

Literacy Aotearoa Inc.

Financial Report

For The Year Ended 31 Hakihea (December) 2014

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Directory
As at 31 Hakihea (December) 2014

Objects

To honour Te Tiriti o Waitangi;

To encompass two partners, Māori and Taiwi;

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 Participation Document 1, Value Statements;

To work towards ensuring Government policy maintains and develops quality literacy services throughout Aotearoa.

Location 449 Richmond Road,
Grey Lynn, Auckland 1021

Postal Address Private Bag 78800
Grey Lynn, Auckland 1245

Telephone (09) 378 2080

Fax (09) 307 2083

Te Kōruru				
	<u>Name</u>	<u>Position</u>	<u>Comments</u>	<u>Finish Date</u>
	Dr Kim Currie	Te Kaiwhakahaere	Elected	2017
	Margaret Manuel	Te Kaiwhakahaere	Elected	2016
	Serenah Nicholson	Elected Member	Elected	2015
	Ian Miller	Elected Member	Elected	2015
	Janet Te Rore	Elected Member	Elected	2016
	Lloyd Davies	Elected Member	Elected	2016

Te Tumuaki Bronwyn Yates QSM

Accountant ME Delamere
Chartered Accountant

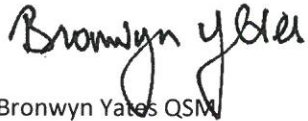
Bankers Westpac New Zealand Ltd
Ponsonby
Auckland

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) 2014

We confirm that:

1. We have been responsible for the preparation of these financial statements and the judgements used therein; and
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. 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) 2014.



Bronwyn Yates QSM
TE TUMUAKI



Dr Kim Currie
TE KAIWHAKAHAERE



Margaret Manuel
TE KAIWHAKAHAERE

31st Poutū te rangi (March) 2015
Date

Statement of Comprehensive Income
For the Year Ended 31 Hakihea (December) 2014

	<u>Notes</u>	<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
<u>Income</u>				
Interest		101,602	100,000	105,355
Government National Funding	2	8,129,848	8,260,241	7,628,805
Other Government Income	3	53,750	10,000	1,588,786
Other Income	4	<u>991,367</u>	<u>543,223</u>	<u>531,098</u>
<u>Total Income</u>		9,276,567	8,913,464	9,854,044
<u>Less Expenses</u>				
Kaupapa: Walk the Talk	5	8,297,276	8,083,431	7,957,187
Mahi Tahi: Partnership & Collaboration	6	104,372	66,767	106,221
He Whānau Ako: Communities of Quality Practice	7	<u>1,322,552</u>	<u>1,725,815</u>	<u>1,320,520</u>
<u>Total Expenses</u>		<u>9,724,200</u>	<u>9,876,013</u>	<u>9,383,928</u>
<u>Other Comprehensive Income</u>		<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Comprehensive Income</u>		<u>\$ (447,633)</u>	<u>\$ (962,549)</u>	<u>\$ 470,116</u>

The accompanying notes and statement of accounting policies form part of, and are to be read in conjunction with, these financial statements.

Statement of Changes in Equity
For the Year Ended 31 Hakihea (December) 2014

	<u>Notes</u>	<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
<u>Equity</u>				
Equity at the start of the year		2,574,450	2,574,450	2,104,334
Total Comprehensive Income		<u>(447,633)</u>	<u>(962,549)</u>	<u>470,116</u>
Total Recognised Revenue & Expenses		<u>(447,633)</u>	<u>(962,549)</u>	<u>470,116</u>
<u>Equity at the end of the year</u>		<u>\$ 2,126,817</u>	<u>\$ 1,611,901</u>	<u>\$ 2,574,450</u>

The accompanying notes and statement of accounting policies form part of, and are to be read in conjunction with, these financial statements.

Statement of Financial Position
As at 31 Hakihea (December) 2014

	<u>Notes</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<u>Equity as at 31 December 2014</u>		<u>2,126,817</u>	<u>2,574,450</u>
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	14	933,904	1,894,463
Investments	15	1,037,000	514,518
Trade and Other Receivables	16	554,858	449,348
Total Current Assets		<u>2,525,762</u>	<u>2,858,329</u>
Non-Current Assets			
Property, Plant and Equipment	19	115,554	148,422
Intangible Assets	20	25,596	71,944
Total Non-Current Assets		<u>141,150</u>	<u>220,366</u>
<u>Total Assets</u>		<u>2,666,912</u>	<u>3,078,695</u>
<u>Liabilities</u>			
Current Liabilities			
Trade and Other Payables	17	476,184	444,421
Employee Benefit Liabilities	18	63,911	59,824
Total Current Liabilities		<u>540,095</u>	<u>504,245</u>
<u>Total Liabilities</u>		<u>540,095</u>	<u>504,245</u>
<u>Net Assets</u>		<u>\$ 2,126,817</u>	<u>\$ 2,574,450</u>

The accompanying notes and statement of accounting policies form part of, and are to be read in conjunction with, these financial statements.

Bronwyn Yates

Bronwyn Yates QSM
TE TUMUAKI

Margaret Manuel

Margaret Manuel
TE KAIWHAKAHAERE

Kim Currie

Dr Kim Currie
TE KAIWHAKAHAERE

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Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

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 Taiwi; 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 Participation Document 1, Value Statements; and to work towards ensuring government policy maintains and develops quality literacy services throughout Aotearoa. Accordingly, the Society has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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) 2014. The financial statements were authorised for issue by Te Kōruru (the Board of Trustees) on 31st Poutū te rangi (March) 2015.

Basis of Preparation

Qualifying Entity for Differential Reporting

Literacy Aotearoa Inc. qualifies for differential reporting exemptions because at balance date:

- It did not have public accountability;
- The owners and the governing body were separate, and
- The entity was not large in that :
 - Total Income was less than \$20.0 million
 - Total Assets were less than \$10.0 million, and
 - The number of employees was less than 50.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities. The Society has applied all available differential reporting concessions, the most significant exemption being the full exemption from Cash Flow Statements disclosures.

The accounting policies set out below 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. The functional currency of the Society is New Zealand dollars.

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

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External reporting Board (XRB). Under these standards, the society would be able to apply the reduced disclosure regime (Tier 2). The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 Hongongoi (July) 2014. This means the society expects to transition to the new standards in preparing its 31 Hakihea (December) 2015 financial statements. The society has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

1. Statement of Significant Accounting Policies (cont.)

Revenue

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

Interest

Interest income is recognised using the effective interest method.

Other Government Grants and TEC National Income

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.

Other Income

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

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.

Costs Incurred for Future Economic Benefits

The Society has incurred expenditure to provide future economic benefits. The main expenditure of this nature was: Resources, Support, Tutor Training, Research and Strategic Development, and Online Blended Tutor Training Development.

Borrowing Costs

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

Income Tax

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

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Society recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Society will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

1. Statement of Significant Accounting Policies (cont.)

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. 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 statement of financial performance over the lease term as an integral part of the total lease expense.

Cash and Cash Equivalents

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

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

Investments

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.

Trade and Other Receivables

Trade and Other Receivables are initially measured at fair value. Any subsequent measurement makes an allowance for a provision for impairment, if any.

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.

Property, Plant and Equipment

Property, Plant and Equipment are shown at cost, less accumulated depreciation and impairment losses.

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.

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.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

1. Statement of Significant Accounting Policies (cont.)

Depreciation

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 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	3 years (33%)
Other equipment	3 to 5 years (20% to 33%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

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

Intangible assets

Software acquisition

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 development and maintenance of the Society's website are recognised as an expense when incurred.

Amortisation

Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the statement of financial performance.

Impairment of non-financial assets

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.

Trade and Other Payables

Trade and Other Payables are initially recognised at their fair value.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

1. Statement of Significant Accounting Policies (cont.)

Employee benefits

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.

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.

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.

Commitments and contingencies are disclosed exclusive of GST.

Provisions

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.

Equity

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

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.

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

1. Statement of Significant Accounting Policies (cont.)

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.

Property, plant and equipment useful lives and residual values

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 19.

Critical Judgements in applying the Society's Accounting Policies

Te Kōruru must exercise its judgement when recognising grant income 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.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note	Note	<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
2	<u>Government National Funding</u>			
	TEC - Adult Community Education (ACE)	2,122,459	2,122,459	2,070,692
	TEC - Equity Funding	8,735	8,735	9,570
	TEC - Intensive Literacy & Numeracy	2,432,500	2,432,500	2,242,500
	TEC - Student Achievement Component (SAC)	1,037,438	1,106,226	1,163,205
	TEC - Workplace Literacy	374,995	436,600	347,800
	TEC - Workplace Literacy Targeted Fund	2,153,721	2,153,721	1,795,038
	<u>Government National Funding</u>	<u>8,129,848</u>	<u>8,260,241</u>	<u>7,628,805</u>
3	<u>Other Government Contracts</u>			
	MOE - Early Learning Foundations	53,750	-	200,000
	TEC - English for Migrants	-	10,000	-
	TEC - Literacy Aotearoa Wellington	-	-	173,662
	TEC - Literacy South Canterbury	-	-	97,697
	TPK - Growing Māori Assets	-	-	67,000
	TPK - Other Projects	-	-	1,050,427
	<u>Other Government Contracts</u>	<u>53,750</u>	<u>10,000</u>	<u>1,588,786</u>
4	<u>Other Income</u>			
	AUT University	-	-	11,571
	Consultancy	8,643	5,000	2,559
	Donations *	105,518	-	-
	Miscellaneous Income	81,436	5,000	30,823
	Nga Poupuu Membership	1,388	1,370	1,353
	NZ Post Sponsorship **	50,000	50,000	70,000
	Open Polytechnic	54,770	-	12,200
	Open Wananga	9,923	11,853	-
	Other Workplace Contracts	679,689	450,000	376,592
	Research (NZCER)	-	-	6,000
	Sponsorship - Random House	-	20,000	20,000
	<u>Other Income</u>	<u>991,367</u>	<u>543,223</u>	<u>531,098</u>
	* Tindal Donation for Workplace Programmes			
	**Excludes donated advertising			
5	<u>Kaupapa: Walk the Talk</u>			
	Administration	11 433,804	463,912	442,537
	Coordinator/Manager Training	41,932	40,000	45,021
	Demographic Development Programme	-	10,000	-
	MOE - Early Learning Foundations	26,042	-	128,907
	Ngā Hui Heke	35,572	35,000	34,385
	Other Workplace Contracts	639,371	310,000	285,241
	Salaries	1,357,334	1,280,000	1,299,187
	TEC - ACE Provision	1,598,325	1,470,239	1,519,990
	TEC - English for Migrants	-	10,000	-
	TEC - Intensive Literacy & Numeracy	1,862,712	2,091,600	1,887,427
	TEC - Literacy Aotearoa Wellington	-	-	173,663
	TEC - Literacy South Canterbury	-	-	97,698
	TEC - Workplace Literacy	292,570	338,303	290,722
	TEC - Workplace Literacy Targeted Fund	1,467,582	1,550,777	1,321,510
	Tutor Training - CALT	13 369,273	378,526	338,552
	Tutor Training - NCALNE	13 172,759	105,074	92,347
	<u>Kaupapa: Walk the Talk</u>	<u>8,297,276</u>	<u>8,083,431</u>	<u>7,957,187</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note		<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
6	<u>Mahi Tahī: Partnership & Collaboration</u>			
	Administration	11 5,423	5,799	5,532
	ACE Learning Outcome Project	-	-	2,000
	NZ Post	71,049	40,000	74,440
	Open Wananga Training	4,180	4,968	-
	Research	6,796	-	8,053
	Salaries	16,924	16,000	16,196
	<u>Mahi Tahī: Partnership & Collaboration</u>	<u>104,372</u>	<u>66,767</u>	<u>106,221</u>
7	<u>He Whānau Ako: Communities of Quality Practice</u>			
	Administration	11 103,028	110,179	105,102
	ACE Financial Literacy - Maori & Pasifika	2,803	10,000	2,825
	Database Development	3,098	5,000	3,912
	International Literacy Day	8,172	6,750	7,878
	National Planning Hui	125,486	120,000	139,560
	Ngā Poupou Audits	1,200	10,000	18,288
	Ngā Poupou Capability Building Grant	565,015	1,008,886	31,450
	Online Developments	17,536	20,000	29,098
	Open Polytechnic	48,861	-	10,678
	Poupou Liaison	23,500	10,000	13,107
	Poupou Mentoring Project	20,703	30,000	38,523
	Promotion & Strategic Relationships	33,660	30,000	31,671
	Salaries	321,547	304,000	308,514
	Student Writing Event	21,520	20,000	-
	Subscriptions	4,369	6,000	5,796
	Te Poutama Painga	7,238	15,000	13,440
	TPK - Growing Māori Assets	-	-	39,977
	TPK - Other Projects	-	-	515,862
	Tui Tuia	6,991	10,000	3,253
	Website	7,825	10,000	1,586
	<u>He Whānau Ako: Communities of Quality Practice</u>	<u>1,322,552</u>	<u>1,725,815</u>	<u>1,320,520</u>
8	<u>Amortisation of Intangible Assets</u>			
	Amortisation of Computer Software	46,348	87,000	87,905
	<u>Amortisation of Intangible Assets</u>	<u>46,348</u>	<u>87,000</u>	<u>87,905</u>
9	<u>Audit Fees</u>			
	Audit Fees for Financial Statement Audit	37,000	43,000	41,984
	<u>Audit Fees</u>	<u>37,000</u>	<u>43,000</u>	<u>41,984</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note		<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
10	<u>Depreciation</u>			
	Computer Equipment	39,802	49,000	47,814
	Copier Equipment	7,308	8,000	7,308
	Furniture & Fittings	2,887	4,000	3,096
	Leased Assets	5,589	6,000	5,236
	Other Equipment	10,271	20,000	19,256
	<u>Depreciation</u>	<u>65,857</u>	<u>87,000</u>	<u>82,710</u>
11	<u>Administration Costs</u>			
	ACC Premiums	7,149	8,000	7,254
	Accountancy Fees	6,640	6,000	6,120
	Amortisation Costs	8 46,348	87,000	87,905
	Audit Fees	9 37,000	43,000	41,984
	Bad Debts	27,987	-	-
	Bank Charges	100	1,000	121
	Cleaning	11,972	10,500	10,937
	Computer Expenses	16,955	15,000	13,780
	Depreciation	10 65,857	87,000	82,710
	Electricity	14,789	15,000	13,626
	Executive Contracts	38,522	20,000	17,762
	General Expenses	11,971	9,000	10,810
	Honoraria	26,450	22,490	20,570
	Human Resources	963	4,000	2,980
	Insurance	12,962	15,000	15,851
	Legal Fees	19,011	20,000	19,662
	Photocopying	15,302	10,000	9,703
	Postage & Courier	19,918	13,000	12,805
	Professional Development	16,911	42,000	29,631
	Recruitment & Review	1,428	15,000	11,107
	Rent	140,544	140,000	140,647
	Repairs & Maintenance	11,733	13,000	12,816
	Staff Meetings	4,293	2,500	2,392
	Stationery	15,051	16,000	16,011
	Te Kōruru	61,684	46,000	47,660
	Telephone & Tolls	29,281	33,000	31,420
	Tumuaki Expenses	1,625	2,000	2,027
	<u>Administration Costs</u>	<u>662,446</u>	<u>695,490</u>	<u>668,291</u>
	<u>Allocation of Administration Costs</u>			
	Kaupapa: Walking the Talk	5 433,804	463,912	442,537
	Mahi Tahi: Partnership & Collaboration	6 5,423	5,799	5,532
	He Whānau Ako: Communities of Quality Practice	7 103,028	110,179	105,102
	Tutor Training	13 120,191	110,600	115,120
	<u>Allocation of Administration Costs</u>	<u>662,446</u>	<u>690,490</u>	<u>668,291</u>
		-		-
12	<u>Employee Benefit Costs</u>			
	Salaries & Wages	1,691,213	1,600,000	1,645,169
	Increase/(Decrease) in Employee Benefit Liabilities	4,592	-	(21,271)
	<u>Employee Benefit Costs</u>	<u>1,695,805</u>	<u>1,600,000</u>	<u>1,623,898</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note		<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
13	<u>Tutor Training Wānanga</u>			
	Administration	11 120,191	110,600	115,120
	Achievement Payments	-	45,900	-
	Assessment of Manuals	5,311	18,500	18,704
	Moderation	210	1,500	1,195
	NZQA Costs	32,718	10,000	14,841
	Pathway to NCALNE	3,560	4,000	700
	Poupou Training Contracts	21,000	26,000	23,000
	Probationary Trainers	3,720	13,600	6,027
	Quals Pathway & Whakaruruhau	4,000	12,500	12,468
	Training - Contract Delivered	55,767	10,000	28,472
	Training - Poupou Delivered	52,250	56,000	41,000
	Training for Trainers	71	20,000	15,462
	Travel & Accommodation	93,382	63,500	57,369
	Tutor Support Grant	61,600	55,500	63,600
	Tutor Training	88,252	36,000	32,941
	<u>Tutor Training Wānanga</u>	<u>542,032</u>	<u>483,600</u>	<u>430,899</u>
	<u>Allocation of Tutor Training Costs</u>			
	Kaupapa: Walk the Talk - CALT	5 369,273	378,526	338,552
	Kaupapa: Walk the Talk - NCALNE	5 172,759	105,074	92,347
	<u>Allocation of Tutor Training Costs</u>	<u>542,032</u>	<u>483,600</u>	<u>430,899</u>
14	<u>Cash and Cash Equivalents</u>			
	Cheque Accounts	933,904		1,894,463
	<u>Cash and Cash Equivalents</u>	<u>933,904</u>		<u>1,894,463</u>
	The carrying value of short-term deposits with maturity dates of less than three months approximates their fair value.			
15	<u>Investments</u>			
	Kiwibank	1,037,000		-
	Westpac Bank Investment	-		514,518
	<u>Investments</u>	<u>1,037,000</u>		<u>514,518</u>
	The carrying value of term deposits with maturity dates of three months or more and approximates their fair value.			
	If interest rates on investments during the year ended 31 Hakihea (December) 2014 had fluctuated by plus or minus 0.5% the effect would have been to increase/decrease the surplus by plus or minus \$14,000 (2013 : \$13,000).			
16	<u>Trade and Other Receivables</u>			
	Other	533,006		446,880
	Prepayments	21,852		2,468
	<u>Trade and Other Receivables</u>	<u>554,858</u>		<u>449,348</u>
	The carrying value of receivables approximates their fair value.			

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
17 <u>Trade and Other Payables</u>		
Grants Received in Advance	130,213	-
Other	334,736	417,778
GST Payable	<u>11,235</u>	<u>26,643</u>
<u>Trade and Other Payables</u>	<u>476,184</u>	<u>444,421</u>
Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.		
Grants received in advance relate to funding received to provide literacy qualifications, the conditions of which, have not yet been satisfied.		
18 <u>Employee Benefit Liabilities</u>		
Annual Leave	58,268	53,676
Accrued Wages	<u>5,643</u>	<u>6,148</u>
<u>Total Employee Benefit Liabilities</u>	<u>63,911</u>	<u>59,824</u>
<i>Comprising of :</i>		
Current	63,911	59,824
Non-Current	<u>-</u>	<u>-</u>
<u>Total Employee Benefit Liabilities</u>	<u>63,911</u>	<u>59,824</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note

19 Property, Plant and Equipment

	<u>Computer Equipment</u>	<u>Furniture & Fittings</u>	<u>Leasehold Alterations</u>	<u>Other Equipment</u>	<u>Total</u>
Cost					
Balance at 1 January 2013	249,703	38,851	32,699	173,926	495,179
Additions	41,586	11,737	19,037	15,343	87,703
Disposals	-	-	-	-	-
Balance at 31 December 2013	291,289	50,588	51,736	189,269	582,882
Balance at 1 January 2013	291,289	50,588	51,736	189,269	582,882
Additions	25,312	294	6,426	957	32,989
Disposals	-	-	-	-	-
Balance at 31 December 2014	316,601	50,882	58,162	190,226	615,871
Accumulated Depreciation and Impairment Losses					
Balance at 1 January 2013	175,278	36,902	32,699	106,871	351,750
Depreciation Expense	47,814	3,096	5,235	26,565	82,710
Impairment Losses	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2013	223,092	39,998	37,934	133,436	434,460
Balance at 1 January 2013	223,092	39,998	37,934	133,436	434,460
Depreciation Expense	39,802	2,887	5,589	17,579	65,857
Impairment Losses	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2014	262,894	42,885	43,523	151,015	500,317
Carrying Amounts					
At 1 January 2013	74,425	1,949	-	67,055	143,429
At 31 December 2013 and 1 January 2014	68,197	10,590	13,802	55,833	148,422
At 31 December 2014	53,707	7,997	14,639	39,211	115,554

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note

20 Intangible Assets

	<u>Computer Software</u>	<u>Total</u>
Cost		
Balance at 1 January 2013	315,203	315,203
Additions	-	-
Disposals	-	-
Balance at 31 December 2013	<u>315,203</u>	<u>315,203</u>
Balance at 1 January 2014	315,203	315,203
Additions	-	-
Disposals	-	-
Balance at 31 December 2014	<u>315,203</u>	<u>315,203</u>
Accumulated Amortisation and Impairment Losses		
Balance at 1 January 2013	155,354	155,354
Amortisation Expense	87,905	87,905
Impairment Losses	-	-
Disposals	-	-
Balance at 31 December 2013	<u>243,259</u>	<u>243,259</u>
Balance at 1 January 2014	243,259	243,259
Amortisation Expense	46,348	46,348
Impairment Losses	-	-
Disposals	-	-
Balance at 31 December 2014	<u>289,607</u>	<u>289,607</u>
Carrying Amounts		
At 1 January 2013	159,849	159,849
At 31 December 2013 and 1 January 2014	<u>71,944</u>	<u>71,944</u>
At 31 December 2014	<u>25,596</u>	<u>25,596</u>

21 Capital Commitments and Operating Leases

	<u>2014</u>	<u>2013</u>
Capital Commitments		
Capital expenditure commitments at balance date	<u>Nil</u>	<u>Nil</u>
Operating Leases as Lessee		
<i>Building Lease</i>		
Not Later than one year	21,500	129,000
Later than one year and not later than two years	-	21,500
Later than two year and not later than five years	-	-
	<u>21,500</u>	<u>150,500</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note

22 Statement of Contingent Liabilities

At balance date there were no contingent liabilities. (2013 : Nil)

23 Related Party Disclosures

\$29,445 was paid to Garland Tonihi of Lyon Street Holdings as a contractor to deliver Tutor Training. Jodi Maniapoto, a member of staff, is a shareholder of Lyon Street Holdings. Jodi ceases ownership of all shares in 2015.

Payments to Poupou of Te Kōruru Members

During the year, the following Te Kōruru members were key members of Poupou that have entered into transactions with Literacy Aotearoa as part of its normal operations. All transactions were carried out at arm's length.

	<u>Payments</u> <u>Actual 2014</u>	<u>Payments</u> <u>Actual 2013</u>	<u>Received</u> <u>Actual 2014</u>	<u>Received</u> <u>Actual 2013</u>
Dr Kim Currie (Te Kaiwhakahaere)				
Literacy Aotearoa (Dunedin)	246,235	182,362	-	-
Serenah Nicholson (Manager)				
The Learning Centre & Whanau Family Support Literacy	334,208	310,390	-	-
Margaret Manuel (Board Member)				
Literacy Westland	35,960	14,150	-	-
Janet Te Rore (Manager)				
Te Roroa Learning Assistance	178,263	121,426	-	-
Lloyd Davies (Te Kaiwhakahaere)				
Literacy & Language Bay of Plenty	191,625	193,405	-	-

24 Te Kōruru Fees

The following fees were earned by Te Kōruru members during the year:

Te Kōruru Member		<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2013</u>
Dr Kim Currie	Elected 2008	-	-
Serenah Nicholson	Elected 2009	6,200	5,263
Gaye Anstis	Resigned 2013	-	3,120
Margaret Manuel	Elected 2007	4,950	3,987
Rita Johnstone	Elected 2007	-	1,700
Ian Miller	Elected 2009	5,100	3,500
Janet Te Rore	Elected 2013	5,400	1,500
Lloyd Davies	Elected 2013	4,800	1,500
		<u>26,450</u>	<u>20,570</u>

25 Categories of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities in each of the main categories are :

	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2013</u>
<i>Loans and Receivables</i>		
Cash and Cash Equivalents	933,904	1,894,463
Investments	1,037,000	514,518
Trade and Other Receivables	<u>554,858</u>	<u>449,348</u>
<i>Loans and Receivables</i>	<u>2,525,762</u>	<u>2,858,329</u>
<i>Financial Liabilities</i>		
Trade and Other Payables	476,184	444,421
Employee Benefit Liabilities	<u>63,911</u>	<u>59,824</u>
<i>Financial Liabilities</i>	<u>540,095</u>	<u>504,245</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note

26 Explanation of Significant Variances against Budget

	<u>2014</u> <u>Actual</u> <u>\$000</u>	<u>2014</u> <u>Budget</u> <u>\$000</u>	<u>2014</u> <u>Variance</u> <u>\$000</u>
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Statement of Financial Performance

Other Income	1,014	543	(471)
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This is due to unforeseeable and unconfirmed income at the beginning of the year when the budget was finalised. These are: Donations, Open Polytechnic and Other Workplace Contracts.

SG1 Kaupapa: Walk the Talk	8,297	8,083	(214)
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This is due to:

1. The increase in Other Workplace payments which is reflected in the increase in income.
2. Te Kōruru agreed to provide a Student Learning Pack to Literacy Aotearoa personnel, tutor trainees and literacy students enrolled with Ngā Poupou. Initially, we envisaged such a number of stocks would be spread across two years and be treated as stock asset. However, student and tutor trainee numbers were higher than expected due to additional funds acquired for 2014 delivery and almost all packs were subsequently used.
3. TEC allocated the SAC funding across three qualifications for 2014. Insufficient budget was allocated to meet the new National Certificate in Adult Literacy Education (Vocational) resulting in the overspend on the NCALNE Tutor Training.

SG3 He Whānau Ako: Communities of Quality Practice	1,323	1,726	403
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This is due to a less than anticipated number of Poupou taking part in the \$20k project. The \$20k project was designed to build Poupou capability in delivering unit standards embedded into the literacy programmes already provided to literacy students. The budget was based on 45 Poupou being paid \$20,000 for delivering either 100 hours group programmes or two 25 hours group programmes with embedded unit standards. The final number of participating Poupou was 35 and some opted to do just one of the two 25 hour groups.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2014

Note

27 Poupou Funds Distributed

	<u>2014</u> <u>Actual</u>	<u>2014</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>
<i>Funds Available for Distribution</i>			
<i>Direct Distribution</i>			
ACE Learning Outcome Project	-	-	2,000
International Literacy Day	8,172	6,750	7,878
Ngā Poupou Capability Building Grant	565,015	1,008,886	-
Other Workplace Contracts (BCITO, MITO, etc.)	639,371	310,000	285,241
Open Polytechnic	48,861	-	10,678
TEC - ACE Provision	1,598,325	1,470,239	1,519,990
TEC - English for Migrants	-	10,000	-
TEC - Intensive Literacy & Numeracy	1,857,106	2,091,600	1,887,427
TEC - Foundation Focus Training Opportunities	-	-	271,361
TEC - Workplace Literacy	325,087	338,303	290,721
TEC - Workplace Targeted Fund	1,465,423	1,550,777	1,321,510
Tutor Support Grant	61,600	67,500	63,600
Tutor Training - Ngā Poupou Contracts	73,250	82,000	23,000
Tutor Training - Poupou Delivered	55,786	10,000	41,000
TPK - Growing Māori Assets	-	-	39,977
TPK- 6 Projects	-	-	151,863
Total Direct Distribution	<u>6,697,996</u>	<u>6,946,055</u>	<u>5,916,246</u>
<i>Indirect Distribution</i>			
National Planning Hui & Te Hui ā Tau	147,006	140,000	139,560
Ngā Hui Heke	35,572	35,000	34,385
Total Indirect Distribution	<u>182,578</u>	<u>175,000</u>	<u>173,945</u>
Total Distribution to Ngā Poupou	<u>6,880,574</u>	<u>7,121,055</u>	<u>6,090,191</u>

Literacy Aotearoa Inc

Notes to the Financial Statements For the Year Ended 31 Hakihea (December) 2014

28 **Financial Instrument Risks**

The Society has policies to manage the risks associated with financial instruments. The Society is risk averse and seeks to minimise exposure from its treasury activities. The Society has established Borrowing and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Society to cash flow interest rate risk.

The Society's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

The Society currently has no variable interest rate debt or investments.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Society, causing the Society to incur a loss.

Due to the timing of its cash inflows and outflows, the Society invests surplus cash with registered banks. The Society's Investment policy limits the amount of credit exposure to one institution.

The Society has processes in place to review the credit quality of customers prior to the granting of credit.

The Society's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 14), investments (note 15) and trade receivables (note 16). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Society has no significant concentrations of credit risk, as it has a small number of credit customers and only invests funds with registered banks with specified credit ratings. The Society's banks had the following **Standards & Poor's ratings** as at 31 Poutū te rangi (March) 2014: Westpac Banking Corporation ... AA- and Kiwibank Ltd ... A+.

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Society aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Society maintains a target level of investments that must mature within specified timeframes.

The Society manages its borrowings in accordance with its Borrowing policy.

29 **Capital Management**

The Society's capital is its equity, which comprises Society capital and retained surpluses. Equity is represented by net assets.

The Society deed requires Te Kōruru to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The Society's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing the Society's equity is to ensure the Society effectively achieves its objectives and purpose, whilst remaining a going concern.