ParnellTrust Annual Report 2017

Our vision is for a sustainable, vibrant, inclusive and connected community

ParnellTrust

Chairperson's Report

The past financial year has been a period of growth for Parnell Community Trust. We continued to expand our social enterprise model with the acquisition of an early childhood centre in St Johns, development of KidsHQ SuperMeals and growth through innovation within our existing services.

Our Chief Executive, Lyn Fox and her team have achieved outstanding results. The Trust is well positioned to grow and innovate to not only meet the needs of our local community, but also play a role in the wider Auckland community.

The Board and Chief Executive continue looking outward for opportunities that fit with the Trust's mandate. Board members have completed extensive work on risk analysis and completed a robust five-year Strategic Financial Plan. The acquisition of an early childhood centre in St Johns and transformative renovations to its building and site, new drainage work to Gladstone Park Early Childhood Centre's outdoor area and an upgrade of the Trust's computer system are examples of how we are positioning ourselves to provide a strong foundation for future years.

Of continuing concern is the short-term leases held at both Parnell Early Childhood Centre and the Jubilee Building, home to Parnell Community Centre, which the Trust manages on behalf of Auckland Council. We are working with both owners, Council and property managers to achieve leases that provide certainty for our community and the next generation.

Our main focus is engaging with our community and providing the best possible client service and experience. We want our clients to feel part of their community, whether they entrust their children to our care, buy our nutritious children's meals, use our venue, attend our Parnell Farmers' Market on Saturdays or participate in the classes or activities we offer. Through consultation, conversations and surveys, the Trust continues to look for new and innovative ways to provide what our community wants and needs.

I have the privilege of chairing a stable and experienced Board of Trustees. In 2016 we welcomed Mark Champion to the Board. Mark's experience as a specialist in corporate and government affairs spans industry sectors as diverse as advertising, aviation and telecommunications.

In January, Chelsea Wong joined the Board as the Trust's first Apprentice Trustee. This new position, held for one year, was created to provide experience in board-level governance for a promising young candidate. In return, the Board is strengthened by the addition of a younger perspective.

I'd also like to take this opportunity to thank Bill Sinclair for his dedication to Parnell Community Trust. A Board member since 2008, Bill took on the role of Treasurer in 2009. As required by our Trust Deed, he will step down as a Trustee at our Annual General Meeting, but the Board intend to co-opt Bill to continue his role as Treasurer.

My thanks to my fellow Trustees, to Lyn Fox and the Trust's staff for their contribution to achieving an excellent result for the Trust this past year.

David Vinsen
Chairperson

Chief Executive's Report

The 2016/17 financial year saw Parnell Community Trust realise one of the key strategies outlined in the 2016 Annual Report with the purchase of a third early childcare centre. Located in St Johns, the centre is currently licensed for 26 children. With the possibility to increase this licence, and the Trust's current lease positions at both other centres top of mind, we then took the bold step of buying the leasehold in the land and buildings. This purchase will provide long term tenure and financial stability for the Trust.

We made a significant investment in our computer system to ensure its continued viability and reduce the risk of cyber-attack. Our network was updated to speed access across all Trust sites, new watch guard security hardware was installed, our network backup was relocated to a data centre and our email service is now cloud-based.

Parnell Trust launched its re-designed website (www.parnell.org.nz) in March. Our website is a key information and marketing platform for the services offered by the Trust and the new layout greatly improves viewers' experience across all devices, with a bright fresh layout and added content and features.

Parnell Community Centre, Venue, Classes and Parnell Farmers' Market

I would like to take this opportunity to thank Sanjay Pereira, Community Venue Manager and his team for providing exceptional service to our community and the commercial clients that use the Jubilee Building. Despite the condition of the building and facilities due to lack of refurbishment, Sanjay was able to increase usage and revenue over the year. We continue to advocate with Council and The Blind Foundation, the property's owner, for much needed maintenance and modernisation

+66%

Increase in venue usage hours at Parnell Community Centre

The Trust launched its redesigned website (www.parnell.org.nz) in March. Sanjay Pereira, Community Venue Manager, features in front of the Jubilee Building in the new website's Venue Hire section.

Last year we ran a very successful series of free Sustainable Urban Living Workshops. Following many requests to repeat this programme, and thanks to a further grant support from the Waitemata Local Board, we were able to run a 2017 workshop series alongside our Farmers' Market.

1,330

Enrolments in classes at Parnell Community Centre

We also developed new classes following consultation with our tutors, participants and community groups. We extended our ESOL classes by providing an English Intermediate conversation, with the support of Selwyn College, and Family ESOL in conjunction with Plunket. Other new classes offered include Art in the Domain Wintergardens, Early Bird Pilates, Hawaiian Moves and Island Grooves and Parnell Prima Donnas (singing group).

712

Average number of shoppers at Parnell Farmers' Market every Saturday

Parnell Farmers' Market celebrates its 10th anniversary in November. Our market is recognised as one of the best for the variety and standard of fresh produce delivered rain, hail or shine every Saturday morning. Many of our regulars meet their family, friends and neighbours here while buying the majority of their weekly food requirements from us.

Special Farmers' Market days are held throughout the year and, with activities including face painting and petting zoos,
these are enjoyed by local families with young children. Craft Harvest Market, held in the Jubilee Hall on the fourth Saturday of every month, adds further interest to Saturdays at Parnell Community Centre with a variety of high quality handmade arts and crafts for sale from their makers.

Early Childhood Centres

Our early childhood centres continue to provide excellent outcomes for the children under our care. Parnell Early Childhood Centre won its third Heart Foundation Gold Healthy Heart Award for holistic health-related practices related to exercise, nutrition and sustainability. In total we have now won five Gold awards and are in the process of joining our St Johns centre to the programme.

Extensive renovations to the newly-acquired St Johns Early Childhood Centre's building have created beautiful rooms for children to explore and learn in.

Our new acquisition, St Johns Early Childhood Centre is undergoing an extensive renovation. We have renovated the bathroom, laundry and porch, repainted every room and ripped up carpet to reveal beautiful matai floors. Our plan is to paint the building's exterior and upgrade the entrance way and children's play area when we have a run of fine weather.

We have upgraded Gladstone Park Early Childhood Centre's outdoor area with new grass and drainage, and included a mud pit in the design for the children to get down and dirty. The children love it! Occupancy for the centre in 2017/18 is forecast to average 89%.

92

Average number of children looked after every day at Parnell Trust's early childhood centres

Parnell Early Childhood Centre's future continues to remain unclear. The lease was extended for two years from January, 2017, with a three-month break clause to allow the owners to proceed with sale or redevelopment of the site. Given objections raised by various parties to the site's future use, we believe the Trust may have potential to extend our stay beyond two years. Once we have a better understanding of timing, we may wish to invest in improvements to the aesthetics of the centre.

KidsHQ SuperMeals

KidsHQ SuperMeals, the home-style frozen meals we make in Parnell Early Childhood Centre's commercial kitchen, continue to sell well from the Parnell Trust locations. Prices were marginally increased in the year for retail packs, which remain an excellent option for parents focussed on giving their children high-quality, nutritious meals.

4,252

KidsHQ SuperMeals sold from Parnell Trust locations

Children at Nga Homai Taonga Early Childhood Centre are loving their KidsHQ SuperMeals lunches. Teachers have found that the tamariki are not as hungry in the afternoon following their filling nutritious meal.

Once our commercial kitchen is fully accredited, we will focus on marketing KidsHQ SuperMeals to other Early Childhood Centres. We are currently supplying two centres, with opportunities to grow deliveries to additional centres in one customer's group. We believe KidsHQ SuperMeals' catered meals are a great solution for centres where parents are asking for high quality meals for their children; for providing meals to children with special dietary needs; to enable time and cost savings in a centre's kitchen and potentially to fast-track entry to the Heart Foundation's Healthy Heart Programme.

As a social enterprise, the Trust's vision is to share our Healthy Heart learnings, including the benefits of serving Early Childhood Centre children healthy nutritious food. We've received inspiring support from the Heart Foundation and want to help spread the healthy living message.

Programmes for Children

128

Average number of children in Parnell Trust's Before and After School Programmes every day

Our Programmes for Children team again had an outstanding year. We introduced a Before School Programme at Parnell District School, providing a much-needed service for up to 20 children every morning.

Attendance at our After School Programmes, held at three schools in Parnell and Epsom, increased from an average of 109 children per day in 2016 to 128 children in 2017.

100

Average number of children looked after every day of the school holidays

Our School Holiday Programme consolidated the growth experienced over the past few years. We're always actively looking for new and exciting activities to refresh our programme, which includes up to four different activities every day, catering to children aged five to 14 years old.

Outlook

Parnell Community Trust is in good shape for the future. We have built positive forward momentum and will continue on our strategic journey, with the acquisition of St Johns Early Childhood Centre being an important step. Our five-year Financial Plan, which supports our strategic journey, provides for capital expenditure and the focus on working towards a strong balance sheet.

Finally, my thanks to the Board and staff for their continued support.

Lyn Fox

CHIEF EXECUTIVE

Treasurer’s Report

This report accompanies the Financial Statements of the Parnell Community Trust for the year ended 30 June 2017.

The Trust has reported a net surplus of $75,014 for the year to 30 June 2017 compared with last year’s net loss of $7,366.

Total income for the year, including grant funding of $1,351,632, is $3,845,722 compared with $3,520,469 last year.

To strengthen the Trust’s position going forward, the opportunity was taken, when it arose, to acquire the leasehold interest in the premises occupied by the St Johns Early Childhood Centre. This was done with the assistance of some bank borrowings. Acquiring the lease of these premises has a positive effect on future financial performance of the Trust and secures tenure of the premises.

The Board and management of the Trust continue to maintain a consistent focus on progressively strengthening the financial position of the Trust.

As part of long term financial management, the Trust undertook and completed a financial review which provides a five-year plan for capital expenditure consistent with availability of funds.

The Trust to continues to develop the social enterprise model where it engages in a ‘virtuous circle’ of delivering community services that generate financial surpluses, which are applied to improving the quality and range of those services.

The Financial Statements have been audited and an unqualified Audit Report dated 12 October 2017 has been issued.

Bill Sinclair
TREASURER

Parnell Community Trust
Financial Statements
for the year ended 30 June 2017

Contents	**Page number**

The Board of Trustees presents the financial statements of Parnell Community Trust for the year ended 30 June 2017.

The financial statements that follow are signed for and on behalf of the Board of Trustees and were authorised for issue on the date below.

Chair ……………………………………..

Treasurer ……………………………………..

Date 12 October, 2017

Parnell Community Trust
Directory

Date of Registration	2 September 1982
Charity Registration #	CC25685
Registered Office	545 Parnell Road Parnell Auckland
Trustees	David Vinsen (Chairperson) Kate Wiseman (Deputy Chairperson) Bill Sinclair (Treasurer) Wayne Adsett Kirsty Cameron Mark Champion (joined 2016) Chris Cole Christiane Pracht Paul Smith Chelsea Wong (Apprentice Trustee)
Auditor	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland
Bank	BNZ 80 Queen Street Auckland

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Independent Auditor's Report

To the Trustees of Parnell Community Trust

Opinion

We have audited the financial statements of Parnell Community Trust, which comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive revenue and expenses for the year then ended;
- the statement of movements of equity;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 13 to 26 present fairly, in all material respects, the financial position of Parnell Community Trust as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Parnell Community Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Parnell Community Trust.

Other information

The trustees are responsible for the other information. The other information comprises the information on pages 1 to 10 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the financial statements

The trustees are responsible, on behalf of Parnell Community Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible, on behalf of the Parnell Community Trust, for assessing the Parnell Community Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Parnell Community Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

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

RSM

RSM Hayes Audit
Auckland

12 October 2017

Parnell Community Trust

Statement of Comprehensive Revenue & Expenses

for the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue from non-exchange transactions			
Government Grants	11	1,329,220	1,250,339
Department of Internal Affairs (Lottery Grant)	11	20,056	18,751
Other Grants		-	9,950
Sponsorships and Donations	11	2,356	2,597
		1,351,632	**1,281,637**
Revenue from exchange transactions			
Fees and Subscriptions		2,469,654	2,217,086
Interest Income		1,289	7,027
Other Operating Revenue		23,147	14,719
		2,494,090	**2,238,832**
Total Revenue		**3,845,722**	**3,520,469**
Expenses			
Employee Related Costs		2,510,002	2,342,856
Marketing Expenses		30,344	35,339
Depreciation and Amortisation	5, 6	57,870	129,020
Rent and OPEX		439,108	385,744
Operational Expenses		733,384	634,876
Total Expenses		**3,770,708**	**3,527,835**
Total surplus/(deficit) for the year		**75,014**	**(7,366)**

These financial statements should be read in conjunction with the Notes to the Accounts

RSM

Parnell Community Trust

Statement of Movements of Equity

for the year ended 30 June 2017

	Notes	2017 $	2016 $
Equity at Beginning of Year		128,696	136,062
Comprehensive Revenue and Expense		75,014	(7,366)
Equity at the End of the Year		**203,710**	**128,696**

These financial statements should be read in conjunction with the Notes to the Accounts

RSM

Parnell Community Trust

Statement of Financial Position

for the year ended 30 June 2017

	Notes	2017 $	2016 $
Equity		**203,710**	**128,696**
Current Assets			
Cash and Cash Equivalents	16	(76,896)	135,736
Receivables from non-exchange transactions		113,400	142,130
Receivables from exchange transactions		116,410	78,568
Prepayments		22,117	9,866
Total Current Assets		**175,031**	**366,300**
Current Liabilities			
Payables under Exchange Transactions		85,406	67,385
Employee Costs Payable		156,435	147,620
Fees in Advance		30,463	39,949
Grants Received in Advance		2,098	3,827
Loan - Current	16	28,508	-
GST Payable		32,387	29,753
Accruals		74,726	52,655
Total Current Liabilities		**410,023**	**341,189**
Net Current Assets (Liabilities)		**(234,992)**	**25,111**
Non-Current Assets			
Fixed Assets Cost	5, 6	1,280,087	1,034,889
less Accumulated Depreciation		(998,454)	(965,163)
Goodwill	7	260,000	-
Intangible Assets-Software		126,358	111,050
Less Accumulated Amortisation		(101,818)	(77,190)
Total Non-Current Assets		**566,173**	**103,586**
Non Current Liabilities			
Loan – Non-Current	16	127,471	
Total Non-Current Liabilities		**127,471**	**-**
Net Total Assets (Liabilities)		**203,710**	**128,696**

These financial statements should be read in conjunction with the Notes to the Accounts

RSM

Parnell Community Trust

Cash Flow Statement

for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts			
Receipts from Government Grants		1,349,275	1,269,090
Receipts from other Grants		-	9,950
Receipts from sponsorships & donations		2,356	2,597
Receipts from fees		2,448,292	2,227,366
Receipts from other income		23,147	14,719
Interest received		1,289	7,027
		3,824,359	**3,530,749**
Payments			
Payments to employees		2,510,002	2,337,659
Payments to suppliers and employees		1,162,510	1,085,101
		3,672,512	**3,422,760**
Net cash generated by operating activities		**151,847**	**107,989**
Cash flows from investing activities			
Receipts			
Sale of property, plant and equipment		-	-
		-	**-**
Payments			
Payments for property, plant and equipment		230,458	37,551
Proceeds from disposal of property, plant and equipment		-	-
Payments to acquire other entities		290,000	-
		520,458	**37,551**
Net cash (used in)/ provided by investing activities		**(520,458)**	**(37,551)**
Cash flows from financing activities			
Proceeds from bank debt		165,000	-
Repayment of bank debt		(9,021)	-
Net cash used in financing activities		**155,979**	**-**
Net increase (decrease) in cash and cash equivalents		(212,632)	70,438
Cash and cash equivalents at the beginning of the year		135,737	65,299
Cash and cash equivalents at the end of the year		**(76,895)**	**135,737**

Cash and cash equivalents are made up of cash at bank and term deposits of $41,807 and a bank overdraft balance of $(118,703).

These financial statements should be read in conjunction with the Notes to the Accounts

RSM

Parnell Community Trust
Statement of Accounting Policies
for the year ended 30 June 2017

1. REPORTING ENTITY

The reporting entity is Parnell Community Trust. Parnell Community Trust is domiciled in New Zealand and is a Charitable Organisation registered under the Charitable Trust Act 1957. DIA Charities Services registration number CC25685.

The financial statements of the Trust are presented for the year ended June 2017.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the Parnell Trust. The Parnell Trust is a provider of community and childcare services.

These financial statements have been approved and were authorised for issue by the Board of Trustees on 12 October, 2017.

2. BASIS OF PREPARATION

(a) Statement of Compliance
The Trust financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorized for use by the External Reporting Board for Not-For-Profit entities. The Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

(b) Basis of Measurement
These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments.

(c) Functional and Presentational Currency
The financial statements are presented in New Zealand dollars ($), which is the Trust's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The specific accounting policies adopted in the Financial Statements and which have a significant effect on the results and financial position disclosed are:

3.1 Financial Instruments
Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instruments.

The Trust recognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either:

The Trust has transferred substantially all the risks and rewards of the asset; or

The Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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Financial Assets

Financial assets within the scope of PBE IPAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Trust's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans or receivables. The Trust's financial assets include: cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions.

Fair value is determined by obtaining the quoted market price in an active market. All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Trust's cash and cash equivalents, receivables from non-exchange transactions and exchange transactions fall into this category of financial instruments.

Impairment of financial assets
The Trust assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Financial Liabilities

The Trust's financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements, bank loans and overdrafts and deferred income (in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

3.2 Income Tax and Goods and Services Tax

These Financial Statements have been prepared exclusive of Goods and Services Tax except for Debtors and Creditors that are inclusive of GST. Parnell Community Trust is a registered charity and is therefore exempt from income tax. value.

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Grant Revenue

Grant Revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Grant revenue is recognised when the conditions attached to the grant have been complied with. Where there are unfulfilled conditions attached to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

Donations

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific programmes or services or donations in-kind.
Donations in-kind include donations received for services, consumables and volunteer time and is recognised in revenue and expense when the goods or services are received.
Donations in-kind are measured at their fair value as at date of acquisition, ascertained by reference to the expected cost that would be otherwise incurred by the Trust.

Services in-kind may be recognised as revenue but do not have to be, including volunteer time which has been recorded where possible but has not been given a financial value in these financial statements.

Revenue from exchange transactions

Subscriptions and Fees

Fees and subscriptions received in exchange for monthly access to the Trust's facilities are initially recorded as income in advance and recognised in revenue once the Trust becomes entitled to the revenue.

Interest and dividend income

Interest revenue is recognised as it accrues, using the effective interest method.
Dividend income is recognised when the dividend is declared.

3.4 Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments and bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.5 Intangible Assets

Recognition and measurement

Intangible assets are initially measured at cost, except for:
• Intangible assets acquired through non-exchange transactions (measured at fair value), and
• Goodwill (measured in accordance with business combination accounting – refer Note 3.7).

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment, except for goodwill which is not amortised and instead tested for impairment annually.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The Trust has no intangible assets with indefinite useful lives except for goodwill.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit when the asset is derecognised.

Amortisation has been charged on a straight line basis over the estimated useful life of the assets, as summarised below:

Software	3 years

3.6 Property, Plant and Equipment

Fixed Assets are valued at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation has been charged in the accounts on a straight line basis over the estimated useful life of the assets, as summarised below.

Office Equipment	3 years
Office Furniture	5 years
Leasehold Improvements	13 years
Childcare Equipment	3 years
Technology	3 years

The carrying value of fixed assets is reviewed annually for any impairment in value. Impairment losses are recognised in the Statement of Comprehensive Revenue and Expenses.

3.7 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred (measured at acquisition date fair value) and the amount of any non-controlling interests in the acquiree. For each business combination, the Trust measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Trust re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in surplus or deficit.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Trust’s cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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3.8 Leases

Leases in terms of which the Trust assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance Leases

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding, using the effective interest method.

Operating leases

Leases that are not finance leases are classified as operating leases.

Operating leases are not recognised in the Trust's statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

3.9 Employee Benefits

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

3.10 Impairment of Non-Financial Assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) or future remaining service potential (for non-cash-generating assets) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Cash-generating assets are held for the primary purpose of generating a commercial return.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to group of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Borrowing Costs

All borrowing costs are expensed in the period they are incurred.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Trust are listed in note 3.5 and 3.6.

Impairment of non-financial assets – cash-generating assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, determined by its value in use based on DCF model. The cash flows are derived from the budget for the next three years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

5. FIXED ASSETS

At 30 June 2017	**Current Year Depreciation**	**Impairment/ Losses**	**Cost**	**Accumulated Depreciation**	**Book Value**
	$	**$**	**$**	**$**	**$**
Equipment	9,265	Nil	110,804	(101,960)	8,844
Furniture and Fittings	8,072	Nil	215,471	(174,805)	40,665
Leasehold	19,100	Nil	715,031	(506,028)	209,003
Technology	15,439	Nil	238,734	(215,660)	23,074
	51,876	**-**	**1,280,040**	**(998,454)**	**281,586**

At 30 June 2016	**Cost**	**Additions**	**Disposals**	**Accumulated Depreciation**	**Book Value**
	$	**$**	**$**	**$**	**$**
Equipment	108,081			(92,695)	15,386
Furniture and Fittings	177,991			(166,733)	11,258
Leasehold	524,218			(486,928)	37,290
Technology	224,599			(200,221)	24,378
	1,034,889		**-**	**(946,577)**	**88,312**

At 01 July 2015	**Cost**	**Additions**	**Disposals**	**Accumulated Depreciation**	**Book Value**
	$	**$**	**$**	**$**	**$**
Equipment	100,960			(83,117)	17,843
Furniture and Fittings	171,480			(162,330)	9,150
Leasehold	515,539			(390,963)	124,576
Technology	209,359			(185,052)	24,307
	997,338		**-**	**(821,462)**	**175,876**

(i) All present and after acquired property of the Trust has been pledged as security to BNZ as a result of the terms and conditions of the BNZ loan.

6. INTANGIBLES - SOFTWARE

	Software	Goodwill	Total
Cost or valuation			
At 1 July 2015	111,050	-	111,050
Additions (acquired externally)	-	-	-
At 30 June 2016	111,050	-	111,050
Additions (acquired externally)	15,308	-	15,308
Acquired - business combinations	-	260,000	260,000
At 30 June 2017	126,358	260,000	386,358
Accumulated amortisation and impairment			
At 1 July 2015	-91,923	-	-
Amortisation	-3,901	-	-
At 30 June 2016	-95,824	-	-
Amortisation	-5,994		
Impairment	-	-	-
At 30 June 2017	-101,818	-	-101,818
Net book value			
At 30 June 2017	24,540	260,000	284,540
At 30 June 2016	15,226	0	15,226

Amortisation of intangible assets is recognised within depreciation and amortisation in the statement of comprehensive revenue and expenses.

7. BUSINESS COMBINATIONS

Acquisition of Bright Minds Childcare
On 31 October 2016, the Trust acquired Bright Minds Childcare from Wonderful Worlds Limited. Bright Minds Childcare was an early childhood education centre located at 50 Strong Street, Saint Johns, Auckland.

The centre continues to operate at the same address however it has since been rebranded as St Johns Early Childhood Centre.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Bright Minds Childcare as of the date of acquisition were:

Assets	**Fair value at acquisition date $**
Furniture and fittings	30,000
Liabilities	-
Total identifiable net assets at fair value	30,000
Goodwill arising on acquisition	260,000
Purchase consideration transferred	**290,000**

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8. OPERATING LEASE COMMITMENTS

	2017	2016
	$	$
Current Portion	250,076	202,080
Next 1-5 years	325,200	257,796
Over 5 years	29,198	-
	604,474	**459,876**

Operating leases are over Parnell and St Johns Early Childhood Centres, the Jubilee Building, and printers and photocopiers with Ricoh Finance.

9. CAPITAL COMMITMENTS

At balance date the Trust has no capital commitments (2016: $0).

10. CONTINGENT LIABILITES

At balance date the Trust has no contingent liabilities (2016: $0).

11. GRANTS

Included in operating income in the statement of financial performance are the following grants:

Grant Revenue From Non-Exchange Transactions		2017 $	2016 $
Ministry of Education Grants		1,196,627	1,111,133
Ministry of Social Development (OSCAR)		66,675	76,451
Ministry of Social Development	Resource Capability	4,780	7,000
Auckland Council Grants	Art in a Day	6,000	7,500
Auckland Council Grants	Accommodation Grant	-	7,565
Auckland Council Grants	Operating Grant - Jubilee	55,138	54,701
Department of Internal Affairs (Lottery Grant)	Community Classes & Activities	20,056	18,751
Other Grants		2,356	3,506
		1,351,632	1,286,606

12. BUSINESS SUPPORT SERVICE

The Business Support Service provides human resources, financial, IT and leadership support to all the service units of the Trust. The work is undertaken on an as required basis and Parnell Trust considers that this expense directly relates to the ability of the service units (Early Childcare Education, The food business, Community Classes and Activities, Parnell Farmers' Market, Programmes for Children and Venue Solutions) to deliver operationally.

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13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the Board of Trustees, Chief Executive Officer, CFO, Marketing Manager, Venue Manager and Programmes for Children Manager, which comprises the governing body of the Group. No remuneration is paid to the members of the Board of Trustees. The aggregate remuneration of key personnel and the number of individuals, determined on a full-time basis, receiving remuneration is as follows:

	2017	**2016**
Total Remuneration - Full Time Equivalent	$437,281	$419,754
Number of persons - Full Time Equivalent	5	5

14. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2017 $	**2016 $**
Financial Assets		
Loans and Receivables at Amortised Cost		
Cash and cash equivalents	(76,896)	135,736
Receivables from exchange Transactions	116,410	142,130
Receivables from non-exchange transactions	113,400	78,568
	229,810	**356,434**
Financial Liabilities		
At amortised cost		
Trade and other creditors	160,827	136,950
Accrued Expenditure	47,063	52,655
Employee Entitlements	113,400	107,808
Deferred Income (Operational)	30,463	43,776
	428,650	**341,189**

15. EVENTS AFTER THE REPORTING DATE

The Board and management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect these financial statements.

16. BANK FUNDING

Bank funding consists of:

	2017 $	**2016 $**
Bank overdraft	118,703	-
Bank loan – due within 12 months	28,508	-
Bank loan – due longer than 12 months	127,471	-
Total bank funding	274,682	-

The overdraft facility has a limit of $200,000 and is repayable on demand with a current interest rate of 12.85%
The bank loan is for a term of 5 years and is due to be repaid in February 2022 with an interest rate of 8.39%.

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17. GOING CONCERN

At balance date, Parnell Community Trust has a working capital deficit of $234,992, (2016: working capital surplus of $25,111). The working capital deficit is a result of the acquisition of an additional childcare centre at St Johns on 21 September 2016 that, when purchased had a low occupancy rate and was running at a loss. For the 9 months to 30 June 2017, that childcare centre has continued to run at a loss, however occupancy has improved throughout the year and since year end. The trustees have forecast an operating profit from this ECE in 2018.

The trustees have continued to adopt the going concern assumption when preparing these financial statements based on their opinion of the on-going support of key stakeholders, including the bank, and the positive trading conditions that have allowed an operating surplus before depreciation to be achieved in the last 3 financial years. The Trust has traded profitably post year end to the date of signing these financial statements, further improving the financial position.

The childcare centres run by the Trust have leases that expire within the next 12 months. The Board has sought extensions to these leases and, while not signed at balance date, the Board has every expectation that they will be able to negotiate terms that will allow these childcare centres to continue to operate for at least the next 12 months.

Should ongoing support not be received from key stakeholders and the profitability of certain business units not be maintained, this may cast doubt on the ability of the trust to be able to operate as a going concern. The Trustees however remain confident, based on their financial forecasts, of the continued financial success of the Trust.

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