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

Equity funding income:	2022	2021
Low social economic	727	625
Special needs and non-English speaking backgrounds	351	367
	1,078	992

Equity funding utilised:	2022	2021
Discounted parent contributions	971	890
Learning support	68	44
Other	39	58
	1,078	992

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

CROWE
NEW ZEALAND

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INDEPENDENT AUDITOR'S REPORT

To the Members of Auckland Kindergarten Association

Opinion

We have audited the consolidated financial statements of Auckland Kindergarten Association (" the Association") and its controlled entity (the Group) on pages 10 to 25, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Accounting Standards issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Auckland Kindergarten Association or its controlled entity.

Other matter

The consolidated financial statements of the Group for the year ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 September 2021.

Information Other Than the Consolidated Financial Statements and Auditor's Report

The Board are responsible for the other information. The other information comprises the information included in the Annual report on pages 4 to 9 but does not include the consolidated financial statements and our auditor's report thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board's Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board are responsible 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 Board either intend 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 (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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Group and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Restriction on Use

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

Crowe

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Auckland this 6th day of October 2022

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

Michelle Moffitt
Community Director

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

Casey Taylor
General Manager
Community Engagement

Toni Nealie
General Manager
Strategic Engagement

ACKNOWLEDGEMENTS

We are very grateful to the following organisations:

- Ministry of Education
- Auckland Council
- The Lion Foundation
- Bluesky Community Trust Ltd
- The Trusts Community Foundation
- Four Winds Foundation
- Mangawhai Opportunity Shop
- Harcourts Group

We also acknowledge our Life Members:

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

Thank you to kindergartens and centres who feature in our photographs:

- Aorere Kindergarten
- Bucklands Beach Kindergarten
- Chelsea Kindergarten
- Don Buck Kindergarten
- Epsom South Kindergarten
- Flat Bush Kindergarten
- KiNZ Mission Heights
- Milford Kindergarten
- Mt Roskill Kindergarten
- Ōmana Kindergarten
- Oratia Kindergarten
- Ōtāhuhu Kindergarten
- Papatoetoe North Kindergarten
- Rānui Kindergarten
- Summerland Kindergarten
- Te Atatū South Kindergarten

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

Auckland Kindergartens

KiNZ
care and early learning
Te Tiaki, Te Ako Kōhungahunga

Playgroup

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