

**NORTHERN AUCKLAND  
FREE KINDERGARTEN ASSOCIATION  
(CC54181)**



**ANNUAL REPORT**

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# /

# ABOUT US

## VISION

“Every child will believe that they can achieve their dreams and aspirations”

## PURPOSE

“To provide a high quality early childhood education service that enables each child to leave us with a passion for learning and life”

## VALUES

### **Aspirational**

We strive to be the best we can be in all we do

### **Hauora**

Our mind, body and spirit will be healthy and will grow together

### **Sustainability**

We will build a viable and long lasting organisation that reflects quality practices

### **Excellence**

High quality, continuous improvement and innovation are our cornerstones



# / STRATEGIC DIRECTION

## PILLARS TO 2019

### **Educational Excellence**

We provide the best quality early  
childhood education.

### **Stakeholder Engagement**

Engagement with families, staff and  
other stakeholders position us as the  
best place for a child's education.

### **Business Development**

We provide the best community  
based kindergartens and early  
learning centres.

### **Reputation**

Our uniqueness is recognised locally,  
regionally and nationally for the  
quality of our people and service.

### **Sustainable**

We have high functioning structures,  
systems and processes that ensure  
we achieve our vision and purpose.

# / PRESIDENT'S REPORT



## A year of consolidation and change!

After the completion of the new service build in Hobsonville in 2015, the association moved in to a phase of consolidation. Focussing on transitioning the new service over to business as usual and working on the supporting organisational systems to improve the associations compliance and operational management activities.

The year also involved a number of significant changes, including the appointment of a new General Manager, Kenny Halliday. The selection process was comprehensive in evaluating the needs of the association moving forward, gathering and integrating the feedback from staff regarding an ideal GM candidate and for the selection panel, investing considerable time in evaluating the large number of quality applicants and moving through a multistage interview process. We formally welcome Kenny as a part of the association family.

Changes to the Health and Safety Act required a thorough review of the association policies and consideration of the resulting legal requirements. As a part of the process, GOSH was implemented to capture incidents and reviews of the services, providing an effective overview of the state of the association while providing immediate, real time escalation of any issues.

Future challenges are rapidly approaching and will require changes for the association to remain viable. A review of the funding structure is in progress with the expectation that there will be changes. New services steadily continue to be built throughout the region that we service. The increase in the cost of living continues to put further pressure on families requiring both parents to work. As a result, we are seeing an impact on our roles and waiting lists across the majority of our services. The association is well placed to make considered changes to services and the operating environment as required without the need for sudden reactive responses.

2017 will be an exciting year with a number of new board members and the opportunity to develop the association services to ensure a long term viable opportunity for future children.

Nga mihi

A handwritten signature in dark ink, appearing to read 'R. D. Watson'.

Rhys Watson  
President



# /

# GENERAL MANAGER'S REPORT

Tēnā Koutou

A wise old man once said, *"It is vital that when educating our children's brains that we do not neglect to educate their hearts."* It was this Dalai Lama quote that lit a fire in my stomach and inspired me to align myself with Northern Auckland Free Kindergarten Association. I firmly believe that the quality of our services play an integral part in educating the hearts and minds of every child so that they believe they will achieve their dreams and aspirations.

I also live by the saying, *"every day is a school day"*. I've been the General Manager for 116 days as I'm drafting this report and the saying has never been truer. I'm continually learning and encouraged by the entire Northern Auckland Free Kindergarten Association team who willingly share their knowledge, history, time and vision for the future. My thanks to the board, head office team, teachers and administrators who have ensured that my journey into quality early childhood education has been a swift one. To all, who will contribute in 2017, my thanks in advance. I can take no credit for the successes and achievements of 2016, because I only got to enjoy the tail end of the year as our services prepared to close down and the head office team reflected on the year. It gives me great pleasure to present this summary report of a "job well done" for the Northern Auckland Free Kindergarten Association.

A key focus of 2016 was to ensure that our services remained relevant in a rapidly changing work-life-family environment. The fact that I put 'work' first instead of 'family' isn't because I believe the former is more important than the latter. To the contrary, family is and should always be the key driver and reason for change. It is evident that the pressures on families in the Auckland region are distinctly different to those families living in our more rural communities. It is a fact that living in Auckland costs families more and the need for dual parental income is a reality facing many. That is why we considered, debated and consulted before we changed the traditional kindergarten session model to the extended service model of six hours a day. We responded to our communities needs and will continue to do so in the years to come.

We have responded very professionally this year to the amplified attention directed towards health and safety within the early childhood education sector. We take the welfare of children within our services extremely serious and as such commissioned a playground safety audit, tree assessment and playground surface drop test at the end of 2016. The reports from each of these pieces of work have given me confidence that we continue to

provide safe and challenging educational play environments within all of our services. This will remain a key focus of ours into the future as we believe the safety and education of children in our care is paramount to our success.

The development of Hobsonville Point Early Learning Centre and the inclusion of Massey University Auckland Early Learning Centre continued to go from strength to strength in 2016. Although both of these services stretched our thinking and philosophical approach to early childhood education and care, they are proving to be critical to the future sustainability and viability of the Northern Auckland Free Kindergarten Association. They provide a much needed extended service model to their communities and we will listen, learn and be responsive to the ever-changing needs of the Northern Auckland families.

Although this is only a snapshot of 2016, I urge the Northern Auckland Free Kindergarten Association communities to be vocal and engaged as we collectively navigate our way through the next phase of our evolution. I definitely do not have my "head in the sand" with regards to the increasing societal demands and financial challenges facing us. It will take strong leadership and informed decision making to see us successfully through the next few years and I am confident that we have the right people on-board to make that happen.

Lastly, I have had my belief in quality education for children within the 'golden age' that we service reaffirmed. We are without doubt the first step in every child's educational journey and because of that we need to ensure that every day is focussed on planting the seed of life-long learning in their hearts. On my visits across the Association to date, I see the passion and dedication to our vision reflected in the faces of the teachers, administrators and children. I commend you in all that you do and look forward to leading the Association to better capitalise on the tremendous work in the future.

Nā mātou noa, nā



Kenny Halliday  
General Manager  
Northern Auckland Free Kindergarten Association

# /

# CELEBRATIONS OF 2016

## Albany Kindergarten

In 2016 children at Albany Kindergarten have continued to embrace practices, values and ideals that ensure an environment where Ukaipotonga (belonging) is fostered. Our learning community stretches far beyond the walls of the kindergarten, branching out into our local community and beyond, welcoming the perspectives and knowledge of all. Links with schools in our area and the use of “transition to school” portfolios continues to support practices which align with our philosophy and commitment to sharing children’s Ako (teaching and learning) with others. Story park has been another avenue in which the transmission of children’s learning and the sharing of ‘funds of knowledge’ from Kindergarten to home and back again. This has occurred in meaningful and reciprocal ways building a learning community.

In the past year we welcomed student teachers from several training providers and also academic researchers from the University of Auckland who conducted research for their PHD and Masters respectively. As a teaching team we embrace such aspects of teaching alongside the professional development opportunities that we engage in. These things invite teachers to unpack and discuss their thinking, pedagogy, practices and aligns with the notion that teachers are researchers, innovators, curriculum drivers and agents of change.

2016 was also a year in which the Whanaungatanga (relationships) with Albany Primary School enabled a community garden (The Albany Allotment) to be developed outside the entrance to kindergarten. This helped to support sustainable practices and thinking and enhance Enviroschool practices and actions. In April we held our annual children’s art exhibition and later in the year a Trike-a-thon. These were supported by children, families, and the wider community.

An additional feature of our teaching and learning programme in 2016 was exploring the value of ‘paying it forward’ through Manaakitanga, the lifting and supporting of others. This included further developing of our own Community Kitchen, the gathering of tins of food banks and supporting Te Puea Marae Mangere in their request for food for people in the wider Auckland community.

## Glamorgan Kindergarten

2016 was Glamorgan Kindergarten’s 40th year! We planned the event with our community in mind and saw it as an opportunity to acknowledge all of those past and present who have contributed to our kindergarten and enriched our community and environment.

To commemorate our 40th celebration, we commissioned an artist/carver who worked alongside us in designing a carving which would be an unforgettable symbol of that time, plus a meaningful and long lasting representation of the essence of our learning community.

Everyone who enters our kindergarten doors is welcomed with a beautiful Pāre (a door lintel). It communicates the values of wisdom and knowledge that flows and is passed down through teachers, parents and guardians who embrace and support all our tamariki/ākonga (learners).

Preparation for this event led the teachers on an unexpected learning journey that inspired deep reflection, honesty and strengthened our team bond. We have all embraced different levels of challenges and feel that our bicultural knowledge and practise has been reignited. We feel this is certainly worth celebrating!

We completed a very successful ERO review. Even though we were fully confident that we would meet all the requirements, we were still a little apprehensive (as most teachers are) especially because we were a teaching team with new teachers and a newly appointed head teacher. We can proudly say that we were overjoyed that we survived the process and received a very complementary report.

After the great success of our Gala the previous year, we used the funds to enhance our outdoor environment with two new additions - a new carpentry shed with tools and a beautiful mud kitchen. These have really inspired and enhanced our children’s learning experiences. We have seen some wonderful creative cooking with nature’s pantry for ingredients and some determined woodworkers practising their handy skills.

## Hobsonville Pt ELC

For the team, Hobsonville Point Early Learning Centre 2016 was a huge year of milestones. During that time, we entered a new building and set up a learning environment from scratch. We also developed a new team, philosophy and set of routines. We have filled our centre with the joy and laughter of 60 children. We have worked hard to ensure that our learning environment reflected our community and vision for HPELC.

As a team we have grown not only as colleagues but also friends. This has extended through to our wider community and in July 2016 we established our parent committee, which is now a vital asset to HPELC.







One of the highlights of the year was our 1st Birthday celebration. We were so thrilled to share this momentous occasion with our children and their whanau as well as the wider community. With face painting, balloon art, bouncy castles and delicious food it was reminiscent of a summer carnival. Reflecting back on this occasion, our teachers feel that this event was significant in bonding our teachers, children and families as an established community.

We are so excited to see what lies ahead for HPELC in 2017!

## **Mahurangi Kindergarten**

Our name-sake 'Mahurangi' means the rock that points to the sky. 2016 has been a year of aspirational thoughts and actions as we reach towards our goal of providing exceptional education and warm, caring and responsive relationships with our children and their families.

Highlights of the year have been achieving a four-year, "very well placed", Education Review Office report in April. This achievement has been followed throughout the year by excellent 'out of centre' excursions both into our own community and beyond. These have included the Zero Waste Centre, Kaipara Coast Sculpture Park, visits to local retirement homes and regular visits to our local library and school.

Our new families have been warmly welcomed each term by our committee members hosting a morning tea for them. Our committee has worked tirelessly throughout the year to raise funds for new equipment within the kindergarten grounds. We now have a 'mud kitchen', dramatic play platform, outdoor space for lunch, new safe-fall matting under our swings and many new resources to enrich the educational experiences of our children.

This year we have seen an increase in the number of children under three years of age enrolled. This has allowed many learning opportunities for both children and teachers alike. Children have become leaders and teachers, and the concept of AKO is strongly embedded in the kindergarten environment. Teachers have spent time reviewing and reflecting on this new opportunity and have also learnt new ways of thinking and being around these children. We have gained a deeper understanding of how children develop and the joys of two year olds as they seek to be independent, learn language and challenge themselves in different ways.

Mahurangi Kindergarten would like to thank the Northern Auckland Kindergarten Association team for their support in 2016.

## **Massey University Auckland Early Learning Centre**

2016 saw the beginning of our journey as part of the NAKA family. Having spent a couple of years in preparation for this, it was wonderful to see it come to fruition.

Only a few days into January found us receiving a visit from ERO which earned us a well-deserved, 'very well placed to promote positive learning outcomes for children' with our next ERO review in four years.

Our regular family events that take place throughout the year, have continued to be very well supported by our community, with

record attendances at most of our celebrations. The multicultural nature of our community always guarantees fantastic feasts and an amazing atmosphere for everyone to enjoy.

We continue to support Massey University through lots of collaboration with different faculties including the speech and language and food and nutrition departments and were also asked to participate in some amazing research conducted by the Massey University Early Childhood Education faculty - to identify indicators of best practice for infants.

Finally we would like to take a moment to reflect on the journey our team has been on over the past 4 years which culminated in the successes we experienced in 2016. It has seen us make significant improvements to our facilities, our environment, our procedures and practice and all whilst managing to turn around a nasty deficit to a very comfortable surplus. This has been through our team all pulling together and in the same direction, putting our children and their families first and sharing our professional learning journey with people we trust.

## **Oaktree Kindergarten**

During 2016, Oaktree Kindergarten embarked on a learning journey focused around education for sustainability, natural environments and individual learning for all children. Care and attention was focused on creating an outdoor area that invited discovery and investigation of nature. The children have developed a keen understanding and awareness about looking after our community and environment, especially being the caretakers for our pets and chickens. The children encompassed the circle of life process with our chickens and became their main caretakers providing them with the food, water and care they needed, and in return made kai for sharing as a community of learners with the eggs they gifted us.

There has been much contribution to the group from parents and community, along with friendships and learning alongside each other. As a team we have a shared understanding and passion for education for sustainability, natural environments and extending children's interests, focusing on the creativity of all children. In 2017 we are looking forward to creating more love, greatness and fun with the children and community of Oaktree Kindergarten.

## **Orewa Beach Kindergarten**

A key celebration was the name change from Hibiscus Coast Kindergarten to Orewa Beach Kindergarten, which gave us a real sense of place in our community.

The year was strongly focussed on our enviroschools journey and sharing this and our philosophy of sustainability with our tamariki, their families and community. Towards the end of the year we successfully gained our Envischools Bronze Certificate and are eagerly working towards our Silver in the hope we can gain that in 2017.

We worked hard at increasing our waiting list during 2016, by building our public profile within our immediate community through events, publicity, hosting community groups and generally sharing and celebrating how great our kindergarten is. Consequently our waiting list has grown from under 20 at the beginning of 2016 to the present total of 50.







Relationships continue to be strong between our main feeder schools Orewa North Primary, Orewa College and ourselves. We were involved in a huge community trial Tsunami evacuation in conjunction with Orewa College and the council and initiated a Transition To School evening supported by the Principal of Orewa North Primary and the New Entrant teacher which was very popular with our families.

Orewa Beach Kindergarten have a very active parent committee. These wonderful people are totally committed to fundraising events so that their children and children of future families can enjoy a stimulating environment with quality resources in a forward thinking, well established kindergarten service.

## Parakai Kindergarten

We celebrate that our programme is responsive to nga tamariki interests, cultural aspirations and individual strengths. Te Ao Maori is valued and recognised at Parakai Kindergarten and cultural connections with the school are evident during shared events as tamariki very confidently sing waiata, verbalise kai karakia and host kindergarten visitors.

Our tamariki recognise the cultural heritage of Aotearoa and they are adept at practising Te Reo with the support of Kaiako. They recognise and respect all cultures here at the kura. When out in the community and in their home environment, they show understandings of Tangata Whenua, respecting the land, water and environment. Sustainability has become a focus as children nurture the gardens and insect life at the kindergarten.

Art and creativity are key learning experiences for our tamariki – a visit to the Kaipara Sculpture Gardens has become an annual event, inspirational for the children and their whanau. Our tamariki have grown in so many areas - it is exciting and so rewarding seeing their confidence.

The tamariki are settled and busy in the kura and confidently explore the wide range of equipment and resources. Tamariki are engaged and busy and teachers support their enthusiasm and curiosity by answering their questions and extending their knowledge.

We have also had another successful year of swimming lessons at the Parakai Springs. This is our fifth year of the swim safe programme with lessons with trained instructors at a reduced rate of \$2 koha per lesson per child. We are surrounded by beaches, lakes and the harbour so this is very beneficial for our tamariki and whanau.

The tamariki are confident with the concepts of i tuakana/teina learning where the older tamariki support the younger ones within the learning activities. We welcome whanau/caregivers to stay and attend the session with their tamariki.

## Rangitoto Kindergarten

A Celebration of Children, Family /whanau and Community! 2016

Tangata ako ana i te kāenga, te tūrangā ki te marae, tau ana  
A person nurtured in the community contributes strongly to society

A year for stretching and embracing mind, body and spirit!  
Bravery, resilience and courageousness was our mantra as

we headed into the bush on our weekly Nature Kindergarten programme which has created leaders, explorers, a sense of camaraderie and an "I can do it" attitude. While our year long exploration of Yoga and Mindfulness inspired a growing sense of self, thoughtfulness, respect and empathy.

Central to our kindergarten is a vibrant and wonderful community. Whanaungatanga and kotahitanga flourished in an environment that is all about relationships, partnerships, support, care and thoughtfulness. We have been fortunate to have the amazing support of a large and dedicated committee that has helped provide some epic community events and support. "...one of the reasons us parents volunteer to help on the Committee is to make friends and for our kids to make friends. Personally I think this should be one of our KPI's. I would like to highlight the lovely social environment this committee enjoys. Having a Senior Vice President of Good Times has been great and I propose we maintain this important role going forward." President 2016 Committee.

In February ERO gave us a "Very Well Placed" rating and commented, "Children and their families at Rangitoto Kindergarten have a strong sense of belonging and wellbeing. "Teachers and whānau value strong relationships and community connections as outstanding features of the kindergarten."

Sustainability has been a strong focus with the kindergarten gaining Bronze status in Enviroschools. The completion of the mud pit and rockery has provided us with a new vibrant and much loved area that the children continually gravitate to. "The world is mud-luscious and puddle wonderful" E.E.Cumming, our strong focus on children as risk-takers, resilient problem solvers exploring nature and playing in the mud resonated with people all over the world receiving 576,619 views and 1,800 shares on Facebook. ERO commented that, "The kindergarten's environments play a powerful role in supporting children's learning. Creative and attractive presentation of the environment invites investigation and exploration, and helps children to develop as capable, self-directed learners. Environments are often adapted in innovative ways to foster children's curiosity and to provide physical challenge."

A fabulous year of growth and change - we look forward to an exciting 2017.

## Silverdale Kindergarten

Overall our proudest achievement has been the children who have shared with us their interests and passion for learning. Our team, well supported by our community, were able to focus on providing a vibrant, stimulating learning environment with an exciting and challenging programme to embrace and extend those interests, friendships, and new knowledge.

We were fortunate to participate in high quality professional development opportunities and outstanding speakers provided by NAKA.

Our long awaited committee shed project was completed and has already proved to be a fabulous asset and enables our fundraising events to proceed with a great deal more ease than previously.

We have had a long-term commitment to creating and maintaining sound ecologically sustainable practices. These practices are







now deeply embedded in our kaupapa and it was wonderful to complete our Bronze reflection with Enviroschools and have further acknowledgement of our journey. The formation of our new macrocarpa garden beds have further extended our sustainable practices enabling our tamariki to be the kaitiaki of our new gardens, with rich learning opportunities occurring with the growing, harvesting, cooking and eating of our own kai.

## Stanmore Bay Kindergarten

2016 saw children benefit from a wide range of learning experiences including the continuation of our 'Explorer's Club' outings - small groups of our older children venturing off to the beach supported by teachers and parents.

There were many visitors to support the children's learning and curiosities, including Toro Piko Piko Puppetry Group to conclude Matariki and Fairy Claire, who flew in for a morning to support an ongoing interest in fairies and fairy gardens. Fire and Ambulance visits occurred to help children become familiar with the important job these people do in our community. We had a lovely Christmas show from Peaches and Pickles and finished the year with a Nature Trail followed by a picnic for all families out at the beautiful Shakespeare Park.

Together with our committee, we hosted several fundraising events that were family focused. These included; a Big Dig and Beach Day at our local Stanmore Bay Beach; a Bingo night for adults, a Marvellous Males night, where our children hosted the spectacular males in their lives, and a trike-a-thon. Our most exciting event though was the Matariki Art Exhibition, Concert and Hangi evening, where we hosted over 200 people.

We have supported many families through some incredible challenges and appreciate the fantastic support that has been

afforded to us by our NAKA head office staff and the board. But most importantly we appreciate our wonderful committee and our families for entrusting their children into our care!

Together we look forward to another prosperous and wonderful 2017.

## Taiaotea Kindergarten

Browns Bay Taiaotea Kindergarten continues to have a strong family and community focus and in 2016 this was reflected in an enriching programme for our learners. Outdoor playground projects have been funded and completed creating an inviting and safe environment.

Excursions included regular visits to the library and an end of year trip to the zoo. In addition our very special relationship with Aria Bay Retirement Home continued to develop as residents come on weekly visits to read to our children and twice a term we visit them with 10 children to participate in fun programmes such as making cup cakes, crafts, and Christmas decorations.

Extended family activities including Movie Night, Disco, Blokes Night, Sausage Sizzles and Christmas in the Park - which are always well attended and strengthen whanaungtanga.

Professional Development for learning on Tātaiako inspired the teaching team. By reflecting the cultural competencies in our teaching and learning programme the outcomes have been enriching for us all. We continue to respond to the cultural diversity in our community of learners and are delighted with the way our families invite us into their celebrations and aspirations.





## Torbay Kindergarten

The children started the year off with a focus on Manaakitanga/ caring and welcoming of all aspects within our community and kindergarten environment. We successfully hatched 10 chickens! During those weeks in February, tamariki enjoyed visits from past pupils, right up to college students, coming to see the Torbay chickens (and catch up on where life has taken us). Izaak took the chickens home and they became excellent layers! He brought the eggs in on Market Day to swap. We get the best fruit and vegies, herbs and plants at Market Day. This happens every term.

Fortnightly throughout the year, we take a group of ten children down to the beach to explore the environment. Our kindergarten and community have a wonderful sense of belonging at Waiake, our turangawaewae. These trips enable the children to identify with their role as guardians/kaitiaki of their environment.

2016 saw the creation of our Te Rua Paru/ mud pit and ongoing native planting.

We won a scholarship from the Association and this saw us embark on our bi-cultural journey with the guidance of Ben and Celeste (Aiya's uncle). We created our own korowai, increased our use of Te Reo and built on our kapa haka skills. Nearing the end of the year Ben and Celeste handed their mahi over to Ally Gamby and she supported us to perform our kapa haka for our whanau at the end of the year. Ally's work continues on with us into 2017.

## Waimauku Kindergarten

Our tamariki started to work on the gardens and they have produced broad beans, strawberries, potatoes, figs, apples, peaches, swan plants, sunflowers and an array of wildflowers

around kindergarten.

We started working with clay and the children produced some incredible creations. These were fired, glazed, re-fired and taken home as treasured taonga.

Our journey of the korowai began with children choosing the fabric they liked and decorating them. We talked about the process of making the korowai and the importance and how special a korowai was.

We had a new sandpit kitchen made with water and there had been lots of baking, creating and laughter.

We have had a fun year with lots of laughter, tears, water and play. Our children are confident and articulate, who love coming to kindergarten.

## Whangaparaoa Kindergarten

Staff - One of our biggest celebrations was welcoming Cushla Vague into the teaching team at the end of February. Cushla's Steiner influence has brought wonderful balance to our team.

Enviroschools - We introduced litterless lunch boxes, which was well supported by our whānau. Although our recycling, composting and worm farming practices were already well embedded, advice from a parent inspired us to introduce soft plastic recycling. We now use one wheelie bin instead of two. Likewise we significantly reduced our power and water consumption. The installation of water tanks provides water to our gardens.

Tikanga Maori - Our kapa haka rōpu has grown from strength to strength, performing at least once a term. The highlight of the year was our tamariki performing at the local school's festival. We held





our first hangi to celebrate Matariki and gifted Gulf Harbour School kapa haka uniforms. We were welcomed with a pōwhiri - a very moving experience.

Whānau and Community - Our fun family events each term helped to nurture our sense of community; wheel-a-thon, disco, mini Olympics, family picnics and the Christmas party.

Programme - Facilitating children's learning in our mixed age group sees us supporting several interests at a time and having a lot of fun with nga tamariki. We have also focussed on friendships, celebrating cultures and diversity, physical challenges

and manaaki. News time was and still is, supported by the teachers to empower children's confidence and communication skills.

Marketing - Our Friday coffee mornings have been increasingly well attended and led to many new enrolments. Combined with the flexible hours available to parents, our waiting list has steadily grown.

Tangata ako ana i te kāenga, te tūranga kit e marae, tau ana  
A person nurtured in the community contributes strongly to society



**NORTHERN AUCKLAND FREE KINDERGARTEN  
ASSOCIATION INCORPORATED**

**CONSOLIDATED AND SEPERATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2016**



**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**DIRECTORY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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<b>Registered office</b>	44C Anzac Road Browns Bay Auckland 630
<b>Nature of business</b>	Early Childhood Education
<b>Board of Management</b>	Tony Naidu - Appointed 5 May 2016 Veronica Aris - Appointed 5 May 2016 Sandra Baalham - Appointed 18 February 2016 Mary-Liz Broadley - Appointed 1 April 2015 Rhys Watson - Appointed 23 April 2015 Rachel Durney - Appointed 1 April 2015 Tania Massey - Appointed 1 April 2015 Kenny Halliday - Appointed 12 December 2016 Garth Halliday - Up to 12 December 2016 Melanie toft - Up to 31 December 2016
<b>Registered Charities Number: Group</b>	CC54181
<b>Independent Auditor</b>	RSM Hayes Audit Level 1, 1 Broadway Newmarket
<b>Banker</b>	ASB Commercial Bank, North Shore
<b>Solicitor</b>	SBM Legal, Newmarket

**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**STATEMENT OF RESPONSIBILITY FOR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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The Board of Northern Auckland Free Kindergarten Association Incorporated (the "Association") is responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated and separate financial statements and related information. The independent external auditors, RSM Hayes Audit, have audited the consolidated and separate financial statements and their report appears on pages 3 to 4.


The Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the consolidated and separate financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the consolidated and separate financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

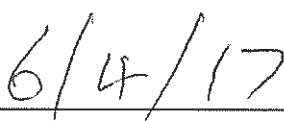
The consolidated and separate financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board to indicate that the Association and Group will not remain a going concern in the foreseeable future.

In the opinion of the Board:


- The consolidated and separate statement of comprehensive revenue and expense are drawn up so as to present fairly, in all material respects, the financial result of the Association and the Group for the year ended 31 December 2016;
- The consolidated and separate statement of consolidated financial position are drawn up so as to present fairly, in all material respects, the state of affairs of the Association and the Group as at 31 December 2016;
- The consolidated and separate statement of consolidated cash flows are drawn up so as to present fairly, in all material respects, the cash flows of the Association and the Group for the year ended 31 December 2016;
- There are reasonable grounds to believe that the Association and the Group will be able to pay their debts as and when they fall due.

Signed for and on behalf of the Board:

  
\_\_\_\_\_  
RHYS WATSON  
PRESIDENT

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
KENNY HALLIDAY  
GENERAL MANAGER

  
\_\_\_\_\_  
Date



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## Independent Auditor's Report

### To the members of Northern Auckland Free Kindergarten Association Incorporated

#### Qualified Opinion

We have audited the consolidated and separate financial statements of Northern Auckland Free Kindergarten Association Incorporated and its subsidiaries (the group), which comprise:

- the consolidated and separate statement of financial position as at 31 December 2016;
- the consolidated and separate statement of comprehensive revenue and expense for the year then ended;
- consolidated and separate statement of changes in net assets/equity;
- consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated and separate financial statements on pages 5 to 25 present fairly, in all material respects, the financial position of the group and association as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

#### Basis for opinion

The group's reported income includes parent donations and fundraising income of \$422,041. Controls over parent donations and fundraising income prior to being recorded is limited and there are no practical audit procedures to determine the effect of this limited control. In this respect alone, we have not obtained all the information and explanations that we have required.

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 and separate financial statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and 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, the association or any of its subsidiaries.



## Other information

The Board of Management is responsible for the other information. The other information comprises of sections A - E, the statement of responsibility for consolidated and separate financial statements on section F page 2 and listing of kindergartens and early learning centres on section F page 26 (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated and separate 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 and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

## Responsibilities of the Board of Management for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the Board of Management is responsible, on behalf of the association and group, for assessing the association's and 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 those charged with governance either intend to liquidate the association and group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated and separate financial statements. A further description of the auditor's responsibilities for the audit of the consolidated and separate financial statements is located at the XRB's website at:

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page7.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx)

## Who we report to

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

A handwritten signature in blue ink that reads 'RSM'.

**RSM Hayes Audit**  
Auckland

11 April 2017



**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016		2015	
		Association	Group	Association	Group
Revenue from exchange transactions	5	347,402	775,510	185,154	241,073
Revenue from non-exchange transactions	5	6,515,431	7,557,453	5,825,483	6,305,711
		<b>6,862,833</b>	<b>8,332,963</b>	<b>6,010,637</b>	<b>6,546,784</b>
<b>Expenses</b>					
Employee costs	6	5,614,420	6,270,888	4,890,921	4,952,217
Distribution to Kindergartens		241,006	-	360,388	-
Office administration		535,014	1,187,362	258,294	745,988
Depreciation	12	277,750	438,223	222,434	308,150
Cyclical maintenance expense	16	27,697	27,697	4,976	4,976
Other operating expenses	7	97,735	237,010	131,449	312,956
<b>Total expenses</b>		<b>6,793,622</b>	<b>8,161,180</b>	<b>5,868,462</b>	<b>6,324,287</b>
Finance income	8	18,417	23,904	67,430	77,881
Finance costs		-	-	-	-
<b>Net finance costs</b>		<b>18,417</b>	<b>23,904</b>	<b>67,430</b>	<b>77,881</b>
<b>Net surplus for the year</b>		<b>87,628</b>	<b>195,686</b>	<b>209,605</b>	<b>300,378</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>87,628</b>	<b>195,686</b>	<b>209,605</b>	<b>300,378</b>

**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Accumulated comprehensive revenue and expense	Total
<b>Association</b>			
Opening balance 1 January 2015 (previously reported)		6,442,208	6,442,208
Prior Period Adjustment	24	(236,930)	(236,930)
Adjustment for changes in accounting policies due to initial application of PBE Standards	23	-	-
Restated total equity at 1 January 2015		6,205,278	6,205,278
Surplus for the period		209,605	209,605
Other comprehensive revenue and expense		-	-
Total consolidated comprehensive revenue and expense		209,605	209,605
Closing equity 31 December 2015		6,414,883	6,414,883
Surplus for the period		87,628	87,628
Other comprehensive revenue and expense		-	-
Total separate comprehensive revenue and expense		87,628	87,628
Closing equity 31 December 2016		6,502,511	6,502,511
<b>Group</b>			
Opening balance 1 January 2015 (previously reported)		7,028,165	7,028,165
Adjustment for changes in accounting policies due to initial application of PBE Standards	23	-	-
Restated total equity at 1 January 2015		7,028,165	7,028,165
Surplus for the period		300,378	300,378
Other comprehensive revenue and expense		-	-
Total consolidated comprehensive revenue and expense		300,378	300,378
Closing equity 31 December 2015		7,328,543	7,328,543
Surplus for the period		195,686	195,686
Other comprehensive revenue and expense		-	-
Total consolidated comprehensive revenue and expense		195,686	195,686
Closing equity 31 December 2016		7,524,229	7,524,229

This statement should be read in conjunction with the notes to the financial statements.



**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

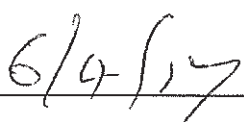
**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

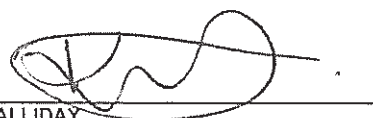
ASSETS	Notes	2016		2015	
		Association	Group	Association Restated*	Group Restated*
<b>Current assets</b>					
Cash and cash equivalents	9	1,558,096	2,178,449	1,300,193	1,755,639
Receivables from exchange transactions	10	1,052	1,193	2,340	2,340
Receivables from non-exchange transactions	10	41,925	72,920	57,651	59,151
Prepayments		34,349	37,184	30,804	30,958
Amounts due from related parties	22	32,059	-	32,140	-
		<u>1,667,480</u>	<u>2,289,746</u>	<u>1,423,128</u>	<u>1,848,088</u>
<b>Non-current assets</b>					
Property plant and equipment	11	6,530,803	7,124,292	6,651,542	7,159,590
Capital works in progress		-	-	31,316	31,316
		<u>6,530,803</u>	<u>7,124,292</u>	<u>6,682,858</u>	<u>7,190,906</u>
<b>TOTAL ASSETS</b>		<b>8,198,284</b>	<b>9,414,039</b>	<b>8,105,986</b>	<b>9,038,994</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables (from exchange transactions)	12	228,527	286,125	284,914	309,644
Payables (from non-exchange transactions)	12	1,014,712	1,106,785	972,206	966,823
Employee benefits	13	182,932	227,296	192,079	192,079
Provision for cyclical maintenance	15	59,640	59,640	45,180	45,180
		<u>1,485,810</u>	<u>1,679,846</u>	<u>1,494,379</u>	<u>1,513,726</u>
<b>Non-current liabilities</b>					
Provision for cyclical maintenance	15	209,963	209,963	196,726	196,726
		<u>209,963</u>	<u>209,963</u>	<u>196,726</u>	<u>196,726</u>
<b>TOTAL LIABILITIES</b>		<b>1,695,773</b>	<b>1,889,809</b>	<b>1,691,105</b>	<b>1,710,452</b>
<b>TOTAL NET ASSETS</b>		<b><u>6,502,511</u></b>	<b><u>7,524,229</u></b>	<b><u>6,414,883</u></b>	<b><u>7,328,543</u></b>
<b>Net assets</b>					
Accumulated comprehensive revenue and expense		6,502,511	7,524,229	6,414,883	7,328,543
Revaluation reserve		-	-	-	-
<b>Total net assets attribution</b>		<b><u>6,502,511</u></b>	<b><u>7,524,229</u></b>	<b><u>6,414,883</u></b>	<b><u>7,328,543</u></b>

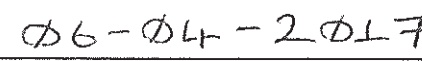
\*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 22 & 23.

For and on behalf of the Board:

  
RHYS WATSON  
PRESIDENT

  
DATE

  
KENNY HALLIDAY  
GENERAL MANAGER

  
DATE

This statement should be read in conjunction with the notes to the financial statements.

**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016		2015	
		Association	Group	Association Restated*	Group Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Ministry of Education funding		6,470,431	6,935,850	5,828,330	5,847,420
Receipts from parent donations		-	239,301	-	217,654
Receipts from fundraising activities		-	182,740	-	221,704
Receipts from other non-exchange transactions		45,000	199,561	203,565	59,279
Receipts from parent fees		347,402	775,510	-	241,073
Interest received		18,417	23,904	73,110	83,562
Payments to employees		(5,614,420)	(6,270,888)	(4,890,921)	(4,952,217)
Payments to suppliers		(851,916)	(1,260,243)	(572,096)	(981,769)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>414,914</b>	<b>825,735</b>	<b>641,988</b>	<b>736,706</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Decrease in short term investments		-	-	-	-
Disposal of property, plant and equipment		-	-	-	-
Purchase of property, plant and equipment	12	(157,011)	(402,925)	(2,057,839)	(2,145,435)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(157,011)</b>	<b>(402,925)</b>	<b>(2,057,839)</b>	<b>(2,145,435)</b>
Net increase/(decrease) in cash and cash equivalents		257,903	422,810	(1,415,851)	(1,408,729)
Cash and cash equivalents at 1 January		1,300,193	1,755,639	2,716,044	3,164,368
<b>Cash and cash equivalents at 31 December</b>	9	<b>1,558,096</b>	<b>2,178,449</b>	<b>1,300,193</b>	<b>1,755,639</b>

\* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 23.

This statement should be read in conjunction with the notes to the financial statements.



## **NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

### **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **1. REPORTING ENTITY**

Northern Auckland Free Kindergarten Association Incorporation (the "Association") is a non-profit organisation registered under the Incorporated Societies Act 1908. The Association and its controlled entities are public benefit entities for the purposes of financial reporting in accordance with the Financial Reporting Act 2013.

These financial statements were authorised for issue by the Board of Management on the date indicated on page 7.

#### **2. BASIS OF PREPARATION**

##### *a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with the Charities Act 2005 which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP").

As the primary objective of the Association and Group is to provide goods or services for community and social benefit, rather than for making a financial return, the Association and Group are public benefit entities for the purpose of financial reporting.

The Association is a registered charity in New Zealand. The financial statements comply with Public Benefit Entity Accounting Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities.

The financial statements of the Association and Group have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied. The Group is eligible to report in accordance with Tier 2 PBE Standards because it does not have public accountability and it is not large.

##### *b) Measurement basis*

The consolidated financial statements have been prepared on the historical cost basis.

##### *c) Functional and presentation currency*

The consolidated financial statements are presented in New Zealand Dollars (\$), which is the functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

There has been no change in the functional currency of the Association and Group during the year.

##### *d) Changes in accounting policy*

For the year ended 31 December 2015, the Group prepared its financial statements using Old GAAP. These have now been restated to PBE Standards RDR. An explanation of how the transition to PBE Standards RDR has affected the reporting is provided in Note 22 of the financial statements.

#### **3. SIGNIFICANT JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

##### *a) Judgements:*

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### *Revenue recognition: the recognition of non-exchange revenue (conditions vs restrictions);*

The Association must exercise judgement when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

**3. SIGNIFICANT JUDGMENTS AND ESTIMATES (Cont'd)**

***Classification of non-financial assets as cash generating assets or non-cash-generating assets***

For the purpose of assessing impairment indicators and impairment testing, the Group classifies non-financial assets as either cash-generating or non-cash-generating assets. The Group classifies a non-financial assets as a cash-generating assets if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment held by the Association and the Group are classified as non-cash-generating assets. This includes assets that generate fee revenue or other cash flows for the Association and Group, as the cash flows generated as generally not sufficient to represent commercial return on the assets.

***b) Assumptions and estimation uncertainties***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Useful lives and residual values***

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Group
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

***Changes in accounting estimates***

There have been no changes in the accounting estimates for the current reporting period.

**4. SIGNIFICANT ACCOUNTING POLICIES**

***a) Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Association and its controlled entities (the Group) as at 31 December 2016. The controlled entities include 13 Kindergartens, Hobsonville Point Early Learning Centre, and Northern Auckland Early Childhood Education Trust.

Controlled entities are all those entities over which the Association (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of the controlled entities are prepared for the same reporting period as the Association, using consistent accounting policies. In preparing the consolidated financial statements, all inter-entity balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

***b) Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.



**4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**b) Revenue (cont'd)**

***Revenue from exchange transactions***

***Parent fees***

Parent fees are recognised on an accrual basis in accordance with the substance of the relevant agreement.

***Interest received***

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of financial performance.

***Revenue from non-exchange transactions***

Non-exchange transactions are those where the Group receives an inflow of resources ((i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- it is probable that the associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable.

Revenues from non-exchange transactions with the Government and government agencies is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and:

- it is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- the transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled.

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to the Group at the time of transfer.

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only once the Group has satisfied these conditions.

The following specific recognition criteria in relation to the Group's non-exchange transaction revenue streams must also be met before revenue is recognised.

**Grants, Donations, Legacies and bequests**

The recognition of non-exchange revenue from the Ministry of Education and other donors depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

Income from contract funding is recognised when it is probable that the associated future economic benefit or service potential will flow to the entity, the fair value is reliably measurable, and there is no associated liability in respect of the same inflow.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**c) Use of Land and Building Expense/ Grant**

Some of the land and buildings from which the Group operates is owned by the Crown and managed by the Ministry of Education or Auckland Council on behalf of the Crown. The Group's use of the land and buildings as occupant is based on the property occupancy document as gazetted by the Ministry or the Deed of Lease agreement by Auckland Council. The expense is recognised based on an assumed market rental yield on the value of land and buildings as used for rating purposes. This is a non-cash expense that is offset by a non-cash grant from the Ministry. The expense and grant is only recognised when reliable valuation for the land and buildings can be obtained.

**d) Employee benefits**

***Short term employee benefits***

Liabilities for wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**e) Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through surplus or deficit, loans and receivables, or as held-to-maturity investments, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset.

The Association and Group's financial assets include: cash and cash equivalents, short term deposits, and trade and other receivables.

***Subsequent measurement***

***Financial assets at fair value through surplus or deficit***

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group has not designated any financial assets at fair value through surplus or deficit.

***Loans and receivables***

This category of financial assets is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortisation is included in finance income in the statement of comprehensive revenue and expense.

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**e) Financial instruments (cont'd)**

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

***Held to maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity.

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The Group did not have any held-to-maturity investments during the years ended 31 December 2015 or 31 December 2016.

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the statement of financial position) primarily when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through surplus or deficit, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at amortised cost***

This is the category of financial liabilities that is most relevant to the Group. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest rate amortisation process. The effective interest rate amortisation is included as finance costs in the statement of financial performance.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**e) Financial instruments (cont'd)**

Trade and other payables are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are not discounted.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in surplus or deficit.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**f) Impairment of non-derivative financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***g) Financial assets carried at amortised cost (loans and receivables)***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit.

Interest income (recorded as finance income in the statement of comprehensive revenue and expense) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Individual trade receivable balances that are known to be uncollectible are written off when identified, along with associated allowances. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**g) Impairment of non-derivative financial assets (cont'd)**

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive revenue and expense.

**h) Property, plant and equipment**

***Initial recognition and measurement***

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group, and if the item's cost or fair value can be measured reliably.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Subsequent costs that meet the recognition criteria above are recognised in the carrying value of the item of property, plant and equipment. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

***Measurement subsequent to initial recognition***

Subsequent to initial recognition, property, plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, if any.

***Depreciation***

Depreciation is charged on a straight-line basis over the useful life of the asset except for buildings erected on land owned by the local councils which are depreciated on a diminishing value basis. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Land	not depreciated
Buildings	3.00%
Playground equipment	15.60%
Office equipment	39.60%
Computer equipment	60.00%
Electronic equipment	39.60%
Furniture and fittings	25.00%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. Please refer to policy on impairment of nonfinancial assets below.

***Derecognition***

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**h) Impairment of non-financial assets**

***Impairment of non-cash-generating assets***

For non-financial non-cash-generating assets, except for those assets that are valued using the revaluation model, the Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

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

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

Impairment losses are recognised immediately in surplus or deficit.

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

**i) Provisions**

Provisions are recognised when the Association and Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The properties from which certain kindergartens (listed on page 26) operate are owned by the Crown, vested in the Ministry of Education ("MOE"). The MOE has gazetted a property occupancy document that sets out the Association's property maintenance responsibilities. The Association is responsible for maintaining the land, buildings and other facilities on the kindergarten site in good order and repair. The Association is also responsible for the maintenance of land, buildings and other facilities on the kindergarten sites (listed on page 26) that are owned by local councils.

Cyclical maintenance, which basically involves painting the interior and exterior of the buildings, flooring and roof repairs, make up the most significant part of those responsibilities that are outside the day-to-day maintenance expenditure. The provision for cyclical maintenance represents the obligation the Association has to the MOE and local councils, and is based on the Association's future maintenance plan.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date.



**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**j) Equity**

Equity is the community's interest in the Association and Group, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

*Accumulated comprehensive revenue and expense*

Accumulated comprehensive revenue and expense is the Association and Group's accumulated surplus or deficit since the formation of the Association, adjusted for transfers to/from any specific reserves.

**k) Income Tax**

The Group is exempt from income tax due to its charitable status.

**l) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

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.

**m) Leases**

***Classification and treatment***

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

***Group as a lessee***

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Group also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in surplus or deficit. Contingent rents shall be charged as expenses in the period in which they are incurred.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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**5. REVENUE**

	2016		2015	
	Association	Group	Association	Group
<b>Revenue from exchange transactions</b>				
Parent fees	347,402	775,510	185,154	241,073
	<u>347,402</u>	<u>775,510</u>	<u>185,154</u>	<u>241,073</u>
<b>Revenue from non-exchange transactions</b>				
Ministry of Education grants	6,470,431	6,935,850	5,807,074	5,807,074
Other grants received	-	24,638	8,500	18,835
Parent donations	-	239,301	-	217,654
Fundraising income	-	182,740	-	221,704
Other income	45,000	174,923	9,909	40,444
	<u>6,515,431</u>	<u>7,557,453</u>	<u>5,825,483</u>	<u>6,305,711</u>

**6. EMPLOYEE COSTS**

Wages and salaries	5,614,420	6,270,888	4,890,921	4,952,217
	<u>5,614,420</u>	<u>6,270,888</u>	<u>4,890,921</u>	<u>4,952,217</u>

The amounts above include the remuneration of key management personnel – please refer to Note 20 for key management personnel remuneration.

**7. OTHER OPERATING EXPENSES**

Other operating expenses include the following items:

	2016		2015	
	Association	Group	Association	Group
Management administration	26,763	26,763	77,085	77,085
Property and resources	36,046	33,194	29,308	70,272
Market and public relations	14,978	15,487	9,107	9,107
Consultancy fees	4,948	4,948	2,949	2,949
Fundraising expenses	-	132,279	-	114,907
Excursion expenses	-	6,339	-	25,636
Remuneration to the auditors				
- audit of financial statements	15,000	18,000	13,000	13,000
	<u>97,735</u>	<u>237,010</u>	<u>131,449</u>	<u>312,956</u>

**8. FINANCE INCOME**

Interest Received	18,417	23,904	67,430	77,881
Exchange gains	-	-	-	-
	<u>18,417</u>	<u>23,904</u>	<u>67,430</u>	<u>77,881</u>



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	2016		2015	
	Association	Group	Association	Group
<b>9. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents include the following components:				
Cash at bank and on hand				
- <i>Working account</i>	18,711	18,711	22,621	22,621
- <i>Holiday programme account</i>	-	-	-	-
Short term bank deposits	1,539,385	1,757,228	1,277,572	1,277,572
Kindergarten balances				
- <i>Cheque accounts</i>	-	96,153	-	58,480
- <i>Call accounts</i>	-	306,357	-	396,966
	<u>1,558,096</u>	<u>2,178,449</u>	<u>1,300,193</u>	<u>1,755,639</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Association has a revolving credit facility of \$nil (2015: \$975,000).

**10. RECEIVABLES**

**Receivables from exchange transactions**

Sundry receivables	-	-	-	-
Interest receivable	1,052	1,193	2,340	2,340
	<u>1,052</u>	<u>1,193</u>	<u>2,340</u>	<u>2,340</u>

**Receivables from non-exchange transactions**

Sundry receivables	-	-	-	1,500
Receivable from Ministry of Education	41,925	72,920	57,651	57,651
	<u>41,925</u>	<u>72,920</u>	<u>57,651</u>	<u>59,151</u>

Receivables from non-exchange transactions are non-interest bearing and are generally on terms of 30 to 90 days.

The ageing analysis of receivables from non-exchange transactions is as follows:

	Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	>90 days
<b>Association</b>						
2016	41,925	41,925	-	-	-	-
2015	57,651	57,651	-	-	-	-
<b>Group</b>						
2016	72,920	72,920	-	-	-	-
2015	59,151	59,151	-	-	-	-

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**11. PROPERTY, PLANT AND EQUIPMENT**

**Association - 2016**

	Land*	Building & improvements	Office equipment	Electronic equipment	Furniture and fittings	Total
<b>Cost</b>						
At 1 January 2015	28,952	6,251,286	12,465	217,995	194,324	6,705,022
At 1 January 2016	28,952	8,416,884	12,465	221,566	213,257	8,893,124
Additions	-	103,004	-	47,144	6,863	157,011
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance at 31 Dec 2016	<b>28,952</b>	<b>8,519,888</b>	<b>12,465</b>	<b>268,710</b>	<b>220,120</b>	<b>9,050,135</b>
<b>Depreciation and impairment</b>						
At 1 January 2015	-	1,769,151	11,492	184,497	53,922	2,019,062
At 1 January 2016	-	1,953,725	11,877	202,821	73,159	2,241,582
Depreciation charge	-	235,008	232	24,641	17,869	277,750
Eliminated on disposals	-	-	-	-	-	-
Balance at 31 Dec 2016	-	<b>2,188,733</b>	<b>12,109</b>	<b>227,462</b>	<b>91,028</b>	<b>2,519,332</b>
<b>Carrying amounts</b>						
As at 31 Dec 2016	<b>28,952</b>	<b>6,331,155</b>	<b>356</b>	<b>41,248</b>	<b>129,092</b>	<b>6,530,803</b>
As at 31 Dec 2015	<b>28,952</b>	<b>6,463,159</b>	<b>588</b>	<b>18,745</b>	<b>140,098</b>	<b>6,651,542</b>

**Group - 2016**

<b>Cost</b>						
At 1 January 2015	28,952	6,733,304	12,465	378,019	1,847,114	8,999,854
At 1 January 2016	28,952	8,944,892	12,465	399,735	2,001,169	11,387,213
Additions	-	254,998	-	50,911	97,016	402,925
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance at 31 Dec 2016	<b>28,952</b>	<b>9,199,890</b>	<b>12,465</b>	<b>450,646</b>	<b>2,098,185</b>	<b>11,790,138</b>
<b>Depreciation and impairment</b>						
At 1 January 2015	-	2,209,335	11,492	339,744	1,358,901	3,919,472
At 1 January 2016	-	2,399,156	11,877	362,724	1,453,866	4,227,623
Depreciation charge	-	303,947	232	34,747	99,297	438,223
Eliminated on disposals	-	-	-	-	-	-
Balance at 31 Dec 2016	-	<b>2,703,103</b>	<b>12,109</b>	<b>397,471</b>	<b>1,553,163</b>	<b>4,665,846</b>
<b>Carrying amounts</b>						
As at 31 Dec 2016	<b>28,952</b>	<b>6,496,787</b>	<b>356</b>	<b>53,175</b>	<b>545,022</b>	<b>7,124,292</b>
As at 31 Dec 2015	<b>28,952</b>	<b>6,545,736</b>	<b>588</b>	<b>37,011</b>	<b>547,303</b>	<b>7,159,590</b>
<b>Depreciation charge 2015</b>						
Association	-	<b>184,489</b>	<b>385</b>	<b>18,324</b>	<b>19,236</b>	<b>222,434</b>
Group	-	<b>189,820</b>	<b>385</b>	<b>22,981</b>	<b>94,964</b>	<b>308,150</b>

The carrying amount of buildings and improvements are situated on Ministry of Education or Auckland Council land, with the exception of Parakai Kindergarten where the Association owns the land. The Board has the licence to occupy the land with the Ministry of Education and Auckland Council in accordance with the provisions in the Property Occupancy Document or similar arrangement.

There is no impairment loss recognised in the current year (2015: \$nil).

\*The Auckland Savings Bank (ASB) holds security against the land owned by Northern Auckland Free Kindergarten Association.

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**12. PAYABLES**

	2016		2015	
	Association	Group	Association	Group
<b>Exchange transactions</b>				
Salaries payable	146,817	164,492	187,148	187,148
Sundry accruals	35,901	39,134	27,688	52,418
Trade Payables	30,808	64,498	57,078	57,078
Audit fee accrual	15,000	18,000	13,000	13,000
	<u>228,527</u>	<u>286,125</u>	<u>284,914</u>	<u>309,644</u>
<b>Non-Exchange transactions</b>				
Deferred revenue - Ministry of Education	766,763	814,079	735,403	735,403
GST payable	247,949	292,706	236,803	231,420
	<u>1,014,712</u>	<u>1,106,785</u>	<u>972,206</u>	<u>966,823</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms;
- Other payables are non-interest bearing and have an average term of three months;

**13. EMPLOYEE BENEFITS**

Annual leave	182,932	227,296	192,079	192,079
	<u>182,932</u>	<u>227,296</u>	<u>192,079</u>	<u>192,079</u>

**14. FINANCIAL INSTRUMENTS**

The table below shows the carrying amounts of the Group's financial assets and financial liabilities.

**i. Classification and fair values of financial instruments**

**2016**

	Association			Group		
	Financial Assets		Financial liabilities	Financial Assets		Financial liabilities
	Available for sale	Loans and receivables	Amortised cost	Available for sale	Loans and receivables	Amortised cost
Receivables from exchange transactions	-	1,052	-	-	1,193	-
Receivables from non-exchange transactions	-	41,925	-	-	72,920	-
Payables	-	-	995,290	-	-	1,100,204
	-	42,977	995,290	-	74,113	1,100,204

**2015**

	Association			Group		
	Financial Assets		Financial liabilities	Financial Assets		Financial liabilities
	Available for sale	Loans and receivables	Amortised cost	Available for sale	Loans and receivables	Amortised cost
Receivables from exchange transactions	-	2,340	-	-	2,340	-
Receivables from non-exchange transactions	-	57,651	-	-	59,151	-
Payables	-	-	1,020,317	-	-	1,045,047
	-	59,991	1,020,317	-	61,491	1,045,047



# **NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

## **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

### **15. PROVISION FOR CYCLICAL MAINTENANCE**

Movement in the provision for cyclical maintenance during the financial year is set out below:

	2016		2015	
	Association	Group	Association	Group
At 1 January	241,906	241,906	236,930	236,930
Arising during the year	52,158	52,158	52,406	52,406
Utilised during the year	(24,461)	(24,461)	(47,430)	(47,430)
Unused amounts reversed	-	-	-	-
At 31 December	<u>269,603</u>	<u>269,603</u>	<u>241,906</u>	<u>241,906</u>
Current	59,640	59,640	45,180	45,180
Non-current	209,963	209,963	196,726	196,726
	<u>269,603</u>	<u>269,603</u>	<u>241,906</u>	<u>241,906</u>

As disclosed in the accounting policies, the Board has an obligation to land owners (the Ministry of Education or other parties) to maintain land and buildings and other facilities on the kindergarten site in good order and repair. The provision represents the best estimate of that obligation at year-end based on the Board's property maintenance plan.

### **16. CAPITAL COMMITMENTS**

The Association and Group had no known capital commitments at 31 December 2016 (2015: \$nil).

### **17. CONTINGENT ASSETS AND LIABILITIES**

There are no known contingent assets or liabilities at the reporting date. (2015: \$Nil).

### **18. EVENTS AFTER THE REPORTING DATE**

The Board of Management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Group (2015: nil).

### **19. OPERATING LEASE COMMITMENTS**

Some Kindergartens and Early Learning Centres have entered into non-cancellable commercial leases for their premises. These leases have terms of renewal, but no purchase options and escalation clauses. There are no restrictions placed upon the Association or Group by entering into these leases. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Association 2016	Group 2016	Association 2015	Group 2015
No Later than One Year	21,358	24,958	25,629	32,829
Later than One Year and no Later than Five Years	-	14,400	25,629	198,429
Later than Five Years	-	-	-	-
	<u>21,358</u>	<u>39,358</u>	<u>51,258</u>	<u>231,258</u>

# **NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

## **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

### **20. GROUP INFORMATION**

The consolidated financial statements of the Group include the following subsidiaries of the Association:

Name	Principal activities	Country of incorporation	Equity interest	
			2016	2015
Kindergartens (page 26)	Early childhood education	New Zealand	100%	100%
Hobsonville Point Early Learning Centre	Early childhood education	New Zealand	100%	100%
Northern Auckland Early Childhood Education Trust, including subsidiary - Northern Auckland Early Learning Centres Limited	Early childhood education	New Zealand	100%	100%

The reporting date of the Association and all subsidiaries is 31 December.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Association in the form of cash distributions or to repay loans or advances.

### **21. RELATED PARTY TRANSACTIONS**

Note 20 above provides the information about the Group's structure including the details of the subsidiaries. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Transactions	2016		2015	
	Association	Group	Association	Group
Payments to Board of Management members	17,453	17,453	10,149	10,149
Kindergartens & ELCs * (Distributions)	241,006	-	237,852	-
Kindergartens & ELCs * (Recovery of Administration costs)	(57,908)	-	(60,582)	-
Reimbursement of building projects costs to Kindergartens & ELCs *	-	-	-	-
	<u>200,551</u>	<u>17,453</u>	<u>187,419</u>	<u>10,149</u>
* ELCs is Early Learning Centres				
<b>Amounts receivable</b>				
Trade receivable from Kindergartens and ELCs	32,059	-	32,140	-
Other receivables	-	-	-	-
	<u>32,059</u>	<u>-</u>	<u>32,140</u>	<u>-</u>

#### **Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: \$Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### **Compensation of key management personnel**

Key management personnel of the Association and Group include the General Manager, Executive Leadership Team, and Board of Management members. The total remuneration of key management personnel and the number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the Group are:

	2016		2015	
	Association	Group	Association	Group
Executive Leadership Team (4.75 FTEs)	451,902	451,902	427,820	427,820
Board members (0.4 FTEs)	17,453	17,453	10,150	10,150
Total remuneration (5.15 FTEs)	<u>469,355</u>	<u>469,355</u>	<u>437,970</u>	<u>437,970</u>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. These costs are included in note 6.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2015: nil).

The Association did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2015: nil). The Association also did not provide any loans to key management personnel or their close family members.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**22. CHANGES IN ACCOUNTING POLICY**

**a) Changes due to the initial application of a new, revised and amended PBE Standards**

This is the first set of financial statements of the Group that is presented in accordance with PBE Standards. The Group has previously reported in accordance with old GAAP.

The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE Standard are different to requirements under the previous GAAP as outlined below.

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

***PBE IPSAS 1: Presentation of Financial Statements***

There are minor differences between PBE IPSAS 1 and the equivalent standard in the previous GAAP. These differences have an effect on disclosure only. The main changes in disclosure resulting from application of PBE IPSAS 1 are the following:

***Receivables from exchange and non-exchange transactions:***

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures.

***PBE IPSAS 2: The classification of cash and cash equivalents***

Under PBE Standards, cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term Deposits with a maturity date of three months or more were reallocated to "Short term investments" from "Cash and Cash Equivalents".

***PBE IPSAS 23: Revenue from Non-Exchange Transactions***

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard related to the Group's accounting for grant revenue. In the previous financial year, grants received in relation to the provision of a service or for a specific project were recognised as revenue on a percentage of completion basis. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as soon as the inflow of resources can be recognised as an asset in the financial statements, unless the inflow of resources meets the definition of and recognition criteria for a liability. Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that requires an entity to use the grant as specified by the grantor or return of the cash (or other resources transferred under the grant) if the entity does not perform as specified. There has been no adjustment required for the year to 31 December 2015.

***PBE IPSAS 17 Property, plant and equipment***

The new PBE Standards do not permit useful lives to be assessed with reference to rates as per the Inland Revenue Department (IRD). The depreciation rates must reflect the consumption by the Association of the future economic benefits of the asset.

The useful lives of the assets have been reassessed as of 31 December 2015 and no adjustments were processed.



**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**23. PRIOR PERIOD ADJUSTMENT**

The Association has an obligation, stipulated in the respective Property Occupancy Documents ("PODs") or other such agreement, to land owners (the Ministry of Education and Auckland Council) to maintain the land and buildings and other facilities on the kindergarten site in good order and repair. Previously, the obligation was inadvertently recorded by the individual kindergartens as a provision for cyclical maintenance in their respective financial statements.

However, as a result the review of the respective PODs, the Board now believes that the provision for cyclical maintenance should be reflected in the Association's financial statements which better reflects the obligation to the land owners. As a consequence, the Association's equity has been restated as at 1 January 2015 by \$236,930 to reflect the initial recognition of the provision. The Association's 2015 numbers have been restated as follows.

There has been no impact on the Group figures as the provision for cyclical maintenance has been a reclassification from the individual kindergartens to the Association.

	Balance before adjustment @ 31.12.15	Adjustments	Adjusted balance @ 31.12.15
<b>Statement of Financial Position</b>			
Current Provision for Cyclical Maintenance	-	45,180	45,180
Non-Current Provision for Cyclical Maintenance	-	196,726	196,726
<b>Statement of Comprehensive Revenue and Expenses</b>			
Cyclical Maintenance expense	-	4,976	4,976

**NORTHERN AUCKLAND FREE KINDERGARTEN ASSOCIATION INCORPORATED****LISTING OF KINDERGARTENS AND EARLY LEARNING CENTRES  
AS AT 31 DECEMBER 2016**

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LISTING OF KINDERGARTENS		
KINDERGARTEN	PHYSICAL ADDRESS	LICENCE
Albany Kindergarten	4 Bass Road, Albany	5557
Glamorgan Kindergarten	37 Danbury Drive, Torbay	5021
Hibiscus Coast Kindergarten	90 Riverside Road, Orewa	5022
Mahurangi Kindergarten	13 Albert Road, Warkworth	5023
Oaktree Kindergarten	1 Palliser Lane, Browns Bay	5547
Rangitoto Kindergarten	2a Hythe Terrace, Mairangi Bay	5024
Parakai Kindergarten *	8 Fordyce Road, Helensville	5641
Silverdale Kindergarten	2 Longmore Lane, Silverdale	20110
Stanmore Bay Kindergarten	36 Waiora Road, Stanmore Bay	5027
Taiaotea Kindergarten	4 Woodlands Crescent, Browns Bay	5025
Torbay Kindergarten	141 Deep Creek Road, Torbay	5026
Waimauku Kindergarten	18 Freshfields Road, Waimauku	10352
Whangaparaoa Kindergarten	7 Mototapu Avenue, Whangaparaoa	5538

\* Land and building owned by Northern Auckland Kindergarten Association Incorporated.

LISTING OF EARLY LEARNING CENTRES		
EARLY LEARNING CENTRE	PHYSICAL ADDRESS	LICENCE
Hobsonville Point ELC	18 De Havilland Road, Hobsonville Point	46522
Massey University Auckland ELC	Building 68, Gate 5, Oteha Rohe, Oaklands Road, Albany	10001







# ACKNOWLEDGEMENTS

*We wish to acknowledge and thank the many friends and supporters of the Northern Auckland Free Kindergarten Association. Your support is instrumental in helping us to achieve the amazing results we do each year and we look forward to strengthening the relationship in 2017.*



**Northern Auckland Free Kindergarten  
Association Incorporated**

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