

Financial Statements of

LITERACY AOTEAROA INC.

For the Year Ended 31 Hakihea (December) 2016

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DIRECTORY

As at 31 Hakihea (December) 2016

Objects

Literacy Aotearoa Inc. will honour Te Tiriti o Waitangi by having two parties, Māori and Tauīwi, working to operate in accordance with the Māori version of the treaty signed in 1840 between Māori and the British Crown, and the values and principles set out in Schedule 1 of this document, Value Statements of Literacy Aotearoa.

Literacy Aotearoa will support and coordinate the activities and needs of its members, as a national network of adult literacy services throughout Aotearoa.

Literacy Aotearoa will promote, develop and maintain quality literacy services according to the values and principles set out in the Value Statements of Literacy Aotearoa.

Literacy Aotearoa will work towards ensuring government policy maintains and develops quality literacy services throughout Aotearoa.

Location

Level 1, Compass House,
162 Grafton Road,
Auckland 1010

Postal Address

Private Bag 78800
Grey Lynn, Auckland 1245

Telephone

(09) 302 0812

Te Kōruru

Name	Position	Comments	End of Term
Lloyd Davies	Te Kaiwhakahaere	Elected	2019
Karyn Thin	Te Kaiwhakahaere	Elected	2019
Serenah Nicholson	Elected Member	Elected	2018
Chris Richardson	Elected Member	Elected	2018
Rosina Taueki	Elected Member	Elected	2019
Dr Kim Currie	Elected Member	Elected	2017

Te Tumuaki

Bronwyn Yates QSM

Accountant

ME Delamere
Chartered Accountant

Bankers

Westpac New Zealand Ltd
Ponsonby
Auckland

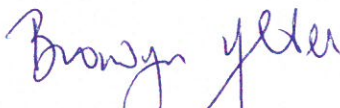
Auditors

Audit New Zealand
On behalf of the Controller and Auditor General
(by arrangement under section 19 of the Public Audit Act 2001)

STATEMENT OF RESPONSIBILITY
For the year ended 31 Hakihea (December) 2016

We confirm that:

1. We are responsible for the preparation of these financial statements and for the judgements made in them.
2. We are responsible for any end-of-year performance information provided by Literacy Aotearoa under section 19A of the Public Finance Act 1989.
3. We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. We are of the opinion that these financial statements fairly reflect the financial position and operations of Literacy Aotearoa Incorporated for the year ended 31 Hakihea (December) 2016.



Bronwyn Yates QSM
TE TUMUAKI (CEO)



Lloyd Davies
TE KAIWHAKAHAERE (Co-Chairperson, Tauīwi)



Karyn Thin
TE KAIWHAKAHAERE (Co-Chairperson, Māori)

08th Haratua (May) 2017
DATE

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 31 Hakihea (December) 2016

	Notes	Actual 2016	Budget 2016	Actual 2015
Revenue				
Funding from the Crown	2a	8,383,120	8,797,480	8,806,535
Other revenue	2b	<u>944,180</u>	<u>1,091,591</u>	<u>1,189,477</u>
<i>Total Revenue</i>		9,327,300	9,889,071	9,996,012
Expenditure				
Te Komako: Extending Our Reach	3	7,764,991	7,978,194	8,094,460
Te Rito: Focusing on What Matters	4	1,161,671	1,509,785	1,322,305
He Tangata: Growing the Demand	5	<u>459,034</u>	<u>400,573</u>	<u>390,678</u>
Total Expenditure		<u>9,385,696</u>	<u>9,888,552</u>	<u>9,807,443</u>
Surplus/(deficit)		(58,396)	519	188,569
Other Comprehensive Revenue and Expense		0	0	0
<i>Total other comprehensive revenue and expense</i>		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Revenue and Expense		<u>(58,396)</u>	<u>519</u>	<u>188,569</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Hakihea (December) 2016

	Notes	Actual 2016	Actual 2015
Balance at 01 January		2,315,387	2,126,819
Total comprehensive revenue and expense for the year		<u>(58,396)</u>	<u>188,569</u>
Balance at 31 December		<u>2,256,991</u>	<u>2,315,387</u>

The accompanying notes form part of these financial statements.



STATEMENT OF FINANCIAL POSITION
As at 31 Hakihea (December) 2016

	Notes	Actual 2016	Actual 2015
ASSETS			
Current Assets			
Cash and cash equivalents	13	878,104	284,235
Receivables	14	392,931	431,995
Investments	15	<u>1,101,070</u>	<u>1,755,000</u>
<i>Total Current Assets</i>		2,372,104	2,471,230
Non-Current Assets			
Property, plant, and equipment	16	164,998	199,503
Intangible assets	17	<u>441,727</u>	<u>143,833</u>
<i>Total Non-Current Assets</i>		<u>606,725</u>	<u>343,336</u>
TOTAL ASSETS		2,978,829	2,814,566
LIABILITIES			
Current Liabilities			
Payables and deferred revenue	18	651,248	420,205
Employee entitlements	19	<u>70,590</u>	<u>78,974</u>
<i>Total Current Liabilities</i>		721,838	499,179
Non-Current Liabilities			
		-	-
<i>Total Non-Current Liabilities</i>		<u>-</u>	<u>-</u>
Total Liabilities		<u>721,838</u>	<u>499,179</u>
Net Assets		<u>2,256,991</u>	<u>2,315,387</u>
Equity			
Accumulated surplus/(deficit)	21	<u>2,256,991</u>	<u>2,315,387</u>
Total Equity		<u>2,256,991</u>	<u>2,315,387</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31 Hakihea (December) 2016

	Notes	Actual 2016	Actual 2015
Cash flows from operating activities			
Receipts from the Crown		8,319,037	9,078,611
Interest received		63,162	86,261
Receipts from other revenue		989,057	1,007,810
Payments to suppliers		(7,479,088)	(8,014,262)
Payment to employees		(1,486,460)	(1,817,165)
GST (net)		<u>(122,873)</u>	<u>49,619</u>
<i>Net cash flow from operating activities</i>		282,835	390,874
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,943)	(179,116)
Disposal of PPE		0	28,642
Investments (net)		653,930	(718,000)
Purchase of intangible assets		<u>(307,955)</u>	<u>(172,074)</u>
<i>Net cash flow from investing activities</i>		311,032	(1,040,548)
Cash flows from financing activities			
<i>Net cash flow from financing activities</i>		0	0
Net (decrease)/increase in cash and cash equivalents		593,869	(649,669)
<i>Cash and cash equivalents at the beginning of the year</i>		<u>284,235</u>	<u>933,904</u>
Cash and cash equivalents at the end of the year		<u>878,104</u>	<u>284,235</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

1 Statement of Significant Accounting Policies

Reporting Entity

Literacy Aotearoa Inc (the Society) is an organisation registered under the Incorporated Societies Act 1908.

The primary objectives of the Society are: to honour Te Tiriti o Waitangi; to encompass two partners, Māori and Tauīwi; to support and coordinate the activities and needs of its members, as a national network of adult literacy services throughout Aotearoa; to promote, develop and maintain quality literacy services according to the values and principles set out in the Value Statements of Literacy Aotearoa; and to work towards ensuring government policy maintains and develops quality literacy services throughout Aotearoa.

The Society has designated itself as a public benefit entity and decided the financial statements need to be prepared in accordance with the Not for Profit Tier 2 PBE Standards Reduced Disclosure Regime as the Society does not have public accountability and is not large, with expenditure below \$30 million.

These financial statements are the first financial statements prepared in accordance with the new PBE accounting standards. There have been no material reclassifications on the face of the financial statements in adopting the new Not for Profit PBE accounting standards other than the changes in the operational expenditure goals. There has been a change in comparatives to ensure consistency with the new operating expenditure goals. There have been no material recognition and measurement adjustments to the 31 Hakihea (December) 2015 comparative information resulting from the transition to the new Not for Profit PBE accounting standards.

Statutory Basis

Pursuant to section 19 of the New Zealand Public Audit Act 2001, Literacy Aotearoa Inc has requested Audit New Zealand continue as the auditor. The request was approved by the Auditor General on 24 Whiringa a nuku (October) 2014.

The financial statements of the Society are for the year ended 31 Hakihea (December) 2016. The financial statements were authorised for issue by Te Kōruru (the Board of Trustees) on 08 Haratua (May) 2017.

Basis of Preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

There have been no changes in accounting policies during the financial year.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

1 Statement of Significant Accounting Policies (continued)

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

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

Budget figures

The budget figures are those approved by Te Kōruru. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Society for the preparation of the financial statements.

Borrowing Costs

Borrowing costs (Interest Paid) are recognised as an expense in the period in which they are incurred.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Society has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Critical Judgements in applying the Society's Accounting Policies

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

2 Revenue

Accounting policy

Revenue is measured at the fair value of consideration received or receivable.

Funding from the Crown

Grants received from the Tertiary Education Commission (TEC) are the primary source of funding to the Society and are restricted for the purposes of the Society meeting its objectives. The Society also receives other government assistance for specific purposes, and these grants usually contain restrictions on their use.

Government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when the conditions of the grant are satisfied.



Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

2 Revenue (continued)

Other revenue

Other revenue is recognised when it becomes receivable unless there is an obligation to return the funds if conditions of the revenue are not met. If there is such an obligation the revenue is initially recorded as revenue received in advance, and recognised as revenue when the conditions of the revenue are satisfied.

Interest revenue is recognised using the effective interest method.

Where a physical asset is donated or vested in the Society for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Society are recognised as revenue when control over the asset is obtained.

Volunteer and donated services are not recognised as revenue or expenditure unless the Society is able to reliably measure the fair value of the services received.



Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note		2016	2016	2015
2	Funding from the Crown	Actual	Budget	Actual
2a	TEC - ACE Funding	2,123,250	2,123,250	2,122,459
	TEC - Equity Funding	10,066	10,066	12,943
	TEC - English for Migrants	-	10,000	-
	TEC - Intensive Literacy & Numeracy	2,432,500	2,432,500	2,432,500
	TEC - SAC	781,824	1,095,164	1,141,967
	TEC - Workplace Literacy	3,035,480	3,126,500	3,064,416
	MoE - Early Learning Foundations	-	-	32,250
	Funding from the Crown	8,383,120	8,797,480	8,806,535
	Total Funding from the Crown comprises:			
	Revenue from exchange transactions	-	-	-
	Revenue from non-exchange transactions	8,383,120	8,797,480	8,806,535
	TEC - English for Migrants, although administered by TEC, is based on non-scheduled referral from the Ministry of Business Innovation and Employment as and when the service is required.			
	Other Revenue			
2b	Interest Received	63,162	100,000	86,261
	Ako Aotearoa - He Taunga Waka Project	194,798	213,000	175,917
	Consultancy	15,520	20,000	16,835
	Donations	100,330	100,000	38,374
	Expenses Recovered	454	-	-
	Miscellaneous Income	25,363	19,340	66,408
	Nga Poupou Membership Fees	1,039	1,251	1,261
	Sponsorship - NZ Post	-	-	70,000
	Open Polytechnic	-	-	98,597
	Other Workplace Contracts	543,514	638,000	635,822
	Other Revenue	944,180	1,091,591	1,189,477
	Total Other Revenue Comprises			
	Revenue from Exchange Transactions			
	Interest Received	63,162	100,000	86,261
	Ako Aotearoa - He Taunga Waka Project	194,798	213,000	175,917
	Consultancy	15,520	20,000	16,835
	Expenses Recovered	454	-	-
	Miscellaneous Income	25,363	19,340	66,408
	Nga Poupou Membership Fees	1,039	1,251	1,261
	Sponsorship - NZ Post	-	-	70,000
	Open Polytechnic	-	-	98,597
	Other Workplace Contracts	543,514	638,000	635,822
	Total Revenue from Exchange Transactions	843,850	991,591	1,151,103
	Revenue from Non-exchange Transactions			
	Donations	100,330	100,000	38,374
	Total Revenue from Non-exchange Transactions	100,330	100,000	38,374

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note		Note	<u>2016</u> <u>Actual</u>	<u>2016</u> <u>Budget</u>	<u>2015</u> <u>Actual</u>
3	Te Komako: Extending Our Reach				
	Administration	9	547,026	524,590	523,452
	Salaries	11	1,003,789	909,804	1,227,388
	Open Polytechnic		4,376	-	24,926
	Other Workplace Contracts		480,526	388,000	552,621
	TEC - ACE Provision		1,325,410	1,698,600	1,383,604
	TEC - English fo Immigrants		-	10,000	-
	TEC - ILN		2,004,036	1,946,000	1,898,882
	TEC - Workplace Literacy		2,399,828	2,501,200	2,425,802
	MoE - Early Learning Foundations		-	-	57,786
	Te Komako: Extending Our Reach		<u>7,764,991</u>	<u>7,978,194</u>	<u>8,094,460</u>
4	Te Rito: Focusing on What Matters				
	Administration	9	94,548	90,670	90,473
	Coordinator/Manager Training		30,483	70,000	71,187
	Poupou PD Fund		-	-	-
	Database Development		49,411	84,000	298
	Poupou Mentoring Project		-	-	5,045
	Individual G & M Training		6,046	25,000	-
	Ngā Hui Heke		45,496	35,000	34,136
	NZ Post		-	-	70,568
	Poupou Liaison		14,013	20,000	20,864
	Research & Development		391	-	597
	Salaries	11	195,511	157,250	212,141
	Subscriptions & Membership Fees		6,756	6,000	5,482
	Tutor Training	12	719,015	1,021,865	811,515
	Te Rito: Focusing on What Matters		<u>1,161,671</u>	<u>1,509,785</u>	<u>1,322,305</u>
5	He Tangata: Growing the Demand				
	Administration	9	33,767	32,382	32,312
	Ako Aotearoa - He Taunga Waka Project		169,829	128,280	49,269
	Digital Strategy		-	-	-
	International Literacy Day Fund		6,448	6,750	6,150
	National Planning Hui		116,915	115,000	107,657
	Nga Poupou Capability Building Grant		20,531	-	30,996
	Promotion & Strategic Relationship		32,405	30,000	29,705
	Salaries	11	51,039	56,161	75,765
	Student Writing Event		19,083	25,000	-
	Te Poutama Painga & Other Reviews		-	-	10,511
	Tui Tuia		858	7,000	4,607
	Unitary System Project		-	-	36,044
	Website		8,158	-	7,662
	He Tangata: Growing the Demand		<u>459,034</u>	<u>400,573</u>	<u>390,678</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note		2016 Actual	2016 Budget	2015 Actual
6	Amortisation of Intangible Assets			

Accounting Policy

Intangible Assets are amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus and deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software 3 years (33%)

Amortisation of Intangible Assets

Amortisation of Intangible Assets	10,061	74,000	53,837
Amortisation of Intangible Assets	10,061	74,000	53,837

7 Audit Fees

Audit Fees for Financial Statement Audit	38,495	37,740	37,740
Consolidated Accounts Audit	31,500	-	-
Poupou Performance Report Review	68,315	-	-
Audit Fees	138,310	37,740	37,740

8 Depreciation

Accounting Policy

Depreciation is provided on a straight-line basis on all Property, Plant and Equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Computer equipment 3 years (33%)
 Copier equipment 5 years (20%)
 Furniture and fittings 5 years (20%)
 Leasehold alterations 6 years (16.7%)
 Other equipment 3 to 5 years (20% to 33%)

Depreciation

Computer Equipment	32,069		37,981
Copier Equipment	5,960		5,466
Furniture & Fittings	16,618		10,360
Leased Assets	6,015		2,937
Other Equipment	8,786		9,781
Depreciation	69,448	79,300	66,525

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note	Note	2016 Actual	2016 Budget	2015 Actual
9	Administration Costs			
	ACC Premiums	6,688	7,500	7,288
	Accountancy Fees	8,840	72,000	4,400
	Poupou Review (Xero/BDO)	68,315	-	-
	Amortisation Costs	10,061	74,000	53,837
	Audit Fees	38,495	37,740	37,740
	Bad Debts	-	-	25,395
	Bank Charges	277	400	154
	Cleaning	24,239	20,109	16,651
	Computer Expenses	17,636	15,000	19,279
	Consolidated Audit	31,500	-	-
	Depreciation	69,448	79,300	66,525
	Electricity	6,766	8,000	10,528
	Executive Contracts	66,096	63,000	75,937
	General Expenses	10,947	9,000	10,503
	Honoraria	30,763	22,500	23,138
	Human Resources	29,147	10,000	10,766
	Insurance	11,289	11,500	13,485
	Legal Fees	42,502	20,000	24,394
	Loss on Disposal of Assets	-	-	18,643
	Moving Costs	-	-	17,594
	Photocopying	14,090	20,000	7,122
	Postage & Courier	34,715	13,000	20,945
	Poupou Stationery (Sub Branding)	9,128	-	-
	Professional Development	22,155	21,000	24,324
	Recruitment & Review	196	10,000	15,648
	Rent	139,778	138,093	133,116
	Repairs & Maintenance	1,897	8,000	7,930
	Staff Meetings	6,302	4,000	5,062
	Stationery	10,906	10,000	24,511
	Te Kōruru	56,309	46,000	60,816
	Telephone & Tolls	24,018	24,000	24,394
	Tumuaki Expenses	1,351	2,000	1,498
	Administration Costs	793,853	746,142	761,623
	Allocation of Administration Costs			
	Te Komako: Extending Our Reach	547,026	444,805	523,452
	Te Rito: Focusing on What Matters	94,548	76,880	90,473
	He Tangata: Growing the Demand	33,767	27,457	32,312
	Tutor Training	118,512	197,000	115,386
	Allocation of Administration Costs	793,853	746,142	761,623

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note		2016 Actual	2016 Budget	2015 Actual
10	Operating Leases as Lessee			

Accounting Policy

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follow:

Not later than one year	117,418	117,418	113,998
Later than one year and not later than five years	373,816	373,816	491,234
Later than five years	-	-	-
Total Non-cancellable Operating Leases	491,234	491,234	605,232

The total non-cancellable lease expense relates to the lease of the office on the first floor of the Compass Building. The lease expires on 30 June 2021 with two (2) further rights of renewal.

Leasehold restoration provision

An analysis of the Society's exposure relating to the leasehold restoration after the lease expires indicates that there is no requirement to make a provision in the financial statements.

11 Personnel Costs

Salaries & Wages - Cash Paid	1,470,198	1,344,415	1,832,228
Increase/(Decrease) in Employee Benefit Liabilities	(8,384)	-	15,063
Personnel Costs	1,461,814	1,344,415	1,847,291

Key Management Personnel Compensation

Board Members

Remuneration	30,763	22,500	23,138
Full-time equivalent members	0.41	0.30	0.28

Leadership Team

Remuneration	455,146	487,000	465,500
Full-time equivalent members	3.29	3.50	4.04

Total Key Management Personnel Remuneration	485,909	509,500	488,638
Total Full-time Equivalent Personnel	3.70	3.80	4.32

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

Long Term Benefits - Disclosure	2,854	-	2,742
Termination Benefits - Disclosure	-	-	-

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016**

Note		2016 Actual	2016 Budget	2015 Actual
12	Tutor Training Wānanga			
	Administration	118,512	197,000	115,386
	Achievement Payment	800	12,000	2,040
	Assessor Training	2,180		363
	Assessment of Manuals	39,182	32,200	23,220
	National Moderation	33	2,000	5,449
	Moderator Training	-		300
	NZQA Associated Costs	8,256	40,731	22,210
	Pathway CALT to NCALNE	-		3,300
	Poupou Training Contracts	-		15,000
	Probationary Trainers			-
	Quals Pathway & Whakaruruhau	5,180	30,000	4,261
	Salaries	11 211,474	221,200	-
	Tutor Training Delivery	-		40,142
	Training - Contract Delivered	29,642	92,200	30,314
	Training - Poupou Delivered	56,409	90,000	33,000
	Training for Trainers	51,734	30,000	9,293
	Accommodation	11,494	31,050	21,362
	Living Away Allowance	6,375	13,080	12,052
	Travel	37,015	54,080	48,499
	Tutor Support Grant	36,400	105,000	33,600
	Tutor Training Manual - CALT	-	-	4,317
	Tutor Training Manual - NCALNE	20,998	4,200	12,006
	Tutor Training Manual - Voc	73,842	13,734	4,190
	Venue	9,489	53,390	39,212
		<u>719,015</u>	<u>1,021,865</u>	<u>479,517</u>
	Tutor Training Wānanga			

13 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of less than three months.

Bank overdrafts are shown as Borrowings within current liabilities in the statement of financial position.

Cheque Accounts	<u>878,104</u>	<u>284,235</u>
Cash and Cash Equivalents	<u>878,104</u>	<u>284,235</u>

The carrying value of short-term deposits with maturity dates of less than three months approximates the fair value.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

Note		2016 Actual	2015 Actual
14	Receivables		

Accounting Policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

A provision for impairment of Trade and Other Receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Receivables	312,376	356,332
Taxes receivables	29,031	-
Prepayments	51,524	75,663
Total Receivables	392,931	431,995

Total receivables comprises:

Receivables from exchange transactions	204,074	204,718
Receivables from non-exchange transactions	188,857	227,277
	392,931	431,995

Funding from the Crown	-	-
Other Revenue	392,931	431,995
	392,931	431,995

The ageing profile of receivables at year-end is detailed below:

Not past due	289,159	75,663
Past due 1-90 days	53,503	324,306
Past due over 90 days	50,269	32,026
	392,931	431,995

15 Investments

Accounting Policy

Investments in bank deposits are initially measured at fair value plus transaction costs.

Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

At each balance sheet date the Society assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of financial performance.

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016**

Note		2016 Actual	2015 Actual
15	Investments (continued)		
	Breakdown of Investments and Further Information		
	Current portion		
	On Call deposits	1,000,000	1,755,000
	Term deposits	<u>101,070</u>	<u>-</u>
	Total Investments	<u>1,101,070</u>	<u>1,755,000</u>

The carrying value of term deposits with maturity dates of three months or more and approximates their fair value.

Calculations for the Year Ended 31 December 2016

	<u>2016</u>	<u>2015</u>
Interest Received for the year (from Note2b)	50,439	86,261
Average Interest rate for the year (estimated)	3.50%	4.00%
Average 'principal' invested - calculated	1,441,114	2,156,525
Interest Fluctuation of plus or minus 0.5%	0.50%	0.50%
Possible Change in Interest Received - calculated	7,206	10,783
Rounded to \$000	7,000	11,000

If interest rates on investments during the year ended 31 Hakihea (December) 2016 had fluctuated by plus or minus 0.5% the effect would have been to increase/decrease the surplus by plus or minus \$7,000 (2015: \$11,000).

16 **Property, Plant, and Equipment**

Accounting Policy

Property, Plant and Equipment are shown at cost, less accumulated depreciation and impairment losses. Literacy Aotearoa does not hold any cash-generating assets.

Revaluations

The Society has not made any significant changes to past assumptions concerning the carrying amounts of property, plant and equipment. The Society believes that the carrying amounts does not differ materially from fair value.

Additions

The cost of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Society and the cost of the item can be measured reliably.

In most instances, a Property, Plant and Equipment item is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016**

16 Property, Plant, and Equipment (continued)

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Society and the cost of the item can be measured reliably.

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated useful lives of the improvements.

Impairment

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Society would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.

Critical Accounting Estimates and Assumptions

Estimating Useful Lives and Residual

At each balance date the Society reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Society to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Society, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position. The Society minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Society has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 13.

Capital Commitments

The amount of contractual commitments for the acquisition of property, plant and equipment as at 31 December 2016 was - \$nil (2015 \$nil)



Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

16 Property, Plant, and Equipment (continued)

Breakdown of Property, Plant, and Equipment and Further Information

	Computer Equipment	Furniture & Fittings	Leasehold Alterations	Other Equipment	Total
Cost					
Balance at 1 January 2015	316,601	50,882	58,162	190,226	615,871
Additions	40,527	70,456	35,999	32,134	179,116
Disposals	83,792	22,840	58,162	38,605	203,399
Balance at 31 December 2015	273,336	98,498	35,999	183,755	591,588
Balance at 1 January 2016	273,336	98,498	35,999	183,755	591,588
Additions	34,943	-	-	-	34,943
Disposals	-	-	-	-	-
Balance at 31 December 2016	308,279	98,498	35,999	183,755	626,531
Accumulated Depreciation and Impairment Losses					
Balance at 1 January 2015	262,894	42,885	43,523	151,015	500,317
Depreciation Expense	37,981	10,360	2,937	15,247	66,525
Impairment Losses	-	-	-	-	-
Disposals	83,792	22,840	43,523	24,602	174,757
Balance at 31 December 2015	217,083	30,405	2,937	141,660	392,085
Balance at 1 January 2016	217,083	30,405	2,937	141,660	392,085
Depreciation Expense	32,069	16,618	6,015	14,746	69,447
Impairment Losses	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2016	249,152	47,023	8,952	156,406	461,532
Carrying Amounts					
At 1 January 2015	53,707	7,997	14,639	39,211	115,554
At 31 December 2015 and 1 January 2016	56,253	68,093	33,062	42,095	199,503
At 31 December 2016	59,127	51,475	27,047	27,349	164,998

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

17 Intangible Assets

Accounting policy

Software acquisition and development

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the maintenance of the Society's website are recognised as an expense when incurred.

	Acquired Intangible Assets	Total
Cost		
Balance at 1 January 2015	315,203	315,203
Additions	172,074	172,074
Disposals	-	-
Balance at 31 December 2015	487,277	487,277
Balance at 1 January 2016	487,277	487,277
Additions	307,955	307,955
Disposals	-	-
Balance at 31 December 2016	795,232	795,232
Accumulated Amortisation and Impairment Losses		
Balance at 1 January 2015	316,408	316,408
Amortisation Expense	27,940	27,940
Impairment Losses	-	-
Disposals	-	-
Balance at 31 December 2015	344,348	344,348
Balance at 1 January 2016	343,444	343,444
Amortisation Expense	10,061	10,061
Impairment Losses	-	-
Disposals	-	-
Balance at 31 December 2016	353,505	353,505
Carrying Amounts		
At 1 January 2015	(1,205)	(1,205)
At 31 December 2015 and 1 January 2016	142,929	142,929
At 31 December 2016	441,727	441,727

	Remaining Amortisation period	Carrying Amounts at 31 December 2016
Significant items		
Te Kete Mauri Ora - Outcome and Quality Framework	3 years	232,463
Organisation External and Internal Website	2.5 years	209,264

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016

18 Payables and Deferred Revenue

Accounting policy

Short-term payables are recorded at the amount payable.

	2016 Actual	2015 Actual
Breakdown of Payable and Deferred Revenue		
Payables and Deferred Revenue Under Exchange Transactions		
Creditors	<u>651,248</u>	<u>310,885</u>
<i>Total payables under exchanges transactions</i>	651,248	310,885
Payables and Deferred Revenue Under Non-exchange Transactions		
Taxes payable	<u>-</u>	<u>109,320</u>
<i>Total payables under non-exchanges transactions</i>	-	109,320
Total Payables and Deferred Revenue	<u>651,248</u>	<u>420,205</u>

19 Employee entitlements

Accounting Policy

Short-term Benefits

Employee benefits that the Society expects to be settled within 12 months of balance date are measured at nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Society recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent the Society anticipates it will be used by staff to cover those future absences.

Long-term Benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.

Current portion

Annual leave	53,726	66,992
Accrued wages	<u>16,864</u>	<u>11,982</u>
<i>Total current portion</i>	70,590	78,974
Total Employee Entitlements	<u>70,590</u>	<u>78,974</u>

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016**

**Note
20**

Provisions

Accounting policy

The Society recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

21 Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities.

Breakdown of Equity and Further Information

	2016 Actual	2015 Actual
Accumulated surplus/(deficit)		
Balance at 1 January	2,315,387	2,126,819
Surplus/(deficit) for the year	<u>(58,396)</u>	<u>188,569</u>
Balance at 31 December	<u>2,256,991</u>	<u>2,315,387</u>

22 Explanation of Significant Variances against Budget	2016 Actual	2016 Budget	2016 Variance
Statement of Comprehensive Revenue and Expense			
Funding from the Crown	8,383,120	8,797,480	(414,360)
This is due to the Training Reset project where all tutor trainings were suspended until August, which resulted in an under-delivery of EFTS for 2016.			
Other revenue	944,180	1,091,591	(147,411)
There was a reduction in an ITO referrals in Other Workplace contracts.			
Te Komako: Extending Our Reach	7,789,585	7,978,194	188,609
This is due to the under-delivery of TEC Workplace Literacy and Numeracy programme.			
Te Rito: Focusing on What Matters	1,109,624	1,509,785	400,161
The tutor training was suspended until August resulting in a reduction in the tutor training expenditure.			

23 Financial Instruments

	2016 Actual	2015 Actual
Financial liabilities measured at amortised cost		
Payables (excluding deferred revenue, taxes payable and grants received subject to conditions)	<u>651,248</u>	<u>310,885</u>
Total financial liabilities measured at amortised cost	<u>651,248</u>	<u>310,885</u>
Loans and receivables		
Cash and cash equivalents	878,104	284,235
Receivables	392,931	431,995
Investments - term deposits	<u>1,101,070</u>	<u>1,755,000</u>
Total loans and receivables	<u>2,372,104</u>	<u>2,471,230</u>

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2016**

Note

24 Related Party Disclosures

At balance date there were no related party disclosures. (2015: Nil)

Payments to Poupuu of Te Kōruru Members

During the year, the following Te Kōruru members were key members of Poupuu that have entered into transactions with Literacy Aotearoa as part of its normal operations. All transactions were carried out at arm's length. The amounts received by respective Poupuu are listed under the members of Te Kōruru names with the amounts paid to each Poupuu for the years 2016 & 2015.

	<u>Payments</u>	<u>Payments</u>	<u>Received</u>	<u>Received</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Dr Kim Currie (Te Kaiwhakahaere)				
Literacy Aotearoa (Dunedin) Inc	214,982	245,718	-	-
Serenah Nicholson (Manager)				
The Learning Centre & Whānau Family Support	299,771	278,756	-	-
Karyn Thin (Te Kaiwhakahaere)				
Literacy South Canterbury	132,817	126,958	-	-
Rose Taueki (Manager)				
He Waka Matauranga	174,111	180,388	-	-
Lloyd Davies (Te Kaiwhakahaere)				
Literacy Bay of Plenty Inc	138,525	188,934	-	-
Chris Richardson (Board Member)				
Literacy Aotearoa Hawkes Bay Inc	145,209	114,737	-	-