

Financial Statements of

LITERACY AOTEAROA INC.

For the Year Ended 31 Hakihea (December) 2017

Page	Contents
1	Directory
2	Statement of Responsibility
3	Statement of Comprehensive Revenue and Expense
4	Statement of Changes in Net Assets / Equity
5	Statement of Financial Position
6	Statement of Cash Flow
7-20	Notes to the Financial Statements
21-22	Independent Auditor's Report

Literacy Aotearoa Inc.

DIRECTORY

As at 31 Hakihea (December) 2017

Objects

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

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

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

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

Location

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

Postal Address

Private Bag 78800
Grey Lynn, Auckland 1245

Telephone

(09) 302 0812

Te Kōruru

Name	Position	Comments	End of Term
Chris Richardson	Te Kaiwhakahaere	Elected	2018
Karyn Thin	Te Kaiwhakahaere	Elected	2019
Serenah Nicholson	Elected Member	Elected	2018
Lloyd Davies	Elected Member	Elected	2019
Rosina Taueki	Elected Member	Elected	2019
Elizabeth Collyns	Elected Member	Elected	2020
Dr Jo Cribb	Member	Appointed	2020
Howard Fancy	Member	Appointed	2020

Te Tumuaki

Bronwyn Yates QSM

Accountant

ME Delamere
Chartered Accountant

Bankers

Westpac New Zealand Ltd
Ponsonby
Auckland

Auditors

BDO Auckland

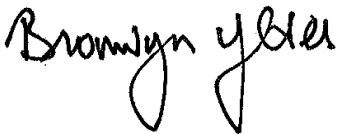
Charity Services Registration Number

CC27300

STATEMENT OF RESPONSIBILITY
For the year ended 31 Hakihea (December) 2017

We confirm that:

1. We are responsible for the preparation of these financial statements and for the judgements made in them.
2. We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. We are of the opinion that these financial statements fairly reflect the financial position and operations of Literacy Aotearoa Incorporated for the year ended 31 Hakihea (December) 2017.



Bronwyn Yates, QSM
TE TUMUAKI (CEO)



Karyn Thin
TE KAIWHAKAHAERE (Co-Chairperson, Māori)



Chris Richardson
TE KAIWHAKAHAERE (Co-Chairperson, Tauīwi)

29 Haratua (May) 2018
DATE

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 31 Hakihea (December) 2017

	Notes	Actual 2017	Budget 2017	Actual 2016
Revenue				
Funding from the Crown	2a	8,014,935	8,631,419	8,383,120
Other revenue	2b	<u>502,277</u>	<u>741,047</u>	<u>944,180</u>
<i>Total Revenue</i>		8,517,212	9,372,466	9,327,300
Expenditure				
Te Komako: Extending Our Reach	3	7,656,624	7,943,577	7,764,991
Te Rito: Focusing on What Matters	4	1,031,443	1,341,901	1,161,671
He Tangata: Growing the Demand	5	<u>396,038</u>	<u>244,337</u>	<u>459,034</u>
Total Expenditure		<u>9,084,105</u>	<u>9,529,815</u>	<u>9,385,696</u>
(Deficit) for the year		(566,893)	(157,349)	(58,396)
Other Comprehensive Revenue and Expense				
		-	-	-
<i>Total other comprehensive revenue and expense</i>		<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Revenue and Expense		<u>(566,893)</u>	<u>(157,349)</u>	<u>(58,396)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 31 Hakihea (December) 2017

	Notes	Actual 2017	Actual 2016
Balance at 01 Kohi tātea (January) 2017		2,256,991	2,315,387
Total comprehensive revenue and expense for the year		<u>(566,893)</u>	<u>(58,396)</u>
Balance at 31 Hakihea (December) 2017		<u>1,690,098</u>	<u>2,256,991</u>

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 Hakihea (December) 2017

	Notes	Actual 2017	Actual 2016
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,330,958	878,104
Receivables	10	200,209	341,407
Inventory		32,310	51,523
Investments	11	508,243	1,101,070
<i>Total Current Assets</i>		2,071,720	2,372,104
Non-Current Assets			
Property, plant, and equipment	12	146,212	164,998
Intangible assets	13	414,831	441,727
<i>Total Non-Current Assets</i>		561,043	606,725
TOTAL ASSETS		2,632,763	2,978,829
LIABILITIES			
Current Liabilities			
Payables	14	853,546	651,248
Employee entitlements	15	89,119	70,590
<i>Total Current Liabilities</i>		942,665	721,838
Total Liabilities		942,665	721,838
Net Assets		1,690,098	2,256,991
Equity			
Accumulated surplus	16	1,690,098	2,256,991
Total Equity		1,690,098	2,256,991

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31 Hakihea (December) 2017

	Actual 2017	Actual 2016
Cash flows from operating activities		
Receipts from the Crown	8,241,139	8,319,037
Interest received	44,254	63,162
Receipts from other revenue	599,220	989,057
Payments to suppliers	(7,345,435)	(7,601,961)
Payment to employees	(1,481,191)	(1,486,460)
	<u>57,987</u>	<u>282,835</u>
<i>Net cash flow from operating activities</i>	57,987	282,835
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,410)	(34,943)
Disposal of PPE	-	-
Investments (net)	592,827	653,930
Purchase of intangible assets	(141,550)	(307,955)
	<u>394,867</u>	<u>311,032</u>
<i>Net cash flow from investing activities</i>	394,867	311,032
Cash flows from financing activities		
<i>Net cash flow from financing activities</i>	-	-
Net (decrease)/increase in cash and cash equivalents	<u>452,854</u>	<u>593,869</u>
<i>Cash and cash equivalents at the beginning of the year</i>	<u>878,104</u>	<u>284,235</u>
Cash and cash equivalents at the end of the year	<u>1,330,958</u>	<u>878,104</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note
1

Statement of Significant Accounting Policies

Reporting Entity

Literacy Aotearoa Inc ("the Society") is an organisation registered under the Incorporated Societies Act 1908 and is a registered charity under the Charities Act 2005. The Society is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

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

Basis of Preparation

Statement of Compliance

The Society's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The Society is a public benefit entity for the purpose of financial reporting and complies with the Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR"), as appropriate for Tier 2 not-for-profit public benefit entities as it does not have public accountability and is not large (i.e. does not have total expenses over \$30 million). All reduced disclosure regime exemptions have been adopted.

The Society is considered, for accounting purpose, to control its Poupou members ("the Poupou") and will separately prepare and present Group consolidated financial statements comprising the Society and the Poupou.

The financial statements of the Society are for the year ended 31 Hakihea (December) 2017. The financial statements were authorised for issue by Te Kōruru (the Board of Trustees) on 29 Haratua (May) 2018.

Measurement Basis

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

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars, which is the Society's functional currency. All values are rounded to the nearest dollar.

Accounting Policies

The accounting policies detailed in the following notes have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies during the financial year.

Summary of Significant Accounting Policies

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

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

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis.

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note

1 Statement of Significant Accounting Policies (continued)

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

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

Income Tax

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

Budget figures

The budget figures are those approved by Te Kōruru. The budget figures have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosed Regime, using accounting policies that are consistent with those adopted by the Society for the preparation of the financial statements.

Critical Accounting Estimates and Assumptions

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

Critical Judgements in applying the Society's Accounting Policies

Te Kōruru must exercise its judgement when determining whether, for accounting purposes, the Society controls the Poupu. Based on the relationship between the parties, including the funding and heads of agreement, it was concluded that control does exist and separate consolidated financial statements, consolidating the Poupu, will be prepared.

The Society is currently undertaking two major projects; Te Kete Mauri Ora - Outcome and Quality Framework and Organisation External and Internal Website. Te Kōruru and management have concluded that the expenditure on these projects qualifies to be capitalised as intangible assets under the accounting standard PBE IPSAS 31 Intangible Assets.

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

2 Revenue

Accounting policy

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

Funding from the Crown and Other Grants

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

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

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note

2 Revenue (continued)

Other revenue

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

Interest revenue is recognised using the effective interest method.

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

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

2a	Funding from the Crown	Note	2017 Actual	2017 Budget	2016 Actual	
	TEC - ACE Funding		2,123,250	2,123,250	2,123,250	
	TEC - Equity Funding		11,972	11,972	10,066	
	TEC - Intensive Literacy & Numeracy		2,372,500	2,372,500	2,432,500	
	TEC - SAC		507,213	1,123,697	781,824	
	TEC - Workplace Literacy		3,000,000	3,000,000	3,035,480	
	Funding from the Crown		8,014,935	8,631,419	8,383,120	
	Total Funding from the Crown comprises:					
	Revenue from exchange transactions		-	-	-	
	Revenue from non-exchange transactions		8,014,935	8,631,419	8,383,120	
			8,014,935	8,631,419	8,383,120	
2b	Other Revenue Comprises					
	Revenue from Exchange Transactions					
	Interest Received		44,254	70,000	63,162	
	Ako Aotearoa - He Taunga Waka Project		40,950	49,076	194,798	
	Consultancy		26,165	30,000	15,520	
	Miscellaneous Income		6,067	20,873	25,817	
	Ngā Poupou Membership Fees		1,095	1,098	1,039	
	Wellbeing Focus Research Project - UoW		1,035	10,000	-	
	Other Workplace Contracts		381,790	550,000	543,514	
	Total Revenue from Exchange Transactions		501,357	731,047	843,850	
	Revenue from Non-exchange Transactions					
	Donations		920	10,000	100,330	
	Total Revenue from Non-exchange Transactions		920	10,000	100,330	
	Total Other Revenue		502,277	741,047	944,180	

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note	Note	2017 <u>Actual</u>	2017 <u>Budget</u>	2016 <u>Actual</u>
3	Te Komako: Extending Our Reach			
	Administration	7 844,635	663,523	547,026
	Salaries	1,136,764	943,454	1,003,789
	Open Polytechnic	16,891	-	4,376
	Other Workplace Contracts	307,923	440,000	480,526
	TEC - ACE Provision	1,341,705	1,598,600	1,325,410
	TEC - ILN	1,788,226	1,898,000	2,004,036
	TEC - Workplace Literacy	<u>2,220,481</u>	<u>2,400,000</u>	<u>2,399,828</u>
	Te Komako: Extending Our Reach	<u>7,656,624</u>	<u>7,943,577</u>	<u>7,764,991</u>
4	Te Rito: Focusing on What Matters			
	Administration	7 200,601	157,587	94,548
	Coordinator/Manager Training	3,346	70,000	30,483
	Database Development	104,726	84,000	49,411
	EER/IER	-	50,000	-
	Employsure	-	50,344	-
	Individual G & M Training	41,376	25,000	6,046
	Ngā Hui Heke	33,132	35,000	45,496
	Poupou Liaison	21,802	20,000	14,013
	Research & Development	-	10,000	391
	Salaries	235,336	224,070	195,511
	Subscriptions & Membership Fees	4,788	6,000	6,756
	Tutor Training	8 386,336	609,900	719,015
	Te Rito: Focusing on What Matters	<u>1,031,443</u>	<u>1,341,901</u>	<u>1,161,671</u>
5	He Tangata: Growing the Demand			
	Administration	7 10,558	8,294	33,767
	Ako Aotearoa - He Taunga Waka Project	21,247	64,000	169,829
	Digital Strategy	105,656	-	-
	International Literacy Day Fund	6,440	6,750	6,448
	National Planning Hui	112,526	115,000	116,915
	Ngā Poupou Capability Building Grant	36,775	-	20,531
	Promotion & Strategic Relationship	31,596	30,000	32,405
	Salaries	43,515	11,793	51,039
	Student Writing Event	-	-	19,083
	Tui Tuia	7,618	1,000	858
	Website	<u>20,107</u>	<u>7,500</u>	<u>8,158</u>
	He Tangata: Growing the Demand	<u>396,038</u>	<u>244,337</u>	<u>459,034</u>

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note	2017 Actual	2017 Budget	2016 Actual
6			
Audit Fees			
Audit Fees for Financial Statement Audit	30,075	35,000	38,495
Consolidated Accounts Audit	20,000	30,000	31,500
Poupou Performance Report Review	84,340	75,978	68,315
Audit Fees	134,415	140,978	138,310
7			
Administration Costs			
ACC Premiums	4,556	7,500	6,688
Accountancy Fees	5,700	3,000	8,840
Amortisation Costs	173,796	74,000	10,061
Audit and Review Fees (see note 6)	134,415	140,978	138,310
Bad Debts	23,795	-	-
Bank Charges	50	300	277
Cleaning	21,596	21,900	24,239
Computer Expenses	19,490	15,000	17,636
Depreciation	75,223	79,300	69,448
Electricity	9,954	8,000	6,766
Employsure	46,149	-	-
Executive Contracts	130,554	135,000	66,096
General Expenses	14,358	9,000	10,947
Honoraria	42,000	30,000	30,763
Human Resources	40,181	10,000	29,147
Insurance	9,884	11,500	11,289
Legal Fees	23,941	20,000	42,502
Postage & Courier	24,336	13,000	34,715
Poupou Stationery (Sub Branding)	48,941	50,000	9,128
Professional Development	9,399	21,000	22,155
Recruitment & Review	12,260	10,000	196
Rent	143,198	144,826	139,778
Repairs & Maintenance	2,916	4,000	1,897
Research & Development	3,847	-	-
Staff Meetings	2,414	4,000	6,302
Stationery & Photocopying	23,939	25,000	24,996
Te Kōruru	85,046	66,000	56,309
Telephone & Tolls	23,590	24,000	24,018
Tumuaki Expenses	1,359	2,000	1,351
Administration Costs	1,156,887	929,304	793,853
Allocation of Administration Costs			
Te Kōmako: Extending Our Reach	844,635	663,523	547,026
Te Rito: Focusing on What Matters	200,601	157,587	94,548
He Tāngata: Growing the Demand	10,558	8,294	33,767
Tutor Training	101,093	99,900	118,512
Allocation of Administration Costs	1,156,887	929,304	793,853

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note	Note	2017 Actual	2017 Budget	2016 Actual
8	Tutor Training Wānanga			
	Administration	7 101,093	99,900	118,512
	Achievement Payment	1,100	3,000	800
	Assessor Training	113	-	2,180
	Assessment of Manuals	39,565	7,100	39,182
	National Moderation	3,083	1,000	33
	Moderator Training	-	1,500	-
	NZQA Associated Costs	(799)	16,130	8,256
	Quals Pathway & Whakaruruhau	-	17,500	5,180
	Pathway CALT to NCALNE	-	13,000	-
	Salaries	81,351	148,700	211,474
	Training - Contract Delivered	20,844	45,000	29,642
	Training - Poupou Delivered	22,080	70,000	56,409
	Training for Trainers	39,824	15,000	51,734
	Accommodation	8,587	27,500	11,494
	Living Away Allowance	4,748	13,800	6,375
	Travel	17,202	35,000	37,015
	Tutor Support Grant	35,368	45,000	36,400
	Tutor Training Manual - NCALNE	-	10,000	20,998
	Tutor Training Manual - Voc	12,150	13,000	73,842
	Venue	26	27,770	9,489
		<u>386,336</u>	<u>609,900</u>	<u>719,015</u>
	Tutor Training Wānanga	<u>386,336</u>	<u>609,900</u>	<u>719,015</u>

9 Cash and Cash Equivalents

Accounting Policy

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

	2017 Actual	2016 Actual
Bank Accounts	<u>1,330,958</u>	<u>878,104</u>
Cash and Cash Equivalents	<u>1,330,958</u>	<u>878,104</u>

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

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note

10 Receivables

Accounting Policy

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

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

	2017	2016
	Actual	Actual
Receivables	200,209	312,376
Taxes receivables	-	29,031
	200,209	341,407
<i>Total receivables comprises:</i>		
Receivables from exchange transactions	152,550	204,074
Receivables from non-exchange transactions	47,659	137,333
	200,209	341,407

11 Investments

Accounting Policy

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

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

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

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note		2017	2016
11	Investments (continued)	Actual	Actual
	Breakdown of Investments and Further Information		
	<i>Current portion</i>		
	90 Day deposits	-	1,000,000
	Term deposits	<u>508,243</u>	<u>101,070</u>
	Total Investments	<u>508,243</u>	<u>1,101,070</u>

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

12 Property, Plant, and Equipment

Accounting Policies

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

Additions

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

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

Disposals

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

Depreciation

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

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

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

Impairment

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

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note

12 Property, Plant, and Equipment (continued)

Breakdown of Property, Plant, and Equipment and Further Information

	Computer Equipment	Furniture & Fittings	Leasehold Alterations	Other Equipment	Total
Cost					
Balance at 1 January 2016	273,337	98,498	35,999	183,755	591,589
Additions	33,415	-	-	1,527	34,942
Disposals	-	-	-	-	-
Balance at 31 December 2016	306,752	98,498	35,999	185,282	626,531
Balance at 1 January 2017	306,752	98,498	35,999	185,282	626,531
Additions	53,218	1,698	-	1,494	56,410
Disposals	-	-	-	-	-
Balance at 31 December 2017	359,970	100,196	35,999	186,776	682,941
Accumulated Depreciation					
Balance at 1 January 2016	217,083	30,405	2,937	141,660	392,085
Depreciation Expense	32,069	16,618	6,015	14,746	69,448
Disposals	-	-	-	-	-
Balance at 31 December 2016	249,152	47,023	8,952	156,406	461,533
Balance at 1 January 2017	249,152	47,023	8,952	156,406	461,533
Depreciation Expense	39,332	16,812	6,015	13,038	75,197
Disposals	-	-	-	-	-
Balance at 31 December 2017	288,484	63,835	14,967	169,444	536,730
Carrying Amounts					
At 1 January 2016	56,254	68,093	33,062	42,095	199,504
At 31 December 2016 and 1 January 2017	57,600	51,475	27,047	28,876	164,998
At 31 December 2017	71,486	36,361	21,032	17,332	146,211

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note
13

Intangible Assets

Accounting policy

Software acquisition and development

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

Website

Costs incurred in developing the Group's Digital Strategy - Organisation External and Internal Website are capitalised on the basis of the costs incurred to acquire and bring these to use.

Te Kete Mauri Ora - Quality Assurance and Outcomes Framework

Costs incurred in development of Te Kete Mauri Ora - Quality Assurance and Outcomes Framework (the Big UPS Project) are capitalised to the extent that such costs are expected to be recovered.

Amortisation

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

The useful lives and associated amortisation rates of all classes of intangible assets is estimated as 3 years.

Other Costs

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

	Website	Outcome and Quality Framework	Other Software	Total
Cost				
Balance at 1 January 2016	169,335	-	317,943	487,278
Additions	75,491	232,463	-	307,954
Disposals	-	-	-	-
Balance at 31 December 2016	244,826	232,463	317,943	795,232
Balance at 1 January 2017	244,826	232,463	317,943	795,232
Additions	127,095	14,455	-	141,550
Disposals	-	-	-	-
Balance at 31 December 2017	371,921	246,918	317,943	936,782
Accumulated Amortisation				
Balance at 1 January 2016	27,940	-	315,504	343,444
Amortisation Expense	9,157	-	904	10,061
Disposals	-	-	-	-
Balance at 31 December 2016	37,097	-	316,408	353,505
Balance at 1 January 2017	37,097	-	316,408	353,505
Amortisation Expense	164,189	3,353	904	168,446
Disposals	-	-	-	-
Balance at 31 December 2017	201,286	3,353	317,312	521,951
Carrying Amounts				
At 1 January 2016	141,395	-	2,439	143,834
At 31 December 2016 and 1 January 2017	207,729	232,463	1,535	441,727
At 31 December 2017	170,635	243,565	631	414,831

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

14 Payables

Accounting policy

Short-term payables are recorded at the amount payable.

	2017	2016
Breakdown of Payables	Actual	Actual
Payables Under Exchange Transactions		
Trade Payables	73,911	182,658
Creditor Accruals	255,820	150,512
<i>Total payables under exchange transactions</i>	329,731	333,170
Payables Under Non-exchange Transactions		
GST Payable	53,648	-
Payables to Tertiary Education Commission	470,166	318,078
<i>Total payables under non-exchange transactions</i>	523,814	318,078
Total Payables	853,545	651,248

15 Employee entitlements

Accounting Policy

Short-term Benefits

Employee benefits that the Society expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

	2017	2016
	Actual	Actual
Current portion		
Annual leave	73,345	53,726
Accrued wages	15,774	16,864
<i>Total current portion</i>	89,119	70,590
Total Employee Entitlements	89,119	70,590

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017**

Note

16 Equity

Accounting Policy

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

Breakdown of Equity and Further Information

	2017 Actual	2016 Actual
Accumulated surplus		
Balance at 1 January	2,256,991	2,315,387
(Deficit) for the year	<u>(566,893)</u>	<u>(58,396)</u>
Balance at 31 December	<u>1,690,098</u>	<u>2,256,991</u>

	2017 Actual	2017 Budget	2017 Variance
17 Explanation of Significant Variances against Budget			

Statement of Comprehensive Revenue and Expense

Revenue

Funding from the Crown	8,014,935	8,631,419	(616,484)
------------------------	-----------	-----------	-----------

Due to under-delivery, Literacy Aotearoa decided to discontinue the delivery of the NCALNE qualification in early 2017 and launched the NZCALNE qualification training from Hōngongoi (July).

Other revenue	502,277	741,047	(238,770)
---------------	---------	---------	-----------

There was a reduction in ITO referrals in Other Workplace contracts.

Expenditure

Te Kōmako: Extending Our Reach	7,656,624	7,943,577	(286,953)
--------------------------------	-----------	-----------	-----------

This is due to the under-delivery of TEC Workplace Literacy and Numeracy programmes by a number of individual Poupou. The organisation met the TEC obligations as a whole.

Te Rito: Focusing on What Matters	1,031,443	1,341,901	310,458
-----------------------------------	-----------	-----------	---------

Literacy Aotearoa decided to discontinue the delivery of the NCALNE qualification in early 2017 and launched the NZCALNE qualification training from Hōngongoi (July). This is reflected in SAC income received.

18 Financial Instruments

	2017 Actual	2016 Actual
Financial liabilities measured at amortised cost		
Payables (excluding taxes payable)	<u>799,897</u>	<u>651,248</u>
Total financial liabilities measured at amortised cost	<u>799,897</u>	<u>651,248</u>
Loans and receivables		
Cash and cash equivalents	1,330,958	878,104
Receivables	200,209	341,407
Investments - term deposits	<u>508,243</u>	<u>1,101,070</u>
Total loans and receivables measured at amortised cost.	<u>2,039,410</u>	<u>2,320,581</u>

**Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017**

Note

19 Related Parties

Related parties include any of the following:

Key management personnel or a close member of their family.

Leadership Team, Board Members and entities they control or have significant influence over.

The Society has or will provide restricted letters of financial support to three Poupou who are experiencing financial difficulty as at 31 Hakihea (December) 2017.

	2017	2017	2016
	Actual	Budget	Actual
Key Management Personnel Compensation			
<i>Board Members</i>			
Remuneration	42,000	65,000	-
Full-time equivalent members	0.44	0.50	0.41
<i>Leadership Team</i>			
Remuneration	520,270	531,587	455,146
Full-time equivalent members	<u>3.90</u>	<u>4.00</u>	<u>3.29</u>
Total Key Management Personnel Remuneration	562,270	596,587	455,146
Total Full-time Equivalent Personnel	<u>4.34</u>	<u>4.50</u>	<u>3.70</u>

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

Long Term Benefits - Disclosure	<u>-</u>	<u>-</u>	<u>2,854</u>
Termination Benefits - Disclosure	<u>-</u>	<u>-</u>	<u>-</u>

Transactions with Controlled Entities and Entities that the Society has significant influence over

The Society is the controlling entity of its member Poupou. Consolidated financial statements will be prepared separately.

Poupou

During the year, the following transactions were entered into with the Poupou. Funding for the delivery of quality numeracy and literacy tuition of \$5,658,334 (2016 \$6,209,799) was paid to the Poupou. As at the reporting date the Society had receivables from the Poupou of \$88,674 (2016 \$65,001) and payable to the Poupou of \$39,159 (2016 \$118,534).

A number of Te Kōruru members are board members of certain Poupou. The Society entered into transactions with these Poupou in the normal course of operations on the same terms and conditions as other Poupou.

Maori Education Trust (MET)

The Society's Te Tumuaki (CEO) is a Board member on the above Trust. The Society provides the Trust with management and accounting services and charged \$25,000 for the current year (2016: \$15,000).

Notes to the Financial Statements
For the Year Ended 31 Hakihea (December) 2017

Note

20 Operating Lease Commitments

Accounting Policy

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

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

Not later than one year	128,341	128,341	117,418
Later than one year and not later than five years	338,467	338,467	373,816
Later than five years	-	-	-
Total Non-cancellable Operating Leases	466,808	466,808	491,234

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

Leasehold restoration provision

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

21 Capital Commitments

The amount of contractual commitments for the acquisition of property, plant and equipment as at 31 Hakihea (December) 2017 was \$nil (2016 \$nil).

22 Subsequent Events

There are no subsequent events as at 31 Hakihea (December) 2017.

At 2018 Te Hui a Tau, Ngā Poupou will be voting on the remit to dissolve the current Incorporated Society and that of each of the Poupou and to replace these with a Charitable Trust with a single board of trustees. The objective of the organisational change is to grow the reach of provision to the students. The outcome of the vote will have a major impact on the operations and finances of the organisation going forward. If the members vote in favour of the organisational change, the transformation will begin 23 Hōngongi (July) 2018, to take effect 01 Kohi tātea (January) 2019.