

# Parnell Trust Annual Report 2019



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



ParnellTrust

# Chair's Report

The past financial year presented a series of challenges for both the Board of Trustees and management of Parnell Trust. These challenges, though met well by staff, have had an impact on the trading results of the Trust.

The Jubilee Hall, part of the Jubilee Building complex, became subject to a requirement for mandatory earthquake strengthening in 2018. The Jubilee Building is a core component of the operations of Parnell Trust. It forms the base for many of our community-focused operations: classes, social activities, affordable venue hire and Parnell Farmers' Market. The earthquake strengthening was disruptive of these operations.

In January 2019, work began in the Jubilee Hall. From this time it significantly affected our venue bookings until it was completed at the end of August 2019. The noise of reconstruction of the Hall and the reduction in availability of carparks for our clients affected the usage of other rooms in the building. The Blind Foundation were very helpful in providing the use of their Recreation Centre to make up where possible for the unavailability of the Jubilee Hall but there was still loss of bookings from clients who like the Jubilee hall for its visual appeal. Staff worked diligently and overcame many of the difficulties which arose but the Trust still suffered a reduction in revenue from the Venue business unit.

Reconstruction of the Jubilee Hall has also been challenging for our markets, with scaffolding occupying much of the outdoor space and the ground floor toilet facilities being closed. The Craft Harvest Market was displaced from its usual location in the Jubilee Hall. Our Parnell Farmers' Market team worked hard to retain a quality selection of stalls through this period and keep good working relationships with our stallholders, despite a negative effect on their sales.

A further blow came in December 2018 when we were informed by Parnell District School that they planned to take the Before and After School Programmes we had run very successfully for them for many years "in-house". Many parents were unhappy at this change and we responded by relocating our original programme to Queen Victoria House at Glanville Community Campus. The continued availability of our popular programme resulted in some 40% of parents transferring to the new location. Children move to and from the Parnell District School as a walking bus. Management and staff are to be applauded for the innovation with which they met the requirements of parents and children and responded to a community need.

As a further part of this change, we moved the main base for our very popular School Holiday Programme to Epsom Normal Primary School and established a bus transfer system to and from Epsom for Parnell based children. Again management and staff have worked very hard to make all these changes deliver a quality service to parents and children and meet community needs.

Earlier this year we won a competitive tender to manage Epsom Community Centre at 202 Gillies Ave, Epsom. The successful way in which we meet community needs in managing and operating the Parnell Community Centre was a key factor in our winning of the contract. Our management of this centre began fully in the new financial year on 1 August 2019 and has been well received from the outset by the community.

Management of the Epsom Community Centre has expanded our reach into the Albert-Eden-Roskill ward and we have been developing relationships with the local community and the Epsom Network and Community Project Coordinator.

Within our traditional sphere of operation, the Trust has continued to maintain a positive, constructive relationship with Auckland Council's Waitemata Local Board. They, in turn, have supported us in various worthwhile ways. In particular, we are grateful for their ongoing funding of our Sustainable Urban Living Workshops, allowing us to offer them to our community free of charge.

As of 12<sup>th</sup> October 2019, Auckland Council's new ward boundaries will become effective and Parnell Community Centre, Parnell Early Childhood Centre and Gladstone Park Early Childhood Centre will become part of the Orakei Ward of Auckland but, at a local level, will still lie within the coverage of Waitemata Local Board. Epsom Community Centre will remain part of the Albert-Eden Puketāpapa Ward under the Albert-Eden Local board. We enjoy strong relationships with all these bodies. Local Body elections take place in October 2019 and we look forward to forging new and equally strong relationships with newly elected board members.

Our Treasurer, Bill Sinclair, served for nine years on the Board and, when he retired from it two years ago, continued as Honorary Treasurer of the Trust. Recently, following the resignation of our Chief Financial Officer, Bill has taken on that responsibility. His continued commitment to providing sound financial guidance to the Trust is very much appreciated by the Board and management.

Wayne Adsett is retiring from the Board after seven years of service. His finance and business knowledge and background, and experience with numerous not-for-profit organisations has made him a very valuable member of the Board. We thank him for his contribution as board member, a member of the Finance and Audit sub-committee and also for his time as Deputy Chair.

A big welcome to Lynne Bjarnesen who was appointed to the Board in late 2018. Lynne is a finance and accounting professional whose career spans a wide range of industries including property development, manufacturing services and non-profits. She comes with extensive experience in developing nations and has lived and worked in Australia, Indonesia, the Middle East and the Solomon Islands.

Lynne was previously a Director for Charitable and Voluntary Organisations and is a member of the NZ Institute of Directors. She is passionate about and committed to fundraising for disadvantaged and needy children and has been involved with several charities to this end.

After nine years on the Board and six of those as Chair, my term has now come to an end and I shall retire at the Annual General Meeting in October 2019. I particularly thank my fellow Trustees, management and staff for their strong support they have given me throughout this time. They have made my time very worthwhile and shared the load in many and various ways which is greatly appreciated. I thank them very sincerely for that support.

Our new Chair will be our current Deputy Chair, Kate Wiseman. Kate has been on the Board for five years and comes with over 20 years of business experience, mainly in management, marketing and research. She has been working as a lawyer since completing a Bachelor of Laws (Honours) at the end of 2014 and is an Associate member of AMINZ (the Arbitrators and Mediators Institute of New Zealand); the NZLS (New Zealand Law Society); and the Family Law Section of the NZLS; and is a member of the Auckland Women Lawyers' Association.

Kate has deep connections to Parnell, co-founding Parnell Heritage and serving six years on the Parnell District School Board of Trustees (from 2004-2010). She has four children, who between them have been educated at Parnell District School, ACG Parnell College, Auckland Grammar, Kings Prep and now the University of Auckland.

The Trust is grateful for the voluntary contributions of the Trustees. I would like to thank all of the Trustees for their valued contribution 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 Trust had a challenging 2018/19 year. The earthquake strengthening of the Jubilee Hall started at the end of January 2019 and severely impacted Venue bookings for weddings, conferences and social occasions from December 2018 until handover in late August 2019. This project also impacted on the running of Parnell Farmers' and Craft Markets due to scaffolding surrounding the hall encroaching on the normal footprint of the market. I would like to thank Sanjay Pereira and Lucy Jensen for managing through this particularly difficult period.

The loss of Parnell District School as the Parnell base for our School Holiday and Before and After School Programmes, and the rapidly changing early childhood education, landscape also impacted on our financial position.

2018/19 saw a continued over-supply of early childhood centres within Auckland, even as the population of children under 5 years old remained reasonably stable. Coupled with a shortage of teachers, the competition in this market has seen teacher salaries increase exponentially. At the same time, the increase in the cost of living within the Auckland area has encouraged many teachers to move out of Auckland or towards primary school teaching and relieving roles to achieve higher pay rates. Simply, now there are not enough ECE teachers to go around.

Together, these factors resulted in Parnell Trust incurring a substantial loss in the year. In response, we have reviewed our operational processes and reduced administrative costs throughout Parnell Trust.

On a positive note, we won a competitive tender from Auckland Council to become the new managers of Epsom Community Centre, located on Gillies Avenue. The synergies and extra opportunities this venue will provide will assist in growing relationships with the Albert-Eden Local Board and community. Fulfilling Council's brief, we will be working towards activating community usage of the Centre, including the addition of a series of classes and social activities.



Parnell Trust now manages Epsom Community Centre on behalf of Auckland Council, located in the heritage listed stone buildings at 202 Gillies Avenue, Epsom

Also, having our newly decorated Jubilee Hall with the addition of a ceiling mounted projector will assist with re-building our venue hire and markets.

The next year is critical for Parnell Trust. Our 2019/20 Annual Plan prioritises improving our current financial position. Should we achieve the objectives set out in the plan and the associated financial budgets, we will be in a stronger financial position to start 2020. We have sharpened our focus around those areas where we can measurably make the most difference to our community through the programmes and services we offer. The year ahead will be challenging and exciting as we continue to redefine and reshape Parnell Trust for the future.

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

Venue Manager, Sanjay Pereira had a challenging year with the Jubilee Hall, rear entrances to the Jubilee Building and public toilets all closed off for earthquake-proofing refurbishment from January to August, 2019. Now completed, the high quality refurbishment of the Hall and its kitchen will provide increased opportunities for potential users into the future.

While renovations were underway, we were thankful to be able to use the adjacent Foundation for the Blind's Recreation Centre during this period. This enabled most venue activities to be continued with little disruption.

# 1,401

Enrolments in classes at Parnell Community Centre

Parnell Trust promotes community engagement at Parnell Community Centre, which we manage as a community facility for Auckland Council. Our close relationship with the community helps us to identify what kinds of classes, activities and events people are looking to attend. People looking to stay active, meet new people, learn a language or acquire a new hobby attend our various facilities. In addition, Parnell Trust coordinates a range of Social Activities that run throughout the year and continue to grow in popularity. Our popular Friday Bridge and Monday Mah Jong Groups cater to more than 100 players per week.

Once again I'd like to thank Waitemata Local Board for its continuing support of our ongoing series of Sustainable Urban Living Workshops covering a wide range of eco-friendly topics, which are held alongside Parnell Farmers' Market on Saturday mornings.

The earthquake strengthening of the Jubilee Hall, with scaffolding encroaching on multiple car parks, also made it a challenging year for our Parnell Farmers'

# 67%

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



In 2019 we introduced a new workshop to our Sustainable Urban Living series: Textile Upcycling. The workshop was facilitated by Barbara Woodman of Warm Hearts Upcycling and taught participants how to reuse textiles and make "Rag Rugs" from old materials.

Market Manager. Each week Lucy Jensen faced new issues fitting stallholders into the smaller space, often in extreme weather. During this period the market was significantly reduced, but stallholders are looking forward to returning and improved growing conditions as summer approaches.

The market maintains a stallholder mix of 70% growers / 30% producers and has returned to full capacity for stall spaces, taking into account spaces required for the return of seasonal stall holders and for the community stall space. Now in its twelfth year, the market is a well-established weekly shopping venue for locals and increased attendance is promoted through special themed market days, the monthly Craft Harvest Market and the bi-annual Community Jumble Sale.

# 713

Average number of shoppers  
at Parnell Farmers' Market  
every Saturday



Over the past year we've celebrated Parnell Farmers' Market's 11<sup>th</sup> birthday, Neighbours Day, Easter and National Farmers' Market week. We provide free activities, demonstrations and competitions which bring lots of new faces to the market and are highly appreciated by our stallholders.

## Early Childhood Centres

Staffing Parnell Trust's early childhood centres has been an ongoing focus throughout the year. Shortages of qualified teachers and an over-supply of centres has driven staff costs up, especially where we have had to rely on reliever teachers while seeking to fill full-time positions, many of which have resulted from staff taking maternity leave.

# 92

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

Parnell Early Childhood Centre's future remains uncertain with our lease on the property under a six-month demolition clause while the owner continues to explore development options for the old school site.

Occupancy rates at the centre have slipped in the last year as a result, with parents opting to enrol at centres offering longer term certainty for their children. The centre is in need of a makeover, but until we can secure a longer term lease we cannot justify the capital spend it needs.

In the meantime however, we are working on "bang for buck" ways to improve the centre's aesthetics to make it more appealing to parents.

Occupancy at St Johns is increasing slowly, largely due to an attractive three-month reduced enrolment rate offered to new parents. It has been extremely difficult to grow this centre but we are pleased to be seeing more interest. Parents who visit the centre are impressed with what we offer and more than 60% of visitors in recent months have enrolled their children with us.

Gladstone Park Early Childhood Centre has maintained a high occupancy rate of over 80% over the year. We aim to improve on this in the current year when we will be freshening up the centre. Team Leader Jessica Henderson-Bird left to have her second child this September and has been replaced by Kerrin Page, an experienced Early Childhood manager. We are fortunate that we've only needed to make a few staff changes at the centre over the year.



On Friday 17 May, Parnell Early Childhood Centre supported Pink Shirt Day which is a movement to prevent bullying and spread aroha and kindness.

When an attitude of mutual respect and learning is fostered, children build and maintain positive and purposeful relationships, and are empowered to have confidence in their individual identity. We aim to develop resilient and confident children at all of our centres.



Our KidsHQ SuperMeals, last year a stand-alone business division, has been incorporated within our Early Childhood Centres operations. Sales of these healthy frozen meals, prepared at Parnell Early Childhood Centre's commercial kitchen, remained stable over the year and we have many repeat customers making large orders on a regular basis.

## Programmes for Children

Programmes for Children suffered a major setback in December when Parnell District School, without prior notice, let us know that they would be offering their own programme of out of school programmes for their students. We were saddened that Parnell Trust's 33-year relationship came to an abrupt end under the school's new principal. Fortunately we were able to lease a new base for Parnell activities - the spacious former dining hall of the old Queen Victoria School, located in a building adjacent to our Glanville Terrace premises. From here we have continued to offer before and after school care and a base for school holiday programmes to parents, although attendee numbers have been reduced.

We continue to run Before and After School Programmes at Epsom Normal Primary School and added Before School care at Our Lady of the Sacred Heart (Epsom). Growth is an issue and we continue to look for additional schools where we can bring our expertise in out of school care.

Our Programmes for Children team offers up to four exciting activity options each day of the school holidays. With Epsom Community Centre now under our management, we will use the well-appointed kitchen to add exciting cooking workshops to our programme. Where previously we had bussed children from Epsom to our school holiday base at Parnell District School, we now base Club House activities at Epsom Normal Primary School pending a reassessment of the Queen Victoria facility by Oranga Tamariki to attain the licence required to use the new room as a school holiday programme venue.

# 87

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

# 138

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 trip to Goode Brothers, New Lynn for a Pizza-making workshop was a popular Adventure Seekers activity.

## **Outlook**

The Trust faces a challenging year, but following the budgets and strategies that have been put in place we hope to recover profitability in the current year. Winning the management contract for Epsom Community Centre provides exciting opportunities for further development of our community-building social enterprise initiatives and we look to the New Year with renewed optimism.

As always, my thanks for the support I receive from my staff and the Board. Particular thanks to David Vinsen, who steps down after six of guidance as Chair, and to our Treasurer, Bill Sinclair for the many additional hours of accounting help he has provided over the year.

Lyn Fox

**CHIEF EXECUTIVE**

# Treasurer's Report

This report accompanies the Financial Statements of the Parnell Community Trust for the year ended 30 June 2019.

Total income for the year is \$3,690,775 compared with \$3,851,206 last year. The income includes grant funding of \$1,319,383 (previous year \$1,294,806). Although grant funding has increased, the oversupply of Early Childhood Education facilities in the market has caused difficulties in maintaining occupancy for all facilities including those we operate which has resulted in reduced income for the Trust compared with last year.

Therefore, the Trust has reported a net deficit of \$147,925 for the year to 30 June 2019 compared with last year's net deficit of \$1,180. This deficit has been added to accumulated profits of \$202,530 brought forward from last year leaving accumulated profits of \$54,605 to be carried forward to next year.

Action to correct these difficulties is being taken by the Board and management.

The Financial Statements have been audited and an unqualified Audit Report dated 16<sup>th</sup> October 2019 has been issued.

Bill Sinclair

**TREASURER**

# Parnell Community Trust

## Financial Statements

for the year ended 30 June 2019

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The Board of Trustees presents the financial statements of Parnell Community Trust for the year ended 30 June 2019.

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** 16 October, 2019

# 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)  
Wayne Adsett  
Lynne Bjarnessan  
Kirsty Cameron  
Chris Cole  
Christiane Pracht  
Paul Smith

**Treasurer** Bill Sinclair

**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 2019;
- 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 15 to 27 present fairly, in all material respects, the financial position of Parnell Community Trust as at 30 June 2019, 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 17 in the financial statements, which indicates the Trust incurred a net loss of \$147,925 during the year ended 30 June 2019 and as of that date the Trust's current liabilities exceeded its current assets by \$139,602. The events or conditions, along with other matters as set forth in Note 17, 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 12 (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](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 stylized, handwritten-style logo for RSM.

**RSM Hayes Audit**  
Auckland

16 October 2019

# Parnell Community Trust

## Statement of Comprehensive Revenue & Expenses

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Revenue from non-exchange transactions</b>			
Government Grants	11	1,316,703	1,290,758
Department of Internal Affairs (Lottery Grant)	11	2,680	2,000
Sponsorships and Donations	11	-	2,048
		<b>1,319,383</b>	<b>1,294,806</b>
<b>Revenue from exchange transactions</b>			
Fees and Subscriptions		2,345,204	2,531,099
Interest Income		84	643
Other Operating Revenue		26,104	24,658
		<b>2,371,392</b>	<b>2,556,400</b>
<b>Total Revenue</b>		<b>3,690,775</b>	<b>3,851,206</b>
<b>Expenses</b>			
Employee Related Costs		2,505,850	2,527,397
Marketing Expenses		36,544	30,475
Depreciation and Amortisation	5,6	77,492	66,258
Rent and OPEX		462,264	465,327
Operational Expenses		756,550	762,929
<b>Total Expenses</b>		<b>3,838,700</b>	<b>3,852,386</b>
<b>Total surplus/(deficit) for the year</b>		<b>(147,925)</b>	<b>(1,180)</b>

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 2019

	Notes	2019 \$	2018 \$
Equity at Beginning of Year		202,530	203,710
Comprehensive Revenue and Expense		(147,925)	(1,180)
<b>Equity at the End of the Year</b>		<b>54,605</b>	<b>202,530</b>

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

# Parnell Community Trust

## Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and Cash Equivalents		30,262	30,275
Receivables from non-exchange transactions		114,538	140,252
Receivables from exchange transactions		104,354	150,971
Prepayments		25,518	18,049
Assets Held For Sale	7	279,370	-
<b>Total Current Assets</b>		<b>554,042</b>	<b>339,547</b>
<b>Current Liabilities</b>			
Payables under Exchange Transactions		84,714	135,519
Bank Overdraft		288,002	201,813
Employee Costs Payable		151,644	158,625
Fees in Advance		34,485	26,206
Grants Received in Advance		24,132	1,000
Loan – Current	16	28,508	28,508
GST Payable		24,611	28,349
Accruals		57,548	60,786
<b>Total Current Liabilities</b>		<b>693,644</b>	<b>640,806</b>
<b>Net Current Assets / (Liabilities)</b>		<b>(139,602)</b>	<b>(301,259)</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment Cost	5	249,934	320,868
Goodwill	6,7	-	260,000
Intangible Assets-Software		12,174	21,867
<b>Total Non-Current Assets</b>		<b>262,108</b>	<b>602,735</b>
<b>Non Current Liabilities</b>			
Loan – Non-Current	16	67,901	98,946
<b>Total Non-Current Liabilities</b>		<b>67,901</b>	<b>98,946</b>
<b>Net Total Assets / (Liabilities)</b>		<b>54,605</b>	<b>202,530</b>
<b>Equity</b>		<b>54,605</b>	<b>202,530</b>

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 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government Grants		1,319,383	1,292,758
Receipts from other Grants		-	-
Receipts from sponsorships & donations		-	2,049
Receipts from fees		2,415,066	2,473,752
Receipts from other income		26,104	24,658
Interest received		84	643
		<b>3,760,637</b>	<b>3,793,858</b>
<b>Payments</b>			
Payments to employees		2,505,850	2,527,397
Payments to suppliers		1,288,718	1,229,760
		<b>3,794,568</b>	<b>3,757,157</b>
<b>Net cash (to)/from operating activities</b>		<b>(33,931)</b>	<b>36,702</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Sale of property, plant and equipment		-	-
		-	-
<b>Payments</b>			
Payments for property, plant and equipment		21,226	102,820
Proceeds from disposal of property, plant and equipment		-	-
Payments to acquire other entities		-	-
		<b>21,226</b>	<b>102,820</b>
<b>Net cash (to)/from investing activities</b>		<b>(21,226)</b>	<b>(102,820)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank debt		-	-
Repayment of bank debt		(31,045)	(28,525)
<b>Net cash (to)/from financing activities</b>		<b>(31,045)</b>	<b>(28,525)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(86,202)</b>	<b>(94,644)</b>
Cash and cash equivalents at the beginning of the year		(171,538)	(76,894)
<b>Cash and cash equivalents at the end of the year</b>		<b>(257,740)</b>	<b>(171,538)</b>

Cash and cash equivalents are made up of cash at bank and term deposits of \$30,262 and a bank overdraft balance of \$(288,002).

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 2019

#### 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 2019.

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 22 October 2019.

#### 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 Standard Reduced Disclosure Regime ("PBE Standards RDR") 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 Standards RDR 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 Standards RDR 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.

### 3.2 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 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.

### 3.3 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.

### 3.4 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.

### 3.5 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 the Ministry of Education, Auckland Council and other charitable organisations. 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 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.

### 3.6 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.

### 3.7 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 3.9).

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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### 3.8 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 years
Furniture and Fittings	5 years
Leasehold Improvements	3-12.6 years
Technology	3-5 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.

### 3.9 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.

### 3.10 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.

### **3.11 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.

### **3.12 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.

### **3.13 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 3.7 and 3.8.

## 5. FIXED ASSETS

Reclassification shown in the table represents the net book value of assets at St. Johns Early Childhood Centre listed for sale at year end (refer note 7).

<b>At 30 June 2019</b>	<b>Opening NBV</b>	<b>Additions</b>	<b>Reclassify</b>	<b>Depreciation</b>	<b>Closing NBV</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment	4,681	9,095	(587)	(5,446)	7,743
Furniture and Fittings	30,932	1,737	(18,783)	(10,430)	3,456
Leasehold Improvements	257,159	1,470	-	(37,029)	221,600
Technology	28,095	3,939	-	(14,899)	17,135
	<b>320,868</b>	<b>16,241</b>	<b>(19,370)</b>	<b>(67,804)</b>	<b>249,934</b>

<b>At 30 June 2018</b>	<b>Opening NBV</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Closing NBV</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
	<b>281,586</b>	<b>95,525</b>	<b>-</b>	<b>(56,291)</b>	<b>320,868</b>

<b>At 30 June 2019</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment	73,325	(65,582)	7,743
Furniture and Fittings	173,589	(170,173)	3,456
Leasehold Improvements	784,667	(563,067)	221,600
Technology	257,682	(240,547)	17,135
	<b>1,289,263</b>	<b>(1,039,329)</b>	<b>249,934</b>

## 6. INTANGIBLES

	Software	Goodwill	Total
<b><u>Cost or valuation</u></b>			
At 30 June 2018	133,652	260,000	393,652
Additions (acquired externally)	-	-	-
Transferred to assets held for sale	-	(260,000)	(260,000)
At 30 June 2019	133,652	-	133,652
<b><u>Accumulated amortisation and impairment</u></b>			
At 30 June 2018	(111,785)	-	(111,785)
Amortisation	(9,694)	-	(9,694)
At 30 June 2019	(121,479)	-	(121,479)
<b><u>Net book value</u></b>			
At 30 June 2019	12,173	-	12,173
At 30 June 2018	21,867	260,000	281,867

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

## 7. ASSETS HELD FOR SALE

St. Johns Early Childhood Centre (SJECC) is being marketed for sale at 30 June 2019 and has been reclassified as Assets Held for Sale.

At 30 June 2019	Closing NBV
Goodwill	260,000
Equipment	587
Furniture and Fittings	18,783
	<u>279,370</u>

To the date of signing the financial statements, the sale of SJECC has not been completed. The sale has however been approved by the trustees and the property marketed with a selling price of \$299,000.

The Trust performed its annual impairment testing of Goodwill by reviewing the fair value of the Cash Generating Unit (SJECC) and the carrying value of the Goodwill attached to that business unit.

Despite the centre having made losses to date, confirmed enrolments for children starting at the centre post balance date mean the Board expects the centre to operate profitably in the future. Accordingly, they have assessed there is no impairment of this business unit at balance date.

## 8. OPERATING LEASE COMMITMENTS

	2019	2018
	\$	\$
Current Portion	345,060	240,959
Next 1-5 years	631,892	190,938
Over 5 years	266,292	-
	<u>1,243,244</u>	<u>431,897</u>

Operating leases are over Gladstone Park, 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 (2018: \$0).

## 10. CONTINGENT LIABILITIES

At balance date the Trust has no contingent liabilities (2018: \$0).

## 11. GRANTS

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

<b>Grant Revenue from Non-Exchange Transactions</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Ministry of Education Grants	1,140,765	1,157,755
Ministry of Social Development (OSCAR)	77,950	77,038
Ministry of Social Development		
Resource Capability	-	-
Auckland Council Grants		
Art in a Day	-	-
Auckland Council Grants		
Operating Grant - Jubilee	97,988	55,965
Department of Internal Affairs (Lottery Grant)		
Community Classes & Activities	2,680	2,000
Other Grants	-	2,048
	<b>1,319,383</b>	<b>1,294,806</b>

## 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 Childhood Education, Community Classes and Activities, Parnell Farmers' Market, Programmes for Children and Venue Solutions) to deliver operationally.

## 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:

	<b>2019</b>	<b>2018</b>
Total Remuneration – Full Time Equivalents	\$475,480	\$451,618
Number of Persons – Full Time Equivalents	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:

<b>Financial Assets</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Loans and Receivables at Amortised Cost</i>		
Cash and cash equivalents	(257,740)	(171,538)
Receivables from exchange transactions	104,354	150,971
Receivables from non-exchange transactions	114,538	140,215
	<b>(38,848)</b>	<b>119,634</b>

## Financial Liabilities

*At amortised cost*

Trade and other creditors	153,279	209,589
Accrued Expenditure	57,548	60,787
Employee Entitlements	107,690	112,904
Deferred Income (Operational)	58,617	26,206
	<u>377,133</u>	<u>409,486</u>

## 15. EVENTS AFTER THE REPORTING DATE

The Board and management are 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:

	2019	2018
	\$	\$
Bank overdraft	288,002	201,813
Bank loan – due within 12 months	28,508	28,508
Bank loan – due within 12 months	67,901	98,946
<b>Total bank funding</b>	<u><b>384,411</b></u>	<u><b>329,267</b></u>

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 fully repaid by February 2022 with an interest rate of 8.39%.

## 17. 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 \$(139,602) which has decreased from \$(301,259) in the prior year due to reclassification of goodwill in the St John's Early Childhood Centre from non-current asset to held for sale assets within current assets. A net deficit of \$(147,925), which increased from \$(1,180), has also been incurred compared with the previous financial year. These changes were mainly due to underperformance of the Early Childhood Centres.

In continuing to adopt the going concern assumption the Trust is reliant on the on-going support from the bank. The Trustees are also dependent on the on-going profitable operations of the Early Childhood Centres at Gladstone Park and Parnell which have lease extensions to at least the end of the next financial year. St. Johns Early Childhood Centre is currently on the market for sale and when sold will provide additional cash inflow which will aid in paying off the loans and overdraft.

Should the on-going support not be received from the bank, the profitability of the business units not be maintained and St. Johns Early Childhood Centre not be sold there may be significant doubt cast on the ability of the Trust to be able to operate as a going concern.

The Trustees remain committed to the continuing ability of the Trust to operate as a going concern.