# Homai Early Childhood Centre

# Notes to the Financial Statements

**For the year ended 31 December 2017**

## 1. Statement of Accounting Policies

### a) Reporting Entity

Homai Early Childhood Centre (the Centre) is a Crown entity as specified in the Education Act 1989. The Board of Trustees is of the view that the Centre is a public benefit entity for financial reporting purposes.

### b) Basis of Preparation

#### Reporting period

The financial reports have been prepared for the period 1 January 2017 to 31 December 2017 and in accordance with the requirements of the Public Finance Act 1989

#### Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period

#### Financial reporting standards applied

Homai Early Childhood Centre (the Centre) has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that it does not have public accountability and has total annual expenses of equal to or less than $2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future. The Centre is considered a Public Benefit Entity as it meets the criteria specified as “having a primary objective to provide goods and/or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for financial return to equity holders”.

#### Measurement base

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

#### Presentation currency

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

Specific accounting policies

The accounting policies used in the preparation of these financial statements are set out below.

Critical accounting estimates and assumptions

In preparing these financial statements the Centre has made estimates and assumptions

concerning the future in regard to asset lives, and impairment of assets. Where these estimates and assumptions are considered critical by the Centre, they are disclosed in the relevant note below.

### c) Revenue recognition

Critical accounting estimates and assumptions

The Centre receives funding from the Ministry of Education. The following are the main types of funding that the Centre receives;

Operational grants are recorded as revenue when the Cente has the rights to the funding, which is in the year that the funding is received.

#### Donations

Donations, gifts and bequests are recorded as Revenue on receipt.

#### Interest revenue

Interest Revenue on cash and cash equivalents and investments is recorded as income in the period it is earned.

### d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value.

### e) Accounts Receivable

‘Accounts Receivable’ represents items that the Centre has issued invoices for, but has not received payment for at year end. They are initially recorded at fair value and subsequently recorded at the amount the Centre realistically expects to receive. A provision for impairment of Accounts Receivable is established where there is objective evidence the Centre will not be able to collect all amounts due according to the original terms of the debt. This impairment loss is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected and has been included under Other Expenditure in the Statement of Comprehensive Revenue and Expense, if not otherwise shown separately.

### f) Investments

Investments are held with registered trading banks and are classified as current assets if they have maturities of between three months and one year. Those with maturities greater than 12 months after the balance date are classified as non-current assets.

After initial recognition investments are measured at amortised cost using the effective interest method less impairment.

Share investments held by the Centre are measured at fair value. If shares do not have a quoted market price in an active market and fair value cannot be reliably measured, the shares are measured at cost. Any movements in shares measured at fair value are recognised in equity.

At balance date the Centre assesses whether there is any objective evidence that an investment is impaired. Any impairment loss is recorded as an expense in the Statement of Comprehensive Income.

The Centre has met the requirements under section 73 of the Education Act 1989 in relation to the acquisition of securities.

### g) Property, Plant and Equipment

Land and buildings owned by the Crown are excluded from these financial statements. The Board’s use of the land and buildings as ‘occupant’ is based on a property occupancy document.

Improvements to buildings owned by the Crown are recorded at cost, less accumulated depreciation and impairment losses.

Property, plant and equipment are recorded at cost or, in the case of donated assets, fair value at the date of receipt, less accumulated depreciation and impairment losses. Cost or fair value as the case may be, includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Property, plant and equipment acquired with individual values under $500 are not capitalised, they are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Gains and losses on disposals (i.e. sold or given away) are determined by comparing the proceeds received with the carrying amounts (i.e. the book value). The gain or loss arising from the disposal of an item of property, plant and equipment is recognised in the Statement of Comprehensive Revenue and Expense.

#### Depreciation

Property, plant and equipment except for library resources are depreciated over their estimated useful lives on a straight line basis. Library resources are depreciated on a diminishing value basis. Depreciation of all assets is reported in the Statement of Comprehensive Revenue and Expense,

The estimated useful lives of the assets are:

Furniture and equipment 10–15 years

Information and communication technology 3–5 years

### h) Accounts Payable

Accounts Payable represents liabilities for goods and services provided to the Centre prior to the end of the financial year which are unpaid. Accounts Payable are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

### i) Employee Entitlements

#### Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

### j) Revenue Received in Advance

Revenue received in advance relates to fees received where there are unfulfilled obligations for the Centre to provide services in the future. The fees are recorded as revenue as the obligations are fulfilled and the fees earned.

### k) Financial Assets and Liabilities

The Centre’s financial assets comprise cash and cash equivalents and Accounts receivable and investments. All of these financial assets, except for investments that are shares, are categorised as “loans and receivables” for accounting purposes in accordance with financial reporting standards.

The Centre’s financial liabilities comprise accounts payable. All of these financial liabilities are categorised as “financial liabilities measured at amortised cost” for accounting purposes in accordance with financial reporting standards.

### l) Goods and Services Tax (GST)

The financial statements have been prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated as GST inclusive.

### m) Budget Figures

The budget figures are extracted from the Centre budget that was approved by the Board of Trustees.

### n) Services received in-kind

From time to time the Centre receives in-kind, including the time of volunteers. The Centre has elected not to recognise services received in kind in the Statement of Comprehensive Revenue and Expense.

| **2 Government Grants** | 2017 Actual | 2017 Budget (unaudited) | 2016 Actual |
| --- | --- | --- | --- |
| Operational grants | 220,064 | 218,611 | 210,659 |
| **Totals** | **220,064** | **218,611** | **210,659** |

| **3 Local Fundraising**Local funds raised within the Centre’s community are made up of: |  2017 Actual | 2017 Budget (unaudited)  | 2016 Actual  |
| --- | --- | --- | --- |
| Revenue |  |  |  |
| Donations | - | - | 1,305 |
| Fundraising | - | - | 328 |
| Activities | 466 | - | 469 |
| Surplus for the year Locally Raised funds | **466** | **-** | **2,102** |

| **4 Learning Resources** |  2017 Actual | 2017 Budget (unaudited) | 2016 Actual |
| --- | --- | --- | --- |
| Curricular | 15,217 | 38,850 | 17,963 |
| Employee benefits – salaries | 63,849 | 66,500 | 61,863 |
| Staff development | 2,525 | 1,900 | 1,823 |
|  **Totals** | **81,592** | **107,250** | **81,650** |

| **5 Administration** |  2017 Actual | 2017 Budget (unaudited)  | 2016 Actual  |
| --- | --- | --- | --- |
| Audit Fees | 3,420 | 3,420 | 4,370 |
| Board of Trustees fees | - | 880 | 330 |
| Communication | 508 | 350 | 531 |
| Postage | 16 | 50 | 116 |
| Consumables | 4,196 | 6,450 | 4,392 |
| Other Administration | 20,218 | 20,580 | 20,820 |
| Employee benefits - salaries | 27,352 | 28,600 | 26,083 |
| Insurance | 2,336 | 3,000 | 2,192 |
| Service Providers, Contractors and Consultancy | 3,324 | 3,400 | 3,264 |
|  **Totals** | **61,370** | **66,730** | **62,098** |

| **6 Property** |  2017 Actual | 2017 Budget (unaudited)  | 2016 Actual  |
| --- | --- | --- | --- |
| Caretaking and cleaning consumables | 960 | 1,000 | 160 |
| Repairs and Maintenance | 959 | 900 | 830 |
|  **Totals** | **1,919** | **1,900** | **990** |

| **7 Depreciation** |  2017 Actual | 2017 Budget (unaudited)  | 2016 Actual  |
| --- | --- | --- | --- |
| Furniture and Equipment | 19,895 | 17,857 | 20,289 |
| Information and Communication Technology | 4,406 | 3,920 | 2,774 |
| **Totals** | **24,301** | **21,777** | **23,063** |

|  **8 Cash and Cash Equivalents** |  2017 Actual | 2017 Budget (unaudited)  | 2016 Actual  |
| --- | --- | --- | --- |
| Cash on hand | 44 | 150 | 150 |
| Bank Current Account | 2,130 | 34,845 | 34,845 |
| Bank Call account | 172,736 | 120,884 | 146,551 |
|  | **174,910** | **155,879** | **181,546** |

| **9 Accounts receivable** | 2017 Actual | 2017 Budget (unaudited) | 2016 Actual |
| --- | --- | --- | --- |
| Debtors | 26,319 | - | - |
|  | **26,319** | **-** | **-** |

**10 Property, Plant and Equipment**

| **2017** | Opening Balance(NBV) | Additions | Disposals | Impairment | Depreciation | Total (NBV) |
| --- | --- | --- | --- | --- | --- | --- |
| Furniture and equipment | 130,651 | 2,004 | - | - | (19,895) | 112,760 |
| Information and communication technology | 9,741 | 39,449 | - | - | (4,406) | 44,784 |
| Balance at 31 December 2017 | **140,392** | **41,453** | **-** | **-** | **(24,301)** | **157,544** |

| **2017** | Cost of Valuation | Accumulated Depreciation | Net Book Value |
| --- | --- | --- | --- |
| Furniture and equipment | 221,406 | (68,856) | 112,760 |
| Information and communication technology | 59,583 | (5,987) | 44,784 |
| Balance at 31 December 2017 | **280,989** | **(74,843)** | **157,544** |

| **2016**  | Opening Balance(NBV) | Additions | Disposals | Impairment | Depreciation | Total (NBV) |
| --- | --- | --- | --- | --- | --- | --- |
| Furniture and equipment | 145,577 | 5,707 | (344) | - | (20,289) | 130,651 |
| Information and communication technology | 9,598 | 2,917 | - | - | (2,774) | 9,741 |
| Balance at 31 December 2016 | **155,175** | **8,624** | **(344)** | **-** | **(23,063)** | **140,392** |

| **2016** | Cost of Valuation | Accumulated Depreciation | Net Book Value |
| --- | --- | --- | --- |
| Furniture and equipment | 223,070 | (92,419) | 130,651 |
| Information and communication technology | 26,413 | (16,672) | 9,741 |
| Balance at 31 December 2016 | **249,483** | **(109,091)** | **140,392** |

| **11 Accounts Payable** | 2017 Actual | 2017 Budget (unaudited) | 2016 Actual |
| --- | --- | --- | --- |
| Creditors | 4,907 | 4,543 | 5,608 |
|  | **4,907** | **4,543** | **5,608** |

The carrying value of payables approximates their fair value.

**12 Related Party Transactions**

The Centre is an entity controlled by the Crown, and the Crown provides the major source of revenue to the Centre. The Centre enters into transactions with other entities also controlled by the Crown, such as government departments, state-owned enterprises and other Crown entities. Transactions with these entities are not disclosed as they occur on terms and conditions no more or less favourable than those that it is reasonable to expect the school would have adopted if dealing with that entity at arm’s length.

The Centre have a contract with BLENNZ to receive services. The value of this contract is $18,829 excl GST.

(2016:$18,929 excl GST).

BLENNZ receives the grant for the Centre and pay it out to the Centre when received. The Centre received $170,972 during 2017 (2016: $170,921).

**13 Contingencies**

There are no contingent liabilities and no contingent assets as at 31 December 2017 (Contingent liabilities and assets at 31 December 2016: nil).

**14 Commitments**

**(a) Capital Commitments**

There were no capital commitments as at 31 December 2017. (Capital commitments at 31 December 2016: nil)

**(b) Operating Commitments**

There were no operating commitments as at 31 December 2017. (2016:nil)

**15 Subsequent Events**

There have been no subsequent events since balance date that would materially affect these financial statements.

**16 Equity Funding and Spending**

|   | **Comp A** | **Comp B** | **Comp C** | **Comp D** | **Total** |
| --- | --- | --- | --- | --- | --- |
| Equity Funding | 1,135  | 1,027  |   |   | 2,162  |
| Equity Expenditure | 1,135  | 1,027  |   |   | 2,162  |
|   |   |   |   |   |   |

Component A has been spent on the purchase of additional curriculum resources and an increased range of supplies.

Component B has been spent on the purchase of specific learning or teaching resources.