

***South Canterbury Free Kindergarten Association
Inc
Consolidated***

FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Contents	Page
Association Directory	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Movements in General Funds	4
Notes to the Financial Statements	5
Auditor's Report	9

ASSOCIATION DIRECTORY AS AT 31 DECEMBER 2014

Established:	12th June 1980
Certificate of Incorporation:	218585
IRD Number:	22-284-525
Nature of Association:	Kindergarten - Early Childhood Education
Location of Association:	10 Bank Street Timaru
Registered Office:	10 Bank Street Timaru
Bankers:	Westpac 243 Stafford Street Timaru
Solicitors:	Timpany Walton 11 Strathallan Street Timaru
Auditors:	Mitchell Audit P O Box 40 Timaru
Accountants:	Ross Wells & Co Limited P O Box 526 Timaru

**STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2014**

	<i>Note</i>	<i>This Year</i>	<i>Last Year</i>
GENERAL FUNDS			
Accumulated Surplus		1,203,761	1,214,408
Asset Revaluation Reserve		1,435,282	1,676,801
Equity Movements (Current Movements)		(21,100)	(23,898)
		<u>2,617,943</u>	<u>2,867,311</u>
CURRENT LIABILITIES			
Westpac Mastercard		2,003	160
Accounts Payable		226,172	200,045
GST Payable		79,194	61,977
Bulk Grant Reserve		479,234	554,653
ACC Accrued		9,351	3,363
		<u>795,953</u>	<u>820,198</u>
TOTAL FUNDS EMPLOYED		<u>\$3,413,896</u>	<u>\$3,687,508</u>
CURRENT ASSETS			
Petty Cash		81	69
Association Bank Accounts		15,967	6,893
Operational Bank Accounts		19,841	17,483
Committee Fundraising Accounts		27,099	23,857
Westpac - Grants Account		55,910	38,134
Westpac - Serious Saver (North Street)		90,221	96,409
Westpac - Investment Pool		68,825	70
Short Term Bank Deposits - Westpac		971,554	1,133,302
Short Term Bank Deposits - SBS		1,015	1,015
Prepayments		21,838	25,847
Interest Accrued on Investments		4,655	2,705
Accounts Receivable		-	713
		<u>1,277,005</u>	<u>1,346,495</u>
NON CURRENT ASSETS			
Property, Plant and Equipment			
As per Schedule (at Book Value)	3	2,136,891	2,341,013
TOTAL ASSETS		<u>\$3,413,896</u>	<u>\$3,687,508</u>

The accompanying notes form part of these financial statements.

ROSS WELLS & CO LIMITED
 Practising Accountants

**STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	<i>This Year</i>	<i>Last Year</i>
INCOME			
Work and Income NZ Subsidies Received		26,353	32,735
Ministry Grant & Subsidies - MOE Equity Funding		6,596	15,039
Ministry Grants & Subsidies		3,450,414	2,860,267
External Contracts Income		15,074	19,000
Parent Contributions		132,804	48,315
Fundraising Activities		31,053	52,028
Grants Received		13,798	33,413
Grants Received incl GST - WAVE		2,087	1,009
Project Income		(530)	763
Grants Received incl GST - Lottery Commission		8,696	7,030
Sundry Income		1,614	35
Associate Teacher Support		323	-
Donations - Anonymous		1,150	30,000
		3,689,431	3,099,634
INVESTMENT AND OTHER INCOME			
Interest Received		44,081	48,520
Loss on Sale of Fixed Assets		(133)	-
		43,948	48,520
TOTAL INCOME		3,733,380	3,148,154
EXPENSES			
Accountancy & Professional		13,806	6,854
Administration		78,177	52,761
Advertising & Research		39,688	12,350
Audit Fees		6,000	6,000
Building Act Compliance		-	2,975
Depreciation		104,496	108,945
Emergent Needs Payouts		1,085	4,444
Employment Settlement		-	30,000
Kindergarten Maintenance		53,498	41,552
Kindergarten Running Costs		296,265	263,991
Kiwisaver Contributions		36,441	45,356
Management Costs		28,816	14,154
Other Kindergarten Payments		2,988	2,599
Salaries		2,986,262	2,463,458
Staff Support Expenses		58,631	27,827
Teachers' Expenses		37,874	21,268
TOTAL EXPENSES		3,744,026	3,104,535
NET SURPLUS (DEFICIT)		\$(10,647)	\$43,619

The accompanying notes form part of these financial statements.

ROSS WELLS & CO LIMITED
 Practising Accountants

**STATEMENT OF MOVEMENTS IN GENERAL FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	<i>This Year</i>	<i>Last Year</i>
Net Surplus (Deficit) for the Period		(10,647)	43,619
Total Recognised Revenue and Expenses		<u>(10,647)</u>	<u>43,619</u>
GENERAL FUNDS AT START OF PERIOD		<u>1,214,408</u>	<u>1,170,789</u>
		1,203,761	1,214,408
Movements in Reserves			
Asset Revaluation Reserve		1,435,282	1,676,801
Equity Movements (Current Movements)		<u>(21,100)</u>	<u>(23,898)</u>
		<u>1,414,182</u>	<u>1,652,903</u>
GENERAL FUNDS AT END OF PERIOD		<u><u>\$2,617,943</u></u>	<u><u>\$2,867,311</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 STATEMENT OF ACCOUNTING POLICIES

These are the financial statements of South Canterbury Free Kindergarten Association Inc. South Canterbury Free Kindergarten Association Inc is an Incorporated Society established under the Incorporated Societies Act 1908 and has registered as a Charitable entity under the Charities Act 2005. The entity includes the Association which administers the ten individual operating kindergartens that operate under its direction and control.

The financial statements have been prepared in accordance with generally accepted accounting principles.

The Association qualifies for differential reporting based on the following criteria:

- . It is not publicly accountable and
- . The Association is 'not large' as defined by the New Zealand Institute of Chartered Accountants.

The Association has adopted all available differential reporting exemptions.

MEASUREMENT SYSTEM

The measurement system adopted is that of historical cost.

PARTICULAR ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Association in the preparation of these financial statements.

Property, Plant and Equipment

Land and buildings are stated at the latest Quotable Valuation values less aggregated depreciation. The individual valuations plus any movement during the year are listed on the Depreciation Schedule. Government Valuations are normally completed on a 3-5 year cycle. The property listed in the fixed asset schedule excludes land leased from the Ministry of Education.

Land & Buildings situated at 91 North Street, Timaru have been recorded at initial cost and has not yet been revalued.

All other assets are recorded at cost.

Depreciation of fixed assets, other than freehold land, is calculated using Inland Revenue rates so as to allocate the cost of the assets, less their residual values, over their useful lives.

Depreciation has also been provided on the revalued portion of buildings in accordance with FRS3. The rates used are:

	Rate	Method
Property Improvements	3.0% - 50.0%	SL
Buildings	0.0% - 33.0%	SL
Furniture & Office Equipment	9.5% - 60.0%	DV
Kindergartens Equipment	4.8% - 80.4%	DV
Computer Software & Equipment	33.0%-40.0%	DV

Income Tax

The Association is not liable for Income Tax. The Association holds a certificate of exemption from Inland Revenue Department for taxation purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Grants

Grants received are included in operating revenue. If particular conditions are attached to a grant that would require it to be repaid if these conditions are not met, then the grant is recorded as a liability until the conditions are satisfied. There was a liability of \$3,196 at 31st December 2014.

Grants Received

Community Trust of Mid & South Canterbury \$4,400.00
Round Table \$500.00
Mackenzie District Council \$360.00
Perpetual Trustees \$1,547.98
Meridian Energy \$16,229.62 (unspent \$1,040.00, excluding GST)
The Lion Foundation - Repaid \$5,000.00, Received \$2,000.00, Net Repayment \$3,000.00
Rotary Club of Timaru South \$2,000.00 (Unspent \$2,000.00)
Foodstuffs Community Trust South Island \$1,210.95
Pub Charity \$2,785.57
WAVE \$2,086.96

TOTAL \$29,621.08

Accounts Receivable

Are stated at their net realisable value after estimating amount that are unlikely to be collected.

Goods and Services Tax

The Profit and Loss Statement has been prepared exclusive of GST. The Association prepares GST on the payments Basis.

Changes in Accounting Policies

There have been no specific changes in accounting policies and they have been applied on a consistent basis with those of the previous period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2 ANALYSIS OF EQUITY

The Equity of the Association consists of the following:

	2014	2013
Capital		
Equity Transferred - Individual Kindergartens	(89,925)	(96,726)
Investment Pool Accounts	68,825	72,827
Asset Revaluation Reserve	1,435,282	1,676,801
	<u>1,414,182</u>	<u>1,652,903</u>
Accumulated Trustees Income	1,203,761	1,214,408
	<u>\$2,617,943</u>	<u>\$2,867,311</u>

Equity Transferred - Individual Kindergarten is reflected by the contributions from each Kindergarten through their Committee Fundraising Bank Accounts and Investment Pool Accounts to the Association.

The Investment Pool Accounts relate to the amount held in Term Deposit by the Association on behalf of the Kindergartens and interest earned from these investments is paid to each Kindergarten annually.

3 PROPERTY, PLANT AND EQUIPMENT SUMMARY

	Cost	Accum Deprn	Book Value
2014			
Freehold Land - at Cost or Valuation	521,773	-	521,773
Property Improvements - at Cost	202,588	47,902	154,685
Buildings - at Cost or Valuation	1,610,632	345,510	1,265,122
Motor Vehicles - at Cost	18,199	7,447	10,752
Furniture & Office Equipment - at Cost	50,801	45,660	5,141
Fixed Assets - Kindergarten Equipment - at Cost	441,965	275,511	166,454
Computer Software & Equipment	18,331	5,367	12,964
	<u>\$2,864,289</u>	<u>\$727,398</u>	<u>\$2,136,891</u>
2013			
Freehold Land - at Cost or Valuation	521,227	-	521,227
Property Improvements - at Cost	140,228	36,125	104,102
Buildings - at Cost or Valuation	2,179,966	651,192	1,528,774
Motor Vehicles - at Cost	18,199	5,087	13,112
Furniture & Office Equipment - at Cost	49,761	44,403	5,358
Fixed Assets - Kindergarten Equipment - at Cost	408,052	240,764	167,288
Computer Software & Equipment	2,074	922	1,152
	<u>\$3,319,507</u>	<u>\$978,493</u>	<u>\$2,341,013</u>

Property is included on the basis that legal ownership is with the Association. This is conditional on the accuracy of the information received from the Ministry of Education concerning ownership at the time of the transfers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4 CONTINGENT LIABILITIES

There are no contingent liabilities at year end (previous year \$nil).

5 CAPITAL COMMITMENTS

There are no capital commitments at year end (31 December 2013: \$Nil).

6 RELATED PARTIES

Staff reimbursements for the use of facilities and vehicles used on Association business are paid after approval by the board.

7 LEASES

Leases are in place for the following:

Property lease at 10 Bank Street commencing 3 June 2014 for an initial term of 5 years plus one 3 year right of renewal. The cost per annum is \$15,600 plus GST plus a 25% share of outgoings.⁵

Computer System (including certain software) lease from Computer Shop Timaru 2000 Limited commencing October 2011. The cost is \$6,280.00 plus GST per annum.

	<i>This Year</i>	<i>Last Year</i>
	11,736	11,736
	6,189	7,265
	<u>\$17,925</u>	<u>\$19,001</u>

8 SECURITIES AND GUARANTEES

Nil.

Independent Auditor's Report

To the Board of South Canterbury Free Kindergarten Association (Inc).

Report on the Financial Statements

We have audited the financial statements on pages 2 to 8 which comprise the statement of financial position as at 31 December 2014 and the statement of financial performance and statement of movements in general funds for the year then ended, and a summary of significant accounting policies.

South Canterbury Free Kindergarten Association's Responsibility for the Financial Statements.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluation the overall presentation of the financial statements.

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

Other than in our capacity as auditors we have no relationship with or interests in the Association.

Basis for Qualified Opinion on Financial Performance

The land and buildings has been reported using rateable values which is not in accordance with FRS 3 which requires revaluations at market values provided by an independent valuer to support all values in cases where historical cost is not used as the reporting basis. As the Association does not conduct regular market valuations the amount of any possible difference can not be quantified.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report gives a true and fair view of the financial position of the Association as at 31 December 2014 and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



mitchell audit
2 June 2015
Timaru, New Zealand