

PBE Charitable Foundation
Financial Statements
For the year ended 30 June 2007

To be presented at the
Annual General Meeting
of the Foundation.

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The Introduction (refer separate document) explains which financial reporting standards are illustrated in these financial statements.

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2008 Version 1

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Published March 2008 by:
New Zealand Institute of Chartered Accountants
40 Mercer Street
PO Box 11 342
Wellington
New Zealand

ISBN-13: 978-877430-88-6

NZ IAS 1.8(b) NZ IAS 1.46		PBE Charitable Foundation				
		Statement of financial performance For the year ended 30 June 2007				
		Note	Consolidated		Parent	
NZ IAS 1.104			2007 NZD	2006 NZD	2007 NZD	2006 NZD
NZ IAS 1.81(a), 83	Members' fees		207,000	200,000	207,000	200,000
	Sale of books		159,000	150,000	–	–
	Training course revenue		400,588	340,000	400,588	340,000
	Revenue from other services		105,000	100,000	105,000	100,000
	Grants		250,698	301,500	250,698	301,500
	Bequests		50,906	55,402	50,906	55,402
	Street appeal	A2	43,692	59,725	43,692	59,725
	Donated food		100,000	95,000	100,000	95,000
	Volunteer services		15,000	15,000	–	–
	Other donations		21,751	29,863	21,751	29,863
	Total revenue¹		1,353,635	1,346,490	1,179,635	1,181,490
NZ IFRS 7.20(b)	Finance income	2	3,382	74,470	4,836	74,470
	Total income		1,357,017	1,420,960	1,184,471	1,255,960
NZ IAS 1.88, 91	Change in inventory		9,895	5,611	1,135	986
NZ IAS 1.88, 91	Purchases		203,922	196,600	111,453	107,145
NZ IAS 1.88,91	Employee benefit expenses	3	660,000	550,000	602,000	500,000
NZ IAS 24.16	Board fees		27,388	26,744	27,388	26,744
	Property costs and utilities		34,112	27,200	19,612	12,834
NZ IAS 17.35(c)	Operating lease expenses		14,121	14,121	14,121	14,121
NZ IAS 1.88,91	Depreciation and amortisation expense	4	92,320	82,284	86,271	80,084
NZ IAS 1.81(b)	Finance expenses	5	13,507	10,627	20,125	10,627
	Grants made		124,385	136,900	124,385	136,900
NZ IAS 1.88,91	Other expenses	6	118,034	176,215	116,734	174,996
	Total expenses		1,297,684	1,226,302	1,123,224	1,064,437
NZ IAS 1.81(f)	Surplus		59,333	194,658	61,247	191,523

The accompanying notes form an integral part of these financial statements.

This statement presents detailed information on income and expenses on the face of the statement. Under NZ IFRSs it is permissible to limit disclosure on the face of the statement to those items required by NZ IAS 1 and to provide more information on the components of income and expenses in the notes.

¹ Qualifying entities are not required to disclose each significant category of revenue.

NZ IAS 1.8(c) NZ IAS 1.46		PBE Charitable Foundation				
		Statement of changes in equity For the year ended 30 June 2007				
			Consolidated		Parent	
NZ IAS 1.104		Note	2007 NZD	2006 NZD	2007 NZD	2006 NZD
NZ IAS 1.97(c)		Balance at beginning of year	1,304,627	938,489	1,299,657	936,654
NZ IAS 1.96(b) NZ IAS 16.77(f)		Revaluation of property, plant and equipment		171,480		171,480
NZ IAS 1.96(b) NZ IFRS 7.20(a)(ii)		Revaluation of investments	860	–	860	–
NZ IAS 1.96(a)		Net surplus/(deficit) for the year	59,333	194,658	61,247	191,523
NZ IAS 1.96(c)		Total recognised income/(expense) for the year	60,193	366,138	62,107	363,003
NZ IAS 1.97(c)		Balance at end of year	1,364,820	1,304,627	1,361,764	1,299,657

The accompanying notes form an integral part of these financial statements.

The statement of recognised income and expense, an alternative statement permitted by NZ IAS 1, is presented in the Appendix.

NZ IAS 1.8(a) NZ IAS 1.46		PBE Charitable Foundation				
		Statement of financial position As at 30 June 2007				
			Consolidated		Parent	
NZ IAS 1.104 NZ IAS 1.71		Note	2007 NZD	2006 NZD	2007 NZD	2006 NZD
NZ IAS 1.57			Current assets			
NZ IAS 1.68(i)			71,454	15,658	64,925	12,688
NZ IAS 1.68(g)		7	213,683	203,788	14,923	13,788
NZ IAS 1.68(h)		8	95,400	54,900	94,200	53,700
NZ IAS 1.69			380,537	274,346	174,048	80,176
NZ IAS 1.60			Current liabilities			
NZ IAS 1.68(j)		9	93,000	80,000	93,000	80,000
NZ IAS 1.69		10	25,513	24,153	23,513	22,153
NZ IAS 1.68(l)		11	13,617	8,696	9,391	8,696
NZ IAS 1.69			132,130	112,849	125,904	110,849
			248,407	161,497	48,144	(30,673)
			Non-current assets			
NZ IAS 1.68(a)		12	1,207,442	1,228,775	1,180,478	1,219,975
NZ IAS 1.68(c)		13	2,000	4,000	–	–
NZ IAS 27.37(a)			–	–	200,000	200,000
NZ IAS 1.68(d)		11	10,860	10,000	10,860	10,000
NZ IAS 1.68(d)		11	–	–	11,841	–
NZ IAS 1.68(d)		11	5,000	–	5,000	–
NZ IAS 1.69			1,225,302	1,242,775	1,408,179	1,429,975
			Non-current liabilities			
NZ IAS 1.68(l)		11	108,889	99,645	94,559	99,645
NZ IAS 1.69			108,889	99,645	94,559	99,645
			1,364,820	1,304,627	1,361,764	1,299,657
			Equity			
NZ IAS 1.75(e)		14	1,192,280	1,132,947	1,189,224	1,127,977
NZ IAS 1.75(e)		14	171,480	171,480	171,480	171,480
NZ IAS 1.75(e)		14	1,060	200	1,060	200
NZ IAS 1.68(p)			1,364,820	1,304,627	1,361,764	1,299,657

The accompanying notes form an integral part of these financial statements.

Alternative layouts for the statement of financial position are permitted.

PBE Charitable Foundation
Notes to the financial statements
for the year ended 30 June 2007

<p>NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110</p>	<p>Note 1 Statement of accounting policies for the year ended 30 June 2007²</p>
<p>NZ IAS 1.46(a) NZ IAS 1.126(a),(b) NFP Guide 2</p>	<p>Reporting entity The PBE Charitable Foundation is a charitable organisation, based in Auckland, which is incorporated under the Charitable Trusts Act 1957 and registered under the Charities Act 2005³. It provides essential services to families with young children and counselling services to parents. The Foundation also provides professional education and related services to members.</p> <p>PBE Charitable Foundation PO Box xxxx, 123 Charity Road Auckland</p>
<p>NZ IAS 1.46(b) NZ IAS 27.12 NZ IAS 27.37(a)</p> <p>NZ IAS 27.42(a)</p> <p>NZ IFRS 3.14 NZ IAS 27.22 NZ IAS 27.24</p>	<p>Consolidation The consolidated statements include the Foundation's subsidiary company "The Bookshop". The Bookshop is a wholly owned subsidiary of the Foundation and operates in Wellington. The Foundation, as the parent entity, consolidates the Bookshop because it has the capacity to control the financing and operating policies of the Bookshop as to obtain benefits from its activities.</p> <p>Members have requested that financial statements for the PBE Charitable Foundation as a separate entity also be presented.</p> <p>The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant balances and transactions between the Foundation and the Bookshop are eliminated on consolidation.</p>
<p>NZ IAS 1.46(c) NZ IAS 10.17</p>	<p>Date of authorisation The financial statements of the Foundation are for the year ended 30 June 2007. The financial statements were authorised for issue by the Board on 30 September 2007.</p>
<p>NZ IAS 1.NZ13.1(a)-(d) NFP Guide 1</p>	<p>Statement of compliance and basis of preparation The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to IFRSs (NZ IFRSs) and other applicable Financial Reporting Standards, as appropriate for public benefit entities that qualify for, and apply, differential reporting concessions.</p> <p>The Foundation is a public benefit entity. The Foundation is required by its constitution to prepare general purpose financial statements.</p>
<p>NZ IAS 1.NZ13.1(c) NZ IAS 8.NZ12.1 NFP Guide 1, Appendix 2</p>	<p>The Foundation qualifies for differential reporting concessions as it does not have public accountability and it is not large. All available differential reporting exemptions allowed under the <i>Framework for Differential Reporting for Entities Applying New Zealand Equivalents to IFRSs Reporting Regime</i> have been applied, except for:</p> <ul style="list-style-type: none"> ▪ NZ IAS 1.NZ94.2: the Foundation has disclosed Koha paid during the period; ▪ NZ IAS 1.124B(a): the Foundation has disclosed information about what it manages as capital and its objectives in managing capital; ▪ NZ IAS 12.NZ5.3: the Foundation has not used the rates of depreciation permitted for income tax purposes; ▪ NZ IAS 18.NZ6.1: the Foundation's financial statements are prepared on a GST exclusive basis;

² These accounting policies are based on standards and interpretations in force as at 1 June 2007. Refer to the Introduction to these statements for a description of the standards which have been illustrated.

³ This reference to the Charities Act is not mandatory.

NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110	Note 1 Statement of accounting policies for the year ended 30 June 2007²
	and ▪ NZ IAS 18.35(b): the Foundation has disclosed each significant category of revenue. ⁴
NZ IAS 1.46(d),(e)	The financial statements are presented in New Zealand Dollars (NZD) rounded to the nearest dollar.
NZ IAS 1.103(a) NZ IAS 1.108(a)	The financial statements are prepared on the historical cost basis except that the following assets are stated at their fair value: land and buildings and library books.
NZ IFRS 1.3 NZ IFRS 1.38 NFP Guide 1	These are the Foundation's first financial statements prepared in accordance with NZ IFRSs and NZ IFRS 1 has been applied. An explanation of how the transition to NZ IFRSs has affected the financial position and financial performance of the Foundation is provided in note 19.
NZ IFRS 1.7	The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position at 1 July 2006 for the purposes of the transition to NZ IFRSs.
NZ IAS 1.108(b)	Significant accounting policies
	Property, plant and equipment
	<i>Owned assets</i>
NZ IAS 16.73(a) NZ IAS 16.77(b-d)	Land and buildings and library books have been revalued, by class, to fair value. Fair value is determined from market-based evidence by an independent registered valuer. Land and buildings and library books are revalued to fair value with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the reporting period. Additions between revaluations are recorded at cost.
NZ IAS 16.NZ15.1 NFP Guide 4	Except for land and buildings and library books, items of property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses. The cost of property, plant and equipment is generally the purchase cost, together with any incidental costs of acquisition. The cost of donated library books is the fair value at the date of acquisition.
	<i>Depreciation</i>
NZ IAS 16.30,31, 73(b)(c) NFP Guide 4,5	Depreciation is calculated so as to write off the cost or revalued amounts of property, plant and equipment, less any assigned residual value, on a straight-line basis over the expected useful economic lives of the assets concerned. Leasehold improvements are depreciated over the period of the lease. Freehold land is not depreciated.
	The estimated useful lives of assets are as follows:
	Freehold buildings 25 to 50 years
	Furniture 10 years
	Leasehold improvements 10 years
	Motor vehicles 3 years
	Office equipment 3 to 5 years
	Library books 20 years
	The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
	<i>Leased assets</i>
NZ IAS 17.4, 8, 20, 27 NFP Guide 4	Where the Foundation has assumed substantially all the risks and rewards of ownership under a lease, the lease is classified as a finance lease. An asset acquired by way of a finance lease is recorded at the fair value of the leased asset less accumulated depreciation and impairment losses.

⁴ No cash flow statement is presented as part of these statements. However, a cash flow statement has been presented in the Appendix, along with other voluntary disclosures.

<p>NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110</p>	<p>Note 1 Statement of accounting policies for the year ended 30 June 2007²</p>
<p>NZ IAS 38.21 NZ IAS 38.28 NZ IAS 38.66, 67,68</p> <p>NZ IAS 38.74,97 NZ IAS 38.118(a),(b) NFP Guide 4</p>	<p>Intangible assets</p> <p>Costs that are directly associated with the development of a database for internal use by the Bookshop and which meet the criteria in NZ IAS 38 for capitalisation are recognised as an intangible asset. Direct costs include the employee costs directly associated with development of the database and an appropriate portion of relevant overheads. Costs associated with maintaining the database are recognised as an expense when incurred.</p> <p>The database is carried at its cost less any accumulated amortisation and any accumulated impairment losses. It is amortised on a straight-line basis over its estimated useful life (3 years).</p>
<p>NZ IAS 27.37(a) NZ IAS 27.42(c) NZ IAS 39.46, 48 NFP Guide 4</p>	<p>Investments</p> <p>The Foundation's investment in the Bookshop is carried at cost.</p> <p>Other shares are not held for short-term gain or for trading and are therefore classified as available-for-sale financial assets. They are initially recorded at cost and subsequently measured at fair value. Subsequent to initial recognition, any changes in fair value, other than impairment losses, are recognised directly in equity. The fair value of quoted securities is determined based on bid prices at the balance sheet date. The fair value of unlisted securities is determined using valuation techniques. When an investment in shares is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.</p>
<p>NZ IAS 39.63, AG84 NFP Guide 4</p>	<p>Receivables</p> <p>Receivables are recognised at the original invoice amount less impairment losses.</p>
<p>NZ IAS 2.36(a) NZ IAS 2.9, NZ9.1 NZ IAS 2.NZ10.1, 25 NFP Guide 4</p>	<p>Inventories</p> <p>Inventory held for sale is measured at the lower of cost and net realisable value. Inventory held for distribution at no or nominal consideration is measured at the lower of cost and current replacement cost. If inventories are acquired at no cost, or for nominal consideration, cost is the current replacement cost at the date of acquisition, with a corresponding adjustment to revenue. Cost is determined on a first in, first out basis.</p>
<p>NZ IAS 7.7, 45 NFP Guide 4</p>	<p>Cash and cash equivalents</p> <p>Cash and cash equivalents comprise deposits with banks and bank and cash balances, net of bank overdrafts. Deposits are included when they have a maturity of three months or less from the date of acquisition.</p>
<p>NZ IAS 39.43, 47, AG64 NFP Guide 4</p>	<p>Interest-free loans to others</p> <p>Interest free loans provided to others are recorded at fair value on initial recognition. The fair value is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for similar receivables at the time of initial recognition. Any fair value adjustment is recognised as finance expense. They are subsequently measured at amortised cost using the effective interest method.</p>
<p>NZ IAS 36.9, 59, 60 NFP Guide 4</p>	<p>Impairment of assets</p> <p><i>Property, plant and equipment</i></p> <p>Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through use or sale. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of any revaluation reserves, with any excess recognised in the statement of financial performance.</p>

<p>NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110</p>	<p>Note 1 Statement of accounting policies for the year ended 30 June 2007²</p>
<p>NZ IAS 39.58 NFP Guide 4</p> <p>NZ IAS 39.58</p> <p>NZ IAS 2.34 NZ IAS 2 NZ 34.1</p>	<p><i>Receivables</i> Receivables are assessed for impairment at each balance date. If there is objective evidence of impairment an impairment loss is recognised in the statement of financial performance.</p> <p><i>Investments in shares</i> The investment in shares is assessed for objective evidence of impairment at each balance date. Losses arising from a significant or prolonged decline in fair value are removed from equity and recognised in the statement of financial performance.</p> <p><i>Inventories</i> When inventories are written down from cost to current replacement cost or net realisable value, the write down is recognised in the statement of financial performance.</p>
<p>NZ IAS 39.43, 47, AG64 NFP Guide 4</p>	<p>Interest-free borrowings Interest free loans received from others are recorded at fair value on initial recognition. The fair value is estimated as the present value of all future cash payments discounted using the prevailing market rate of interest for similar liabilities at time of initial recognition. Any fair value adjustment is recognised as finance income. They are subsequently measured at amortised cost using the effective interest method.</p>
<p>NZ IAS 39.43, 47 NFP Guide 4</p>	<p>Interest-bearing borrowings Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between amounts initially recorded and redemption value being recognised in the statement of financial performance over the period of the borrowings on an effective interest basis.</p>
<p>NZ IAS 19.128, 129 NFP Guide 4</p>	<p>Employee benefit liabilities A provision for employee entitlements is recognised for benefits earned by employees but not paid at reporting date. Employee benefits include salaries, wages, annual leave, long-service leave and sick leave.</p> <p>Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable after more than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.</p>
<p>NZ IAS 39.43,47 NFP Guide 4</p>	<p>Payables Trade and other payables represent liabilities for goods and services provided to the Foundation and which have not been paid at the end of the financial year. These amounts are usually settled in 30 days. Given their short term nature, the carrying values of trade and other payables are considered a reasonable approximation of their fair values.</p>
<p>NFP Guide 5</p> <p>NZ IAS 18.35(a)</p> <p>NZ IAS 18.30(a)</p> <p>NZ IAS 18.30(c)</p>	<p>Income</p> <p><i>Revenue from the sale of goods</i> Recognised when the goods are delivered to customers.</p> <p><i>Finance income (interest and dividend income)</i> Interest is recognised in the statement of financial performance as it accrues, using the effective interest method. Dividend income is recognised in the statement of financial performance when the right to receive payments is established.</p> <p><i>Members' fees</i> Membership subscriptions income is recognised as income in the year to which it relates.</p>

<p>NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110</p>	<p>Note 1 Statement of accounting policies for the year ended 30 June 2007²</p>
<p>NZ IAS 18.20</p> <p>NZ Framework NFP Guide 5</p> <p>NZ Framework NFP Guide 5</p> <p>NZ Framework NFP Guide 5</p>	<p><i>Revenue from providing other services</i> (This includes revenue from a mental health agency for providing a telephone counselling service.) Recognised when the service is delivered.</p> <p><i>Grants and donations</i> Grant and donation income is recognised as income when it becomes receivable unless the Foundation has a liability to repay the grant if the requirements of the grant or donation are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period.</p> <p><i>Bequests</i> Bequests are recognised in the statement of financial performance when probate of the will has been granted, receipt of the bequest is probable and the amount of the bequest can be measured reliably. Non-current bequests are initially recognised at the present value of their expected future cash flows (or in the case of non-cash assets at their fair value), discounted at the current market rate of return for a similar asset/investment. They are regularly reviewed with any changes in value being recognised in the statement of financial position and statement of financial performance.</p> <p><i>Volunteer services</i> Voluntary services with a value that can be reliably estimated (for example the volunteers' contribution to running "The Bookshop") are treated as revenue and expenses. Other volunteer services are not recognised in the financial statements.</p>
<p>NZ IAS 17.4 NZ IAS 17.33 NZ IAS 17.20 NFP Guide 4</p>	<p>Lease payments Where the Foundation has assumed substantially all the risks and rewards of ownership under a lease, the lease is classified as a finance lease. Otherwise the lease is classified as an operating lease.</p> <p>Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.</p> <p>Minimum lease payments made under financing leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.</p>
<p>NZ IAS 37 Appendix E NFP Guide 5</p>	<p>Emergency grants Grants made for emergency purposes are recognised as expenses when approved and the recipient has met all necessary conditions to be entitled to the payment.</p>
<p>NZ IAS 1.81(b) NZ IAS 39.43, 46 NFP Guide 5</p>	<p>Finance expenses Interest payable on borrowings is recognised on the accrual basis and calculated using the effective interest rate method.</p>
<p>Good practice</p>	<p>Income tax The Foundation, and its subsidiary "The Bookshop", are wholly exempt from New Zealand income tax and gift duty having fully complied with all statutory conditions for these exemptions.</p>
<p>NZ IAS 1.108 NFP Guide 4</p>	<p>Goods and services tax The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which are stated inclusive of GST.</p>

NZ IAS 1.8(e) NZ IAS 1.108(b) NZ IAS 1.110	Note 1 Statement of accounting policies for the year ended 30 June 2007²
NZ Framework NFP Guide 5	<p>Volunteer services and other donated goods and services</p> <p>A value has been placed on time provided by volunteers to operate the Bookshop. This has been determined by using the estimated cost had the volunteers' time been paid for by the Foundation (at a rate of \$13 per hour). The associated expense is included in employee benefits expense in the statement of financial performance.</p> <p>Donated food for use in food parcels and library books are initially recognised at the estimated cost price had they been purchased by the Foundation. Donated food is subsequently measured at the lower of this amount and the replacement cost at the end of the reporting period. The donated food expense is included in the cost of sales in the statement of financial performance.</p> <p>Other donated services and goods and services provided at a discount are not recognised because they cannot be measured reliably. Donated services and other forms of assistance provided to the Foundation are acknowledged elsewhere in the annual report.</p>

		Note 2 Finance income		Consolidated		Parent	
		2007	2006	2007	2006		
NZ IAS 18 - 35(b)(iii)	Interest income	2,000	–	2,000	–		
NZ IAS 18 - 35(b)(v)	Dividend income	1,382	1,444	1,382	1,444		
NZ IFRS 7 – 20(b) NZ IAS 18.35(b)	Effective interest on interest free loan to Bookshop	–	–	1,454	–		
NFP Guide 4	Fair value adjustment on interest free borrowings	–	73,026	–	73,026		
	Finance income	3,382	74,470	4,836	74,470		

		Note 3 Employee benefit expenses		Consolidated		Parent	
		2007	2006	2007	2006		
	Wages and salaries	645,000	535,000	602,000	500,000		
	Volunteer time	15,000	15,000	–	–		
NZ IAS 1.93	Total	660,000	550,000	602,000	500,000		

	Note 4 Depreciation and amortisation expense	Consolidated		Parent	
		2007	2006	2007	2006
	Depreciation				
	Freehold buildings	23,480	23,480	23,480	23,480
	Leasehold improvements	7,351	7,351	7,351	7,351
	Motor vehicles	29,849	22,000	26,000	22,000
	Office equipment	19,322	17,595	19,322	17,595
	Furniture	10,018	9,608	9,818	9,408
	Library books	300	250	300	250
NZ IAS 16.73(e)(viii)	Total depreciation	90,320	80,284	86,271	80,084
	Amortisation				
	Amortisation of intangible asset	2,000	2,000	–	–
	Total amortisation expense	2,000	2,000	–	–
NZ IAS 1.93	Total depreciation and amortisation expense	92,320	82,284	86,271	80,084

	Note 5 Finance expenses	Consolidated		Parent	
		2007	2006	2007	2006
NZ IFRS 7.20(b)	Increase in interest free loan due to the passage of time	4,305	3,776	4,305	3,776
NFP Guide 4	Fair value adjustment on interest free loan to bookshop	–	–	9,613	–
	Interest on term loans	6,207	6,851	6,207	6,851
	Finance lease interest	2,995	–	–	–
	Finance expenses	13,507	10,627	20,125	10,627

	Note 6 Other expenses	Consolidated		Parent	
		2007	2006	2007	2006
	Operating expenses include the following:				
NZ IAS 1.NZ94.1(a)	Audit fees (for the audit of the financial statements)	5,250	8,293	5,250	8,293
NZ IAS 1.NZ94.1(a)	Fees paid to auditors for other services	2,000	–	2,000	–
NZ IAS 1.NZ94.2	Koha ⁵	1,000	890	1,000	890
	Other fees paid to auditors were in respect of an assignment relating to financial delegations.				

⁵ Disclosure of this item is optional for qualifying entities.

	Note 7 Inventories	Consolidated		Parent	
		2007	2006	2007	2006
		NZ IAS 2.36(b)	Books	198,760	190,000
NZ IAS 2.36(b)	Other goods for sale	13,723	12,588	13,723	12,588
NZ IAS 2.NZ36.1(a)	Food held for distribution	1,200	1,200	1,200	1,200
NZ IAS 2.36(b)	Total	213,683	203,788	14,923	13,788

	Note 8 Trade and other receivables	Consolidated		Parent	
		2007	2006	2007	2006
		NZ IAS 1.75(b)	Trade debtors	90,000	50,000
NZ IAS 1.75(b)	GST receivable	4,000	3,500	4,000	3,500
NZ IAS 1.75(b)	Prepayments	1,400	1,400	200	200
	Total	95,400	54,900	94,200	53,700

	Note 9 Trade and other payables	Consolidated		Parent	
		2007	2006	2007	2006
		NZ IAS 1.74	Trade payables	83,000	80,000
	Conditional grant liability	10,000	–	10,000	–
	Total	93,000	80,000	93,000	80,000

	Note 10 Employee benefits	Consolidated		Parent	
		2007	2006	2007	2006
		NZ IAS 1.74	Annual leave	22,513	21,153
	Sick leave	3,000	3,000	3,000	3,000
	Total	25,513	24,153	23,513	22,153

Note 11 Financial assets and financial liabilities	
NZ IFRS 7.8	<p>The Foundation has classified its financial assets and liabilities as follows:</p> <p><i>Loans and receivables</i> Trade debtors and other receivables (see note 8) Loan to subsidiary (see statement of financial position) Bequests receivable (see statement of financial position)</p> <p><i>Available-for-sale financial assets</i> Investment in shares (see statement of financial position) Investment in subsidiary (see statement of financial position)</p> <p><i>Financial liabilities measured at amortised cost</i> Borrowings (see below)</p>

		Consolidated		Parent	
		2007	2006	2007	2006
	Borrowings				
NZ IAS 1.51	Current				
	Secured loans	9,391	8,696	9,391	8,696
	Lease liabilities	4,226	–	–	–
	Total current borrowings	13,617	8,696	9,391	8,696
NZ IAS 1.51	Non-current				
	Secured loans	59,503	68,894	59,503	68,894
	Term loan – interest free	35,056	30,751	35,056	30,751
	Lease liabilities	14,330	–	–	–
	Total non-current borrowings	108,889	99,645	94,559	99,645
NZ IFRS 7.14(a)	Fixed rate debt The secured debt of \$68,894 (2006 \$77,590) is at 8% fixed. It is secured against land and buildings.				

Note 12 Property, plant and equipment					
NZ IAS 16.73(d),(e) NZ IAS 16.NZ5.5		Cost / Revaluation	Current year depreciation	Accumulated depreciation	Carrying amount
	2007 Consolidated				
	Freehold land (at valuation)	350,000	–	–	350,000
	Freehold buildings (at valuation)	700,000	23,480	23,480	676,520
	Leasehold improvements	58,805	7,351	34,916	23,889
	Motor vehicles	142,213	29,849	66,849	75,364
	Office equipment	220,507	19,322	184,723	35,784
	Library books (at valuation)	6,540	300	895	5,645
	Furniture	143,787	10,018	103,547	40,240
		1,621,852	90,320	414,410	1,207,442
	2006 Consolidated				
	Freehold land (at valuation)	350,000	–	–	350,000
	Freehold buildings (at valuation)	700,000	23,480	–	700,000
	Leasehold improvements	58,805	7,351	27,565	31,240
	Motor vehicles	90,000	22,000	37,000	53,000
	Office equipment	212,428	17,595	165,401	47,027
	Library books (at valuation)	6,220	250	650	5,570
	Furniture	135,467	9,608	93,529	41,938
		1,552,920	80,284	324,145	1,228,775
NZ IAS 16.77 NZ IAS 16.NZ77.2	Land and buildings and library books were valued by an independent valuer as at 30 June 2006. The valuations were conducted by B Best of XYZ Valuers.				

NZ IAS 16.73(d),(e) NZ IAS 16.NZ5.5		Cost / Revaluation	Current year depreciation	Accumulated depreciation	Carrying amount
	2007 Parent				
	Freehold land (at valuation)	350,000	–	–	350,000
	Freehold buildings (at valuation)	700,000	23,480	23,480	676,520
	Leasehold improvements	58,805	7,351	34,916	23,889
	Motor vehicles	120,000	26,000	63,000	57,000
	Office equipment	220,507	19,322	184,723	35,784
	Library books (at valuation)	6,540	300	895	5,645
	Furniture	133,787	9,818	102,147	31,640
		1,589,639	86,271	409,161	1,180,478
	2006 Parent				
	Freehold land (at valuation)	350,000	–	–	350,000
	Freehold buildings (at valuation)	700,000	23,480	0	700,000
	Leasehold improvements	58,805	7,351	27,565	31,240
	Motor vehicles	90,000	22,000	37,000	53,000
	Office equipment	212,428	17,595	165,401	47,027
	Library books (at valuation)	6,220	250	650	5,570
	Furniture	125,467	9,408	92,329	33,138
		1,542,920	80,084	322,945	1,219,975
NZ IAS 16.77 NZ IAS 16.NZ77.2	Land and buildings and library books were valued by an independent valuer as at 30 June 2006. The valuations were conducted by B Best of XYZ Valuers.				

	Note 13 Intangible assets	Consolidated		Parent	
		2007	2006	2007	2006
NZ IAS 38.118(c)	Software (at cost)	6,000	6,000	–	–
NZ IAS 38.118(c)	Accumulated amortisation	4,000	2,000	–	–
	Carrying amount	2,000	4,000	–	–

Note 14 Equity					
NZ IAS 1.97(b) NZ IAS 1.97(c)	Consolidated	Revaluation reserve (investments)	Revaluation reserve (PPE)	Retained earnings	Total equity
	Balance at 1 July 2005	200	–	938,289	938,489
	Revaluation of property, plant and equipment		171,480		
	Net surplus/(deficit) for the year			194,658	
	Balance at 30 June 2006	200	171,480	1,132,947	1,304,627
	Revaluation of investments in shares	860			
	Net surplus/(deficit) for the year			59,333	
	Balance at 30 June 2007	1,060	171,480	1,192,280	1,364,820
NZ IAS 1.97(b) NZ IAS 1.97(c)	Parent	Revaluation reserve (investments)	Revaluation reserve (PPE)	Retained earnings	Total equity
	Balance at 1 July 2005	200	–	936,454	936,654
	Revaluation of property, plant and equipment		171,480		
	Net surplus/(deficit) for the year			191,523	
	Balance at 30 June 2006	200	171,480	1,127,977	1,299,657
	Revaluation of investments in shares	860			
	Net surplus/(deficit) for the year			61,247	
	Balance at 30 June 2007	1,060	171,480	1,189,224	1,361,764

Note 15 Objectives for managing capital⁶	
NZ IAS 1.124A	<p>The Foundation seeks to maintain sufficient equity to enable it to be able to manage its on-going operations and obligations. Surplus funds are invested having regard to the cash flow profile of future commitments. The Foundation has resolved to maintain working capital of \$200,000 (excluding inventories) and is working towards this goal.</p> <p>No requirements on the level or use of the Foundation's capital have been externally imposed.</p>

⁶ Qualifying entities are not required to comply with NZ IAS 1 paragraph 124B(a).

	Note 16 Related party transactions
<p>NZ IAS 24.12</p> <p>NZ IAS 24.17</p>	<p>The Foundation controls the Bookshop, a wholly-owned subsidiary.</p> <p>During the year the Foundation had the following related party transactions:</p> <p><u>Bookshop</u></p> <ul style="list-style-type: none"> ▪ The Foundation made an interest free loan of \$20,000 to the Bookshop on 1 July 2006 for a period of five years. The balance at 30 June 2007 was \$11,841. <p><u>Other related party transactions</u></p> <ul style="list-style-type: none"> ▪ The Foundation made a grant for emergency purposes of \$5,000 to the child of a member of the Foundation's Board in accordance with usual procedures for approving such grants. The Board member was not involved in this decision. ▪ Fees of \$2,500 were paid to Ms Goodyear, a Foundation Board member, in relation to her oversight of the Foundation's assessment programme. ▪ The Bookshop paid rental of \$3,600 (2006 \$3,600) to Property Ltd, which is owned by Mr Land, a Board member. <p>There were no amounts outstanding at year end relating to other related party transactions.</p> <p>Fees paid to Board members were set and approved by the Board, taking into account the differing responsibilities of each member, in accordance with the Foundations' Constitution.</p>

Note 17 Capital commitments and leases		Consolidated		Parent	
		2007	2006	2007	2006
	Capital commitments				
NZ IAS 16.74(c)	Capital expenditure contracted for at the end of the reporting period but not yet incurred for property, plant and equipment	50,000	50,000	50,000	50,000
	Non-cancellable operating leases				
NZ IAS 17.35(a)(i)	Less than one year	14,121	14,121	–	–
NZ IAS 17.35(a)(ii)	Between one and five years	–	14,121	–	–
NZ IAS 17.35(a)(iii)	More than five years	–	–	–	–
	During the year ended 30 June 2007 \$14,121 was recognised as an expense in the statement of financial performance in respect of the operating lease for photocopiers (2006 \$14,121). The lease runs for three years with an option to renew the lease after that date.				
	Finance leases				
	The Bookshop has entered into a finance lease for a motor vehicle. Future minimum lease payments and the present value of the minimum lease payments are:				
		Minimum future lease payments		Present value of future minimum lease payments	
		2007	2006	2007	2006
NZ IAS 17.31(b)(i)	Less than one year	6,652	–	4,226	–
NZ IAS 17.31(b)(ii)	Between one and five years	16,098	–	14,330	–
	Total future minimum lease payments	22,750	–	18,556	–
	Less: Future finance charges	4,194	–	0	–
NZ IAS 17.31(b)	Present value of minimum lease payments	18,556	–	18,556	–
	Included in the financial statements as:				
	Current borrowings			4,226	
	Non-current borrowings			14,330	
				18,556	
NZ IAS 16.74(a)	The carrying amount of the vehicle pledged as security is \$18,364.				

Note 18 Contingent liabilities	
NZ IAS 37.86	At the date of this report there are no known contingent liabilities for which the Foundation may be liable (2006 none).

Note 19 Subsequent events	
NZ IAS 10.19, 21	<p>Subsequent to 30 June 2007 the Foundation entered into a contract with Interior Designs for the renovation of the main office. The agreed cost of these renovations is \$70,000. The renovations are to be funded from working capital.</p> <p>Subsequent to 30 June 2007, the Foundation was informed of a pending legal claim by one of its employees. The claim has not been quantified.</p> <p>There were no known subsequent events impacting on the financial statements reported for the year ended 30 June 2006.</p>

Impact of adopting NZ IFRSs on the consolidated financial statements				
	Note	Previous NZ GAAP 1 July 2005	Effect on transition to NZ IFRSs 1 July 2005	NZ IFRSs 1 July 2005
Equity				
Retained earnings	4	941,289	(3,000)	938,289
Revaluation reserve (PPE)		–	–	–
Revaluation reserve (investments)	1	–	200	200
Total equity		941,289	(2,800)	938,489
		Previous NZ GAAP 30 June 2006	Effect on transition to NZ IFRSs 30 June 2006	NZ IFRSs 30 June 2006
Surplus	3	125,408	73,026 (3,776) 69,250	194,658
Equity				
Retained earnings	4 3	1,066,697	(3,000) 73,026 (3,776)	1,132,947
Revaluation reserve (PPE)		171,480	–	171,480
Revaluation reserve (investments)	1	–	200	200
Total equity		1,238,177	66,450	1,304,627

Impact of adopting NZ IFRSs on the parent financial statements				
	Note	Previous NZ GAAP 1 July 2005	Effect on transition to NZ IFRSs 1 July 2005	NZ IFRSs 1 July 2005
Equity				
Retained earnings	4	939,454	(3,000)	936,454
Revaluation reserve (PPE)		–	–	–
Revaluation reserve (investments)	1	–	200	200
Total equity		939,454	(2,800)	936,654
		Previous NZ GAAP 30 June 2006	Effect on transition to NZ IFRSs 30 June 2006	NZ IFRSs 30 June 2006
Surplus	3	122,273	73,026 (3,776) 69,250	191,523
Equity				
Retained earnings	4 3	1,061,727	(3,000) 73,026 (3,776)	1,127,977
Revaluation reserve (PPE)		171,480	–	171,480
Revaluation reserve (investments)	1	–	200	200
Total equity		1,233,207	66,450	1,299,657

Appendix: Voluntary disclosures and supporting information

This appendix contains additional statements and disclosures that are not mandatory for not-for-profit entities that qualify for differential reporting concessions. It also provides supporting information for some figures in the financial statements. It includes:

- A1 a summary of the Bookshop's financial performance;
- A2 revenue and expenses associated with a street appeal;
- A3 a statement of recognised income and expense (this statement may be presented instead of the statement of changes in equity);
- A4 a cash flow statement;
- A5 an explanation of how interest free loans received and made by the Foundation have been accounted for and an alternative accounting treatment for the interest free loan made by the Foundation;
- A6 financial instrument disclosures;
- A7 the transactions and balances associated with the Scholarship Fund, a Fund which is administered by the Foundation; and
- A8 a statement of service performance.

A1 Bookshop financial performance

The Bookshop's revenue and expenses have been included in the revenue and expenses disclosed in the consolidated statement of financial performance. Information on the bookshop's performance, as presented in the consolidated statement of financial performance, is shown below.

Note A1 Bookshop financial performance	Consolidated	
	2007	2006
Sales of books	159,000	150,000
Volunteer time	15,000	15,000
Bookshop revenue	174,000	165,000
Cost of books sold	101,229	94,080
Personnel	58,000	50,000
Property costs and utilities	14,500	14,367
Depreciation and amortisation	6,049	2,200
Finance lease interest	2,995	–
Other	1,300	1,219
Bookshop expenses	184,073	161,866
(Deficit) / Surplus	(10,073)	3,134

A2 Street appeal

Fundraising was carried out throughout New Zealand. Funds were raised through the annual street appeal, bequests and donations. The following note discloses the funds raised from the street appeal and the costs of the street appeal. These amounts have been extracted from the gross revenue and expenses presented in the statement of financial performance.

Note A2 Street appeal				
	Consolidated		Parent	
	2007	2006	2007	2006
Street appeal revenue	43,692	59,725	43,692	59,725
Personnel expenses	4,363	5,973	4,363	5,973
Postage	1,745	2,389	1,745	2,389
Printing	2,618	3,584	2,618	3,584
Net amount raised from street appeal	34,966	47,779	34,966	47,779

A3 Statement of recognised income and expense

The financial statements illustrate the statement of changes in equity. An alternative statement, the statement of recognised income and expense, is permitted by NZ IAS 1 (refer paragraph 96). This alternative statement, together with the accompanying note disclosure (Note A3), is illustrated below.

		PBE Charitable Foundation				
		Statement of recognised income and expense				
		For the year ended 30 June 2007				
			Consolidated		Parent	
NZ IAS 1.8(c) NZ IAS 1.46(b)(c)		Note	2007	2006	2007	2006
NZ IAS 1.104						
NZ IAS 1.96(b) NZ IAS 16.77(f)	Revaluation of property, plant and equipment		–	171,480	–	171,480
NZ IAS 1.96(b) NZ IFRS 7.20(a)(ii)	Revaluation of investments		860	–	860	–
NZ IAS 1.96(a)	Net surplus/(deficit) for the year		59,333	194,658	61,247	191,523
NZ IAS 1.96(c)	Total recognised income/(expense) for the year		60,193	366,138	62,107	363,003

The accompanying notes form an integral part of these financial statements.

		Note A3 Equity			
		Consolidated		Parent	
		2007	2006	2007	2006
NZ IAS 1.97(b)	Retained earnings				
	Balance at 1 July	1,132,947	938,289	1,127,977	936,454
	Surplus/(deficit) for the year	59,333	194,658	61,247	191,523
	Balance at 30 June	1,192,280	1,132,947	1,189,224	1,127,977
NZ IAS 1.97(c)	Revaluation reserve (PPE)				
	Balance at 1 July	171,480	–	171,480	–
NZ IAS 1.96(b) NZ IAS 16.77(f)	Revaluation of property, plant and equipment	–	171,480	–	171,480
	Balance at 30 June	171,480	171,480	171,480	171,480
NZ IAS 1.97(c)	Revaluation reserve (investments)				
	Balance at 1 July	200	200	200	200
NZ IAS 1.96(b) NZ IFRS 7.20(a)(ii)	Revaluation gains and losses on investments	860	–	860	–
	Balance at 30 June	1,060	200	1,060	200

A4 Cash flow statement

Not-for-profit entities that qualify for differential reporting concessions are not required to present a cash flow statement but may wish to do so as it is often of use to readers of the financial statements. Entities that do not qualify for differential reporting concessions are required to present a cash flow statement.

This section illustrates:

- a cash flow statement for the PBE Charitable Foundation;
- a reconciliation of net cash flow from operating activities with operating surplus (by way of a note); and
- the associated accounting policy.

A high level of detail is presented in the statement to assist readers in identifying the effects of various transactions on the cash flow statement. Less detail is permitted. For example, NZ IAS 7 requires disclosure of only *major* classes of gross cash receipts and gross cash payments.

NZ IAS 1.8(d) NZ IAS 1.46		PBE Charitable Foundation				
		Cash flow statement For the year ended 30 June 2007				
			Consolidated		Parent	
NZ IAS 1.104		Note	2007 NZD	2006 NZD	2007 NZD	2006 NZD
NZ IAS 7.10		Cash flows from operating activities				
		Cash was received from:				
NZ IAS 7.18		Members' fees	207,000	200,000	207,000	200,000
NZ IAS 7.18		Sale of books	159,000	150,000	–	–
NZ IAS 7.18		Receipts from courses	360,588	340,000	360,588	340,000
NZ IAS 7.18		Receipts from other services	105,000	100,000	105,000	100,000
NZ IAS 7.18		Grants	260,698	301,500	260,698	301,500
NZ IAS 7.18		Bequests	45,906	55,402	45,906	55,402
NZ IAS 7.18		Donations	65,443	88,688	65,443	88,688
NZ IAS 7.31		Interest	2,000	–	2,000	–
NZ IAS 7.31		Dividends	1,382	1,444	1,382	1,444
		Cash was applied to:				
NZ IAS 7.18		Payments to employees	(668,028)	(561,744)	(625,028)	(526,744)
NZ IAS 7.18		Payments to suppliers	(290,479)	(336,335)	(164,690)	(226,669)
NZ IAS 7.18		Grants	(124,385)	(136,900)	(124,385)	(136,900)
NZ IAS 7.31		Interest	(9,202)	(6,851)	(6,207)	(6,851)
		Net cash flows from operating activities	114,923	195,204	127,707	189,870
NZ IAS 7.10		Cash flows from investing activities				
		Cash was received from:				
NZ IAS 7.16(b)		Sale of plant and equipment	625	–	625	–
		Cash was applied to:				
NZ IAS 7.16(a)		Purchase of plant and equipment	(47,399)	(44,695)	(47,399)	(44,695)
NZ IAS 7.16(a)		Development of database	–	(6,000)	–	–
NZ IAS 7.16(e)		Loan to bookshop	–	–	(20,000)	–
		Net cash flows from investing activities	(46,774)	(50,695)	(66,774)	(44,695)
NZ IAS 7.10		Cash flows from financing activities				
		Cash was received from:				
NZ IAS 7.17(c)		Increase in term loan	–	100,000	–	100,000
		Cash was applied to:				
NZ IAS 7.17(d)		Repayment of term loan	(8,696)	(8,052)	(8,696)	(8,052)
NZ IAS 7.17(e)		Repayment of finance lease liabilities	(3,657)	–	–	–
		Net cash flows from financing activities	(12,353)	91,948	(8,696)	91,948
		Net increase / (decrease) in cash	55,796	236,457	52,237	237,123
		Opening cash – 30 June 2006	15,658	(220,799)	12,688	(224,435)
		Closing cash – 30 June 2007	71,454	15,658	64,925	12,688
NZ IAS 7.43		During the period the Foundation acquired property, plant and equipment totalling \$22,213 by means of finance leases.				

Accounting Policy – Cash flow statement

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of financial performance.

The following are the definitions of the terms used in the cash flow statement:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.
- (d) For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of bank overdrafts. Deposits are included when they have a maturity of no more than three months from date of acquisition.

Note A4 Reconciliation of Net Cash Flow from Operating Activities with Operating Surplus						
			Consolidated		Parent	
NZ IAS 7.NZ 20.1	Note	2007	2006	2007	2006	
	Net surplus from operations	59,333	194,658	61,247	191,523	
NZ IAS 7.NZ20.2(a)	Add / (deduct) non-cash items					
	Depreciation and amortisation	92,320	82,284	86,271	80,084	
	Non-cash donations (volunteer services, food and library books)	(115,000)	(110,900)	(100,000)	(95,900)	
	Bequests receivable	(5,000)	–	(5,000)	–	
	Distributed food costs	100,000	96,000	100,000	96,000	
	Personnel expense (volunteer services)	15,000	15,000	–	–	
	Finance income (interest free loans)		(73,026)	(1,454)	(73,026)	
	Finance expenses (interest free loans)	4,305	3,776	13,918	3,766	
NZ IAS 7.NZ20.2(b)	Add / (deduct) movements in working capital items					
	Inventories	(9,895)	(12,588)	(1,135)	(12,588)	
	Trade and other receivables	(40,500)	–	(40,500)	–	
	Conditional grant liability	10,000		10,000		
	Trade and other payables	3,000	–	3,000	–	
	Employee benefits	1,360	–	1,360	–	
	Net cash flow from operating activities	114,923	195,204	127,707	189,870	

A5 Accounting for interest free loans

This section explains:

- how interest free loans received by the Foundation have been accounted for;
- how interest free loans made by the Foundation have been accounted for; and
- an alternative accounting treatment for the interest free loan made by the Foundation.

This information is not required to be disclosed.

Interest free loan received by the Foundation

The Foundation received an interest free loan of \$100,000 at the beginning of the 2006 financial year, repayable in 10 years. In accordance with NZ IAS 39 this loan was recorded at fair value on initial recognition. The fair value of the loan received was estimated as the present value of all future cash receipts/payments discounted using the prevailing market rate of interest for similar receivables or liabilities (14%). It has subsequently been measured at amortised cost using the effective interest method.

The journal entries used to account for this loan in accordance with NZ IAS 39 are shown below.

At time of receipt (1 July 2005):

DR Cash	100,000	
CR Term loans- interest free		26,974
CR Profit and loss (finance income)		73,026

To record receipt of a 10 year interest free loan.

The present value of 100,000 at 14% for 10 years is \$26,974 ($100,000/1.14^{10}$).

30 June 2006

DR Profit and loss (finance expense)	3,776	
CR Term loans – interest free		3,776

To record the increase in the interest free loan liability due to the passage of time ($26,974 \times 14\%$).

30 June 2007

DR Profit and loss (finance expense)	4,305	
CR Term loans- interest free		4,305

To record the increase in the interest free loan liability due to the passage of time ($30,751 \times 14\%$).

The balances for the first three years of the loan are shown below

Year ending 30 June	Loan Opening Balance	Increase due to passage of time	Loan Closing Balance
2006	26,974	3,776	30,751
2007	30,751	4,305	35,056
2008	35,056	4,908	39,964

Interest free loan from the Foundation to the Bookshop

The Foundation made an interest free loan of \$20,000 to the Bookshop on 1 July 2006 for a period of five years. In accordance with NZ IAS 39 this loan was recorded at fair value on initial recognition. The fair value of the loan made was estimated as the present value of all future cash receipts/payments discounted using the prevailing market rate of interest for similar receivables or liabilities (14%). It has subsequently been measured at amortised cost using the effective interest method.

There are two ways in which the fair value adjustment for an interest free loan from a parent to a subsidiary may be treated in the financial statements.

- Option A: The fair value adjustment can be treated as an expense. This is the option illustrated in the financial statements.
- Option B: The fair value adjustment can be treated as an equity contribution to the subsidiary.

The journal entry for the fair value adjustment under each option is set out below.

Option A: At time interest free loan advanced (1 July 2006)

DR Term loan to the Bookshop	10,387	
DR Profit and loss (finance expense)	9,613	
CR Cash		20,000

To record payment of 5 year interest free loan to the Bookshop.

The present value of the loan cash flows at 1 July 2006 was \$10,387 and the fair value adjustment was \$9,613.

Option B: At time interest free loan advanced (1 July 2006)

DR Term loan to the Bookshop	10,387	
DR Investment in Bookshop	9,613	
CR Cash		20,000

To record payment of 5 year interest free loan to the Bookshop.

Options A and B: Change in interest free loan to Bookshop (30 June 2007)

Each year the carrying amount of the interest free loan to the Bookshop is adjusted to reflect the passage of time.

The first journal entry to record the change in value of the interest free loan to the Bookshop is shown below.

30 June 2007

DR Term loan to Bookshop	1,454	
CR Profit and loss (finance income)		1,454

To record the increase in the loan to the Bookshop due to the passage of time.

The change in carrying amount of the loan over time is shown in the following table.

Year ending 30 June	Loan Opening Balance	Annual adjustment	Loan Closing Balance
2007	10,387	1,454	11,841
2008	11,841	1,658	13,499
2009	13,499	1,890	15,389
2010	15,389	2,155	17,544
2011	17,544	2,456	20,000

A6 Financial instruments

This section illustrates financial instruments disclosures that could be made by the Foundation if it chose to provide disclosures in accordance with NZ IFRS 7. These disclosures are not mandatory for entities that qualify for differential reporting concessions.

<p>NZ IFRS 7.31</p>	<p>Note A6 Financial instruments</p> <p>The Foundation is risk averse and seeks to minimise its exposure to risks associated with financial assets and liabilities.</p>
<p>NZ IFRS 7.33(a),(b)</p>	<p>Market risk</p> <p>Interest rate risk</p> <p>The only market risk that the Foundation is exposed to is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.</p> <p>The mortgage is on fixed rates.</p> <p>Term deposits are made for varying periods of up to, and including, three months depending on the immediate cash requirements of the Foundation, and earn interest at the respective short term deposit rates.</p>
<p>NZ IFRS 7.33(a),(b) NZ IFRS 7.36</p>	<p>Credit risk</p> <p>Credit risk is the risk that a third party will default on its obligation to the Foundation, causing the Foundation to incur a loss. Financial instruments which may subject the Foundation to credit risk consist of bank balances, bank term deposits and accounts receivable. The maximum exposure to credit risk at the reporting date is the carrying amount of those instruments.</p> <p>The Foundation does not anticipate non-performance by counterparties and has no significant concentrations of credit risk. The Foundation further minimises its credit exposure by using only registered banks.</p>
<p>NZ IFRS 7.33,39(b) NZ IFRS 7.34(a)</p>	<p>Liquidity risk</p> <p>Liquidity risk is the risk that the Foundation will encounter difficulty raising liquid funds to meet commitments as they fall due. The Foundation has ongoing commitments to pay trade and other payables and to meet staff leave entitlements.</p> <p>The Foundation pays trade and other payables when they fall due. Staff are encouraged to take leave within the year in which it vests. The Foundation has cash and other short term deposits that it can use to meet its ongoing payment obligations.</p> <p>Fair values</p> <p>All financial instruments are recognised in the statement of financial position and are stated at carrying amounts that are also a reasonable approximation of their fair values.</p>

A7 Scholarship fund

This section illustrates the disclosure of information regarding a trust fund administered, **but not controlled** (and therefore not consolidated) by the Foundation. This disclosure is not required by NZ IFRSs.

In each case where an entity manages trust funds it needs to determine whether, for financial reporting purposes, it controls the trust funds. This involves an assessment of whether the entity has the power to govern the financial and operating policies so as to obtain benefits. The mere existence of a common trustee does not necessarily imply control. If a not for profit entity controls trust funds, those funds should be consolidated in the entity's consolidated financial statements.

Note A7 Scholarship Fund

The Foundation administers a Scholarship Fund established through gifts and bequests. The Scholarship Fund provides scholarships for study fees for those in need.

The transactions and balances of the Fund are not consolidated with those of the Foundation because the Foundation has no direct control over the financial and operating policies of the Fund so as to obtain benefits from the activities of the Fund.

Changes in the Scholarship Fund for the year ended 30 June 2007 are shown below.

	Opening Balance	Contributions	Distributions	Revenue	Expenses	Closing Balance
Scholarship Fund	73,234	27,000	(8,440)	4,168	(2,440)	93,522

A8 Statement of service performance

This section:

- provides background information on financial reporting requirements in relation to statements of service performance; and
- illustrates a statement of service performance for the Foundation.

What is a statement of service performance?

A statement of service performance is one way of presenting service performance information. The statement reports predominantly non-financial information. A statement of service performance provides:

- narrative and statistics on an entity's performance in supplying goods and services; and
- information on how the entity's existence and operations affect the community.

Statement of service performance are encouraged

Although not-for-profit entities are rarely required to prepare a statement of service performance, they are strongly encouraged to do so. The statement of service performance can be used by not-for-profit entities to demonstrate accountability for the use of resources or compliance with legislation, regulations or contractual arrangements.

NZ IAS 1 (paragraph NZ 126.3) encourages an entity to prepare and present a statement of service performance if:

- the entity receives significant revenue intended to benefit third parties without giving reciprocal benefit or consideration to the party providing the revenue; or
- the entity has non-financial objectives of such importance that non-financial performance reporting is significant to readers of the financial statements.

Further information

Chapter 9 of the *Not-for-profit Financial Reporting Guide (2007)*⁷ provides a brief discussion of some factors to consider in reporting service performance.

NZ IAS 1 *Presentation of Financial Statements* (paragraphs NZ 126.1 to NZ 126.10) sets the presentation and disclosure requirements for a statement of service performance.

Technical Practice Aid 9 *Service Performance Reporting (TPA-9)* (2002)⁸ provides guidance on the specification, measurement and reporting of service performance.

Although some of the guidance in these documents is more oriented to public sector entities, which may have a legal obligation to report service performance, it is also relevant to not-for-profit entities.

⁷ The Not-for-profit Financial Reporting Guide is available on the Institute's website at <http://www.nzica.com>

⁸ Technical practice aids are issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants for the general information and guidance of members and other interested parties. TPA-9 was published before the adoption of NZ IFRSs but has recently been revised to reflect the adoption of NZ IFRSs. TPA-9 is available on the Institute's website at <http://www.nzica.com>

PBE Charitable Foundation

Statement of Service Performance

For the year ended 30 June 2007

Introduction

Our Vision

A world where families are enjoyable and loving units supporting the growth and development of the whole child.

Our Mission

To provide a range of support, counselling, budgeting, and other practical services to families in crisis situations or in need of a hand up.

Sponsors and donors

The generosity of sponsors and donors in supporting the Foundation is acknowledged elsewhere in this report.

Training courses

The Foundation provides parenting and budgeting courses for clients and training courses of interest to members. At the conclusion of each course, participants are asked to complete an assessment of the course. A rating scale of 1 to 5 is used (1 = very unsatisfactory, 2 = unsatisfactory, 3 = satisfactory, 4 = very satisfactory, 5 = outstanding).

	Achieved 2007	Target 2007	Achieved 2006
Parenting courses			
▪ number of courses	30	30	32
▪ average number of attendees	20	15	15
▪ numbers completing course	80%	95%	82%
▪ participant satisfaction	3.5	4	3
▪ average fees charged	\$100	\$100	\$100
▪ direct costs	\$79,776	\$70,000	\$70,693
Budgeting courses			
▪ number of courses	25	30	32
▪ average number of attendees	20	22	14
▪ numbers completing course	84%	95%	84%
▪ participant satisfaction	4	4	4
▪ number of clients that have completed a budgeting course that subsequently request emergency grants	9	10	10
▪ average fees charged	\$100	\$100	\$100
▪ direct costs	\$73,525	\$74,000	\$74,286
Training courses for members			
▪ number of courses	34	36	32
▪ average number of attendees	20	22	14
▪ % completing course	88%	96%	86%
▪ participant satisfaction	4	4	4
▪ average fees charged	\$300	\$300	\$300
▪ direct costs	\$105,035	\$100,000	\$89,115

Performance was largely as expected, although demand for budgeting courses was less than expected. Participant satisfaction has been maintained or improved. Training courses for members have been well supported. The Foundation continues to work on improving completion rates for parenting and budgeting courses.

Counselling

On average there were 5 interviews with each client. The total number of clients with whom work was completed in the 2007 financial year is shown below.

	Number	%
Women	525	50%
Men	158	15%
Couples	162	15%
Families	58	6%
Young people	30	3%
Children	114	11%
Totals	1050	100%

Periodically the Counselling Service conducts a survey of the service to gauge client satisfaction and to look at ways of improving services. Clients participate voluntarily in the survey.

Client satisfaction was assessed by asking all clients in the week of 5 June to complete a survey regarding aspects of the service they received. Only the overall rating out of 5 is reported below (1 = very unsatisfactory, 2 = unsatisfactory, 3 = satisfactory, 4 = very satisfactory, 5 = outstanding).

	Achieved 2007	Target 2007	Achieved 2006
Counselling			
▪ overall client satisfaction	3.5	4	3
▪ number of complaints	3	0	5
▪ time spent on waiting list	20 days	14 days	18 days
▪ number on waiting list	68	60	88
▪ direct costs	\$364,971	\$340,000	\$315,443

Client satisfaction with the counselling services continues to improve. The size of the waiting list and the length of time spent on the waiting list continues to be of concern. The Foundation is committed to providing affordable counselling for families and will continue its efforts to reduce the waiting list. However, the continued strong demand for this service makes it difficult to achieve this goal.

Food parcels and emergency grants

The Foundation provides food parcels and emergency grants for essential services such as accommodation. The Foundation helps clients requesting food parcels and emergency grants to obtain assistance from appropriate government agencies. When government assistance is available in a timely manner the Foundation does not provide emergency grants. Clients requesting food parcels and emergency grants are also encouraged to attend the Foundation's budgeting courses.

Some of the reasons given for requesting emergency grants were: No money, homeless, living in car/van/garage/tent, escaping violence, living in unsafe or overcrowded circumstances/conditions, house burned down, no family or friends, and health problems.

	Achieved 2007	Expected 2007	Achieved 2006
Food parcels			
Food parcels distributed	1114	1025	1025
Average value of food parcel (donated goods)	\$100	\$100	\$96
Direct costs	\$151,480	\$150,000	\$148,566
Emergency grants			
Requests for emergency grants	1532	1400	1385
Number of emergency grants made	912	950	936
Percentage of grants made within the same working day (in 2007 100% of grants were made within four working days)	80%	100%	86%
Average grant per family	\$185	\$180	\$176
Direct costs	\$208,721	\$211,000	\$206,902

Accounting Policy – Cost allocation

The Foundation has derived the direct costs for each significant activity using the cost allocation system outlined below.

“Direct Costs” are those costs directly attributable to a significant activity. Direct costs are charged directly to significant activities.

“Indirect Costs” are those costs that cannot be identified in an economically feasible manner with a specific significant activity. Indirect costs have not been allocated to activities.

A consequence of reporting only direct costs in the statement of service performance is that the total costs presented in this statement are less than the total costs reported in the statement of financial performance.