

Parnell Trust Annual Report 2018



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



ParnellTrust

Chair's Report

We are very pleased to report that we now have security of tenure for three leases that have been giving us concern. Parnell Community Trust's past financial year was overshadowed by ongoing uncertainty regarding three leases at key operational sites. Failure to renew any of the leases at the Jubilee Building, Gladstone Park Early Childhood Centre or Parnell Early Childhood Centre would have had a significant impact on the Trust's future.

Fortunately, Auckland Council renewed the Trust's lease at the Jubilee Building, together with our management contract to run the Parnell Community Centre at this location. This is a core operation for Parnell Trust, and the base for many of our community-focused operations: classes, social activities, affordable venue hire and Parnell Farmers' Market.

We were pleased to also gain an assurance from the Hon Andrew Little, Minister of Treaty of Waitangi Negotiations, that the Trust will have a five year lease at Gladstone Park from the date a Treaty of Waitangi settlement on the property is initialled - an agreement that, following years of dispute, still appears some way from resolution. And, in the past month, we also secured a three-year extension to our lease at Parnell Early Childhood Centre, following a long period of uncertainty regarding the planned sale and future development of this site.

Looking to the future, the Board will continue working with the CEO to find or develop a replacement for our Parnell Early Childhood Centre. Parnell Trust has considerable expertise in operating early childhood centres as both a service to our community, and as a means to subsidise other community-based activities.

Parnell Trust's financial position was affected in the past year by the uncertainty of our tenure at Parnell Early Childhood Centre. While awaiting a decision on a longer-term lease, our month-to-month tenancy at the centre impacted enrolments and led to a break-even position for the Trust as a whole at year end. Our newest early childhood centre at St Johns was also slower to attract new enrolments than anticipated, but is forecast to become profitable this year.

With the three leases now in place, Parnell Trust is able to plan for the future with an improved level of certainty. Much-needed improvements and capital expenditure can now be directed to both Parnell centres to add amenities and give parents confidence in the centres as going concerns. Parnell Early Childhood Centre's excellent teaching team achieved a three-year Education Review Office report in July, giving parents renewed incentive to choose this centre.

Other service divisions contributed positively in the year, in terms of financial performance and community initiatives and engagement. Venue Hire and Programmes for Children experienced ongoing growth and Parnell Farmers' Market, and the monthly Craft Harvest market, remain a popular community gathering point on Saturdays, despite the challenging weather.

The Trust has maintained good working relationships with our local interest groups and associations, and with Auckland Council's Waitemata Local Board. We are grateful for the Local Board's ongoing support of the Sustainable Urban Living Workshops, offered free at Parnell Farmers' Market. Auckland Council's reassessment of its Local Board boundaries may soon result in our operations falling within a different or multiple Local Boards. In this event, we will work to build new relationships and maintain awareness of Parnell Trust's value to the communities we serve.

The Trust is grateful for the voluntary contributions of the Trustees. I would like to thank all of the Trustees for their support during the year. Their individual input and participation is greatly appreciated.

The Board of Trustees is confident that Parnell Community Trust continues to be well positioned to connect with all of our stakeholders, and to provide the services that truly make us the hub of the community.

David Vinsen

CHAIR

Chief Executive's Report

Parnell Community Trust has had a challenging year with uncertainty surrounding renewal of leases for the Jubilee Building, Gladstone Park and Parnell Early Childhood Centres, and the ongoing scarcity of early childhood teachers and difficulty in attracting them to Auckland's CBD fringe.

These factors impacted our financial position as we were unable to plan and spend capital on the renovations required to attract clients to these sites. Additionally, wages have come under extreme pressure with the teacher shortage and Auckland's strong employment market, and, as a community organisation, it is hard to pass these increases on.

KidsHQ SuperMeals catering sales were suspended during the year. After a request to provide additional subsidised commercial lunches to low socio-economic areas, we unfortunately were unable to find a partner to help scale this small enterprise.

We have written confirmation from Auckland Council that the lease on the Jubilee Building will be renewed for three years. However Council is reviewing options for future Community Centre/Library service models and the limitations of the Parnell centre before it will commit to a long-term lease.

We received a letter from Hon Andrew Little, Minister of Treaty of Waitangi Negotiations, who confirmed that Parnell Trust will have a five year lease extension at Gladstone Park Early Childhood Centre, from the date the Marutuahu Iwi Collective Redress Deed is signed. As negotiations about the site remain a work in progress, Parnell Trust is assured of more than five years future use of this Centre. Together with the refurbishment of St Johns Early Childhood Centre, this provides a positive platform for Parnell Community Trust to achieve its objectives in 2018/19.



Gladstone Park Early Childhood Centre celebrated winning its third Gold Healthy Heart Award this year.

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

Venue Manager, Sanjay Pereira and his team again delivered outstanding service to community and commercial clients using our Jubilee Building facilities. A small number of refurbishments were made this year to enhance the ambiance and preserve this much-loved heritage building.

67%

Percentage of venue hours used by community groups and not-for-profits



Parnell Community Centre's Jubilee Hall is a popular venue for a range of functions. During National Volunteers Week 2018 the hall was a hive of activity when more than 100 Heinz Wattie's Parnell staff and Salvation Army volunteers raced the clock and each other to package 50,000 meals for Rise Against Hunger.

1,393

Enrolments in classes at Parnell Community Centre

Classes at the Community Centre continue to be well attended. Places for our ongoing series of Yoga, Pilates and Tai Chi classes fill almost immediately, with many people returning term after term for years.

Languages, including English as a Second Language, and Creative Arts and Crafts are always popular and new classes are trialled each term.

Parnell Trust is working in collaboration with the Parnell Community Library to grow some of the social activities offered at the Community Centre. Parnell Coffee & Chat and Scrabble are often held in the Library to raise awareness of the activities available.

Our Sustainable Urban Living Workshops continue to be well attended and have increased awareness of our Saturday Parnell Farmers' Market. Our thanks to Waitemata Local Board for their continued grant support with this community initiative.

Parnell Farmers' Market has become an intrinsic part of many Aucklanders' Saturday morning routine. Local shoppers report that they buy their weekly groceries from us and only go to the supermarket for a top-up shop. Aligning with our sustainable practices, we continue to encourage alternatives to plastic bags at the market and are looking to find a provider of natural cleaners to join our collection of stallholders.

723

**Average number of shoppers
at Parnell Farmers' Market
every Saturday**



Parnell Trust's weekend markets have been bringing our community together for years. Parnell Farmers' Market celebrated its 10th birthday with a special market day on 11 November, 2017. Craft Harvest market, which runs alongside the Farmers' Market once a month, celebrated its fifth birthday in February 2018. A new, twice-yearly Jumble Sale market, added in 2017, promotes recycling and allows participating charities, such as Plunket to fundraise.

Early Childhood Centres

Our focus over the year has been the continued capital investment at St Johns Early Childhood centre and a facelift for Parnell Early Childhood Centre.

While we have seen growth in numbers of children at St Johns, this has been slower than we anticipated, due to the stigma attached to the centre from behavioural management practices prior to the

92

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

Trust's acquisition. We have now reached over 50% occupancy at the centre, and are receiving recommendations from parents and relief teachers that St Johns is a "great place for your child or to teach at."

Parnell Early Childhood Centre's future remained unclear over the year as the site's owners explored development options. Facing considerable opposition from locals, indications were that resolution on the future of the site was some time away. With this information, Parnell Trust's

Board decided it was necessary to invest in improvements at the centre to stem a falling roll. We subsequently painted exteriors of the buildings and upgraded the over two's play area. We also upgraded carpets and blinds in all areas and installed air-conditioning in the under two's rooms. Following discussions with Trust Management, the site's property manager, we were pleased to secure a three year lease for Parnell Early Childhood centre in August, 2018.



On 13 October, 2017 parents and children from Parnell Trust's three early childhood centres came together in the Jubilee Hall for our second Children's Disco Party. Organised by our teachers, the party included a DJ and dancing, face painting, a photo booth, snacks and spot prizes. Everyone, and the children especially, had a great time.

All centres invite whanau to participate in a range of activities throughout the year, including Healthy Heart, Mothers' and Fathers' Days and Christmas parties.

Gladstone Park Early Childhood Centre continued to perform well under our new Team Leader, Amanda O'Gorman, who stepped into Jessica Henderson-Bird's role when she took maternity leave. Jessica will return from her leave in September, 2018, as ECEs Manager. In this newly created, part-time role, Jessica will provide management oversight of Parnell Trust's three early childhood centres and mentoring and development for teachers.

KidsHQ SuperMeals

KidsHQ SuperMeals continues to provide retail packs of healthy frozen meals for children to our community. We began supplying commercial packs to two other early childhood centres. This catering operation had promise, but without a partner with a full commercial kitchen, we were unable to take up a request to supply an additional four centres. With pressure on our staff and existing kitchen facilities, a review concluded that the catering operation was not financially viable.

Programmes for Children

Programmes for Children performed well again. Term-time After School Programme bookings continued to grow and School Holiday Programmes maintained their high numbers. Following enquiries from parents at Our Lady of the Sacred Heart (Epsom), we are exploring the possibility of offering a Before School Programme with the school and its Parish.

Parnell Trust's Programmes for Children team continues to attract hundreds of children to the four annual school holiday programmes. Each programme offers a daily range of fresh, imaginative and exciting on-site and off-site activities that keep children entertained. Our staff team maintains its excellent reputation with parents thanks to tried and tested training and procedures, which are highly regarded by OSCAR.

85

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

Outlook

With the Trust's key leases secured for the immediate future, Parnell Trust can now concentrate on growing existing operations and looking outwards for further opportunities to assist our community in the upcoming years.

Again, as always, my thanks for the support I receive from my staff and Board.

Lyn Fox

CHIEF EXECUTIVE

149

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



Parnell Trust offers children a choice of two to four activities every day of the school holidays. A visit to Auckland Zoo is a popular Adventure Seekers activity.

Treasurer's Report

This report accompanies the Financial Statements of the Parnell Community Trust for the year ended 30 June 2018.

The Trust has reported a net Deficit of \$1,180 for the year to 30 June 2018 compared with last year's net Surplus of \$75,014. The Trust has traded profitably post year end to the date of signing these financial statements, further improving the financial position.

Total income for the year, including grant funding of \$1,294,806, is \$3,851,206 compared with \$3,845,322 last year.

The leasehold interest in the premises occupied by St Johns early Childhood Centre was acquired in the previous year. This facility is attracting increased occupancy and the borrowing from the bank for the purchase is being progressively reduced. The other childcare centres run by the Trust have had confirmation of lease extensions for a minimum of 3 years which is a positive improvement since last year's balance date.

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 maintains and updates annually a five year projection of financial performance, cashflow and capital expenditure consistent with availability of funds. This is a valuable planning document for enabling the Board to plan on a consistent basis the Trusts' development.

The Trust continues to develop the social enterprise model where it engages in a 'virtuous circle' of delivering community services and applying the income from them to improving the quality and range of those services.

The Financial Statements have been audited and an unqualified Audit Report dated 11 October 2018 has been issued.

Bill Sinclair

TREASURER

Parnell Community Trust

Financial Statements

for the year ended 30 June 2018

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The Board of Trustees presents the financial statements of Parnell Community Trust for the year ended 30 June 2018.

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 11 October, 2018

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 (left December 2017)
Chris Cole
Christiane Pracht
Paul Smith

Auditor RSM Hayes Audit
Level 1, 1 Broadway
Newmarket
Auckland

Bank BNZ
80 Queen Street
Auckland

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 2018;
- the statement of comprehensive revenue and expenses for the year then ended;
- the statement of movements of equity for the year then ended;
- 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 25 present fairly, in all material respects, the financial position of Parnell Community Trust as at 30 June 2018, 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, Parnell Community Trust.

Material uncertainty relating to going concern

We draw attention to Note 16 in the financial statements, which discloses managements key assumptions considered in adopting the use of the going concern assumption. The events or conditions set forth in Note 16, indicate that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

A handwritten signature of 'RSM' in blue ink.

Parnell Community Trust

Statement of Comprehensive Revenue & Expenses

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from non-exchange transactions			
Government Grants	10	1,290,758	1,329,220
Department of Internal Affairs (Lottery Grant)	10	2,000	20,056
Other Grants		-	-
Sponsorships and Donations	10	2,049	2,356
		1,294,806	1,351,632
Revenue from exchange transactions			
Fees and Subscriptions		2,531,099	2,469,654
Interest Income		643	1,289
Other Operating Revenue		24,658	23,147
		2,556,399	2,494,090
Total Revenue		3,851,206	3,845,722
Expenses			
Employee Related Costs		2,527,397	2,510,002
Marketing Expenses		30,475	30,344
Depreciation and Amortisation	5,6	66,258	57,870
Rent and OPEX		465,327	439,108
Operational Expenses		762,929	733,384
Total Expenses		3,852,386	3,770,708
Total surplus/(deficit) for the year		(1,180)	75,014

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

Parnell Community Trust

Statement of Movements of Equity

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Equity at Beginning of Year		203,710	128,696
Comprehensive Revenue and Expense		(1,180)	75,014
Equity at the End of the Year		202,530	203,710

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

Parnell Community Trust

Statement of Financial Position

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Equity		202,530	203,710
Current Assets			
Cash and Cash Equivalents		30,275	41,807
Bank Overdraft		(201,813)	(118,703)
Receivables from non-exchange transactions		140,252	113,400
Receivables from exchange transactions		150,971	116,410
Prepayments		18,050	22,117
Total Current Assets		137,735	175,031
Current Liabilities			
Payables under Exchange Transactions		135,519	85,406
Employee Costs Payable		158,625	156,435
Fees in Advance		26,206	30,463
Grants Received in Advance		1,000	2,098
Loan - Current	15	28,508	28,508
GST Payable		28,349	32,387
Accruals		60,786	74,726
Total Current Liabilities		438,994	410,023
Net Current Assets / (Liabilities)		(301,259)	(234,992)
Non-Current Assets			
Property, Plant & Equipment Cost	5	1,375,614	1,280,087
less Accumulated Depreciation		(1,054,746)	(998,454)
Goodwill	6	260,000	260,000
Intangible Assets-Software		133,652	126,358
Less Accumulated Amortisation		(111,785)	(101,818)
Total Non-Current Assets		602,735	566,173
Non Current Liabilities			
Loan – Non-Current	15	98,946	127,471
Total Non-Current Liabilities		98,946	127,471
Net Total Assets / (Liabilities)		202,530	203,710

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

Parnell Community Trust

Cash Flow Statement

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts			
Receipts from Government Grants		1,292,758	1,349,275
Receipts from other Grants		-	-
Receipts from sponsorships & donations		2,049	2,356
Receipts from fees		2,473,752	2,448,292
Receipts from other income		24,658	23,147
Interest received		643	1,289
		3,793,858	3,824,359
Payments			
Payments to employees		2,527,397	2,510,002
Payments to suppliers and employees		1,229,760	1,162,510
		3,757,157	3,672,512
Net cash generated by operating activities		36,702	151,847
Cash flows from investing activities			
Receipts			
Sale of property, plant and equipment		-	-
		-	-
Payments			
Payments for property, plant and equipment		102,820	230,458
Proceeds from disposal of property, plant and equipment		-	-
Payments to acquire other entities		-	290,000
		102,820	520,458
Net cash (used in)/ provided by investing activities		(102,820)	(520,458)
Cash flows from financing activities			
Proceeds from bank debt		-	165,000
Repayment of bank debt		(28,525)	(9,021)
Net cash used in financing activities		(28,525)	155,979
Net increase (decrease) in cash and cash equivalents		(94,644)	(212,632)
Cash and cash equivalents at the beginning of the year		(76,894)	135,737
Cash and cash equivalents at the end of the year		(171,538)	(76,895)

Cash and cash equivalents are made up of cash at bank and term deposits of \$30,275 and a bank overdraft balance of \$(201,813).

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

Parnell Community Trust

Statement of Accounting Policies

for the year ended 30 June 2018

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 30 June 2018.

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, 2018.

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.

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.

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.

3.3 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.

3.4 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	3-5 years
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3.5 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.

Equipment	3-5 years
Furniture and Fittings	3-5 years
Leasehold Improvements	5-12.5 years
Technology	2.5-5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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

3.10 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 3.4 and 3.5.

5. FIXED ASSETS

At 30 June 2018	Opening NBV	Additions	Disposals	Depreciation	Closing NBV
	\$	\$	\$	\$	\$
Equipment	8,845	2,370	-	(6,534)	4,681
Furniture and Fittings	40,665	690	-	(10,423)	30,932
Leasehold Improvements	209,002	68,166	-	(20,009)	257,159
Technology	23,074	24,346	-	(19,325)	28,095
	281,586	95,525	-	(56,291)	320,868

At 30 June 2017	Opening NBV	Additions	Disposals	Depreciation	Closing NBV
	\$	\$	\$	\$	\$
Equipment	15,387	2,723	-	(9,265)	8,845
Furniture and Fittings	11,257	37,480	-	(8,072)	40,665
Leasehold Improvements	37,289	190,813	-	(19,100)	209,002
Technology	24,379	14,134	-	(15,439)	23,074
	88,312	245,150	-	(51,876)	281,586

At 30 June 2018	Cost	Accumulated Depreciation	Book Value
	\$	\$	\$
Equipment	113,176	(108,494)	4,682
Furniture and Fittings	216,161	(185,229)	30,932
Leasehold Improvements	783,197	(526,038)	257,159
Technology	263,080	(234,985)	28,095
	1,375,614	(1,054,746)	320,868

6. INTANGIBLES - SOFTWARE

	Software	Goodwill	Total
<u>Cost or valuation</u>			
At 30 June 2017	126,358	260,000	386,358
Additions (acquired externally)	7,294	-	-
Acquired - business combinations	-	-	-
At 30 June 2018	133,652	260,000	393,652
<u>Accumulated amortisation and impairment</u>			
At 30 June 2017	-101,818	-	-101,818
Amortisation	-9,967	-	9,967
At 30 June 2018	-111,785	-	-111,785
<u>Net book value</u>			
At 30 June 2018	21,867	260,000	281,867
At 30 June 2017	24,540	260,000	284,540

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

7. OPERATING LEASE COMMITMENTS

	2018	2017
	\$	\$
Current Portion	240,959	250,076
Next 1-5 years	190,938	325,200
Over 5 years	-	29,198
	431,897	604,474

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

8. CAPITAL COMMITMENTS

At balance date the Trust has no capital commitments (2017: \$0).

9. CONTINGENT LIABILITIES

At balance date the Trust has no contingent liabilities (2017: \$0).

10. GRANTS

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

Grant Revenue From Non-Exchange Transactions		2018	2017
		\$	\$
Ministry of Education Grants		1,157,755	1,196,627
Ministry of Social Development (OSCAR)		77,038	66,675
Ministry of Social Development	Resource Capability	-	4,780
Auckland Council Grants	Art in a Day	-	6,000
Auckland Council Grants	Operating Grant - Jubilee	55,965	55,138
Department of Internal Affairs (Lottery Grant)	Community Classes & Activities	2,000	20,056
Other Grants		2,048	2,356
		1,294,806	1,351,632

11. 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.

12. 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:

	2018	2017
Total Remuneration - Full Time Equivalent	\$451,618	\$437,281
Number of persons - Full Time Equivalent	5	5

13. 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:

	2018	2017
Financial Assets	\$	\$
<i>Loans and Receivables at Amortised Cost</i>		
Cash and cash equivalents	(171,538)	(76,896)
Receivables from exchange Transactions	150,971	116,410
Receivables from non-exchange transactions	140,215	113,400
	119,634	152,914
Financial Liabilities		
<i>At amortised cost</i>		
Trade and other creditors	209,589	160,827
Accrued Expenditure	60,787	76,825
Employee Entitlements	112,904	113,400
Deferred Income (Operational)	26,206	30,463
	409,486	381,515

14. 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.

15. BANK FUNDING

Bank funding consists of:

	2018	2017
	\$	\$
Bank overdraft	201,813	118,703
Bank loan – due within 12 months	28,508	28,508
Bank loan – due within 12 months	98,946	127,471
Total bank funding	329,267	274,682

The arranged overdraft facility of \$200,000 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%.

16. GOING CONCERN

The Trustees have continued to adopt the going concern assumption when preparing these financial statements. At balance date, the Trust has a working capital deficit of \$301,259 which has increased from \$234,992 in the prior year. This was due largely to improvements done at the St John's premises with a view to improving that childcare centre's facilities and increasing its occupancy. In continuing to adopt the going concern assumption the Trust is reliant on the on-going support of key stakeholders, including the bank, as well as the positive trading conditions that have allowed positive cash flows from operations to be achieved in the last 3 financial years. The Trust has made a small net surplus post balance date and has budgeted for a surplus for the 2019 financial year.

The childcare centres run by the Trust have had confirmation of lease extensions for a minimum of 3 years which provides the Trust more certainty over the ability of the Trust to operate those operations into the future. The Childcare Centres, Venue Hire and the Programmes for Children business units continue to demonstrate growth. The Trust is also pleased to report that the Trust's banking partner (BNZ) has removed the banking covenants that were in place.

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 remain confident, based on their financial forecasts, of the continued financial success of the Trust and its ability to operate as a going concern.