

Annual Report

YMCA North Incorporated
For the year ended 30 June 2020



Annual Report

YMCA North Incorporated

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Board Report for the Year Ended 30 June 2020

Your Board have pleasure in submitting their 2020 report and accounts.

		2020 \$'000	2019 \$'000
<u>Results</u>	Net loss for the year	<u>(\$845)</u>	<u>(\$2,331)</u>

The Board acknowledges and thanks the following organisations for their support:

Partnerships & Funders

Auckland Council
 Albert-Eden Local Board
 Franklin Local Board
 Henderson-Massey Local Board
 Hibiscus & Bays Local Board
 Kaipātiki Local Board
 Manurewa Local Board
 Maungakiekie-Tāmaki Local Board
 Ōrākei Local Board
 Papakura Local Board
 Puketāpapa Local Board
 Upper Harbour Local Board
 Waitematā Local Board
 Australian Childhood Foundation
 Diabetes New Zealand Auckland
 Ministry of Social Development
 Ministry of Education
 NZ Fashion Tech
 New Zealand Principals' Federation
 Outward Bound
 Pharmaco
 Plunket New Zealand
 Revlon New Zealand
 ProCare Health Limited
 Skills Active
 Sport New Zealand
 SRA
 The University of Auckland Dietetic
 Clinic
 Premier Institute of Education

Contributing Partners

BNZ
 Codeblue
 Deloitte

Grants and Donations

Acorn Foundation
Aktive
Ara Taiohi - Youth Week
AT Community Bike Fund
BlueSky Community Trust
Creative Communities Scheme
Dragon Community Trust
Foundation North
Four Winds Foundation
Grassroots Trust Emergency Relief
Fund
Hugo Charitable Trust
Infiinity Foundation
Joyce Fisher Charitable Trust
Lottery Community Facilities Fund
Lottery Community Grants (National)
Lottery Youth Workers Training Scheme
Milestone Foundation
Mt Wellington Foundation
Multi Board Local Grants
Whau Local Board
Howick Local Board
Multi Board Local Grants
Māngere-Ōtāhuhu Local Board
Franklin Local Board
Newman's Own Foundation
NZ Christian Foundation
NZCT
NZRA Outdoor Activity Fund
Ōtara-Papatoetoe Local Board
Potter Masonic Trust
ProCare Charitable Foundation
Rano Community Trust
Regional Community Development
Grant
Regional Event Fund 2019/20 Round 1
Sir John Logan Campbell Residuary
Estate
SKYCITY Hamilton Community Trust
Sport Bay of Plenty
Sport Waikato
St Joans Trust
The Lion Foundation
The North & South Trust
Trust Waikato
The Trusts Community Foundation
Waikato WDFK Karamu Trust
Water Safety New Zealand
WEL Energy Trust

Board of Directors

President:	David Jones MNZM
Vice President:	Matt Roberts
Treasurer:	Paul Yallop
Members:	Becky Erwood David Kranz Mark Lawlor Katheren Leitner Ken Durbin Christine Pears

Patron: Sir Michael Jones KNZM

Life Members

Ken Durbin
John Fairhurst
Lex Forrest QSM (late)
Colin Giffney
Pat Gross
Joe Hall
David Jones MNZM
Tony Jones
Mike Lacey
Peter O'Brien
Kevin Orrell
Maurie L Rendle
Dr J. Laurie Reynolds
Lomond Seel OBE
John Sinclair
Paul Stubbing
Lyn Thornton
Peter Waterhouse
Rev. James Withers
Jennifer Hewitt
Christine Walter
Helen Hugglestone
Gerry Hugglestone
Christine Cormack
Don Soloman

All the wonderful donors, supporters and fundraisers who made a contribution to our philanthropic programmes. Their support has helped facilitate the Society's contribution to the community.

State of Affairs

The state of the Society's affairs as at 30 June 2020 was:

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Total assets	20,167	22,326
<i>Financed by:</i>		
Total accumulated funds	14,721	15,566
Total liabilities	5,446	6,760
	<u>20,167</u>	<u>22,326</u>

General

The primary objective of the Society is to provide services in the fields of Health and Fitness, Recreation, Camping, Early Childhood, and Accommodation. The Society is a not for profit organisation with profits from the services provided being used in programmes designed to strengthen families and develop youth.

The nature of the Society's business has not changed during the year.

Board Members’
Interests and
Remuneration and
Other Benefits

The Society also engaged the services of Heimsath Alexander for legal services. David Jones is Special Counsel for Heimsath Alexander and a YMCA North Board Member.

Details of the fees paid in relation to the above transactions and services are disclosed in Note 16 of the Financial Statements. Other than as described in Board Members’ Interests above, no other fees or benefits were paid to any Board Member during the year.

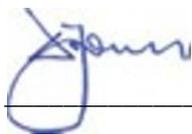
Use of Society
Information

The Board received no notices during the year from Board Members requesting to use Society information received in their capacity as Board Members which would not have been otherwise available to them.

Indemnity and
Insurance

The Society has indemnity insurance to protect the Board Members and staff from any claims arising in the course of their duties.

For and on behalf of the Board by:



President

21 September 2020

Date



Board Member

21 September 2020

Date

Independent Auditor's Report

To the MEMBERS of YMCA NORTH INCORPORATED

Opinion

We have audited the financial statements of YMCA North Incorporated, which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income and expense, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a statement of accounting policies.

In our opinion, the accompanying financial statements, on pages 9 to 29, present fairly, in all material respects, the financial position of the YMCA North Incorporated as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

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

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

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

Our firm carries out other assignments for the entity in the area of whistleblower services and other assurance services. These services have not impaired our independence as auditor of the entity. In addition to this, partners and employees of our firm deal with the entity on normal terms within the ordinary course of trading activities of the business of the entity. The firm has no other relationship with, or interest in, the entity.

Member's responsibilities for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body, in accordance with Section 11.4 of the Constitution of YMCA North Incorporated. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.



Auckland, New Zealand
21 September 2020

Statement of comprehensive income and expenses
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Revenue and other income			
Revenue	3	26,852	27,659
Other revenue	3	400	185
Total revenue and other income		27,252	27,844
Expenses			
Employee benefits expense	4	17,842	17,832
Administration expenses	4	4,622	5,796
Building expenses	4	2,237	2,514
Depreciation and amortisation expenses	4	2,144	2,265
Advertising, marketing and promotions expense		596	982
Changes in inventories of finished goods		656	786
Total expenses		28,097	30,175
Net deficit for the year		(845)	(2,331)
Other comprehensive income for the year		-	-
Total comprehensive deficit for the year		(845)	(2,331)

The above statement should be read in conjunction with the accompanying notes.



**Statement of changes in equity
For the year ended 30 June 2020**

	Accumulated Funds \$'000	Total \$'000
Balance as at 30 June 2018	17,897	17,897
Net deficit for the year	(2,331)	(2,331)
Other comprehensive income for the year	-	-
Total Comprehensive deficit for the year	(2,331)	(2,331)
Balance as at 30 June 2019	15,566	15,566
Net deficit for the year	(845)	(845)
Other comprehensive income for the year	-	-
Total Comprehensive deficit for the year	(845)	(845)
Balance as at 30 June 2020	14,721	14,721

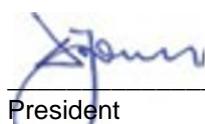
The above statement should be read in conjunction with the accompanying notes.



Statement of financial position
As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	-	415
Trade and other receivables	7	1,093	1,034
Prepayments		41	128
Inventories	8	148	152
Total current assets		<u>1,282</u>	<u>1,729</u>
Non-current assets			
Property, plant and equipment	9	17,944	19,364
Intangible assets	10	941	1,233
Total non-current assets		<u>18,885</u>	<u>20,597</u>
Total assets		<u>20,167</u>	<u>22,326</u>
Liabilities			
Current liabilities			
Cash and cash equivalents	5,6	255	-
Employee benefits	13	1,774	1,769
Trade and other payables	11	567	999
Subscriptions and revenue in advance	12	2,742	1,127
BNZ loan facility		-	2,660
GST payable		108	205
Total current liabilities		<u>5,446</u>	<u>6,760</u>
Total non-current liabilities		-	-
Total liabilities		<u>5,446</u>	<u>6,760</u>
Net assets		<u>14,721</u>	<u>15,566</u>
Net Equity			
Accumulated funds		<u>14,721</u>	<u>15,566</u>
Total funds		<u>14,721</u>	<u>15,566</u>

Signed on behalf of the Board by:



 President

21 September 2020

 Date



 Board Member

21 September 2020

 Date

The above statement should be read in conjunction with the accompanying notes.



Statement of cash flows
For the year ended 30 June 2020

	Notes	2020	2019
		\$'000	\$'000
Cash flow from operating activities			
Receipts from customers, sponsorship, donations, and grants		23,733	28,124
Wage subsidy		5,122	-
Payments to suppliers and employees		(26,249)	(28,083)
Interest paid		(136)	(85)
Net cash inflow from/(used in) operating activities	14	2,470	(44)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		10	22
Purchase of property, plant and equipment	9	(405)	(1,172)
Purchase of intangible assets	10	(85)	(536)
Net cash flows used in investing activities		(480)	(1,686)
Cash flow from financing activities			
Proceeds from borrowings		-	1,420
Repayment of borrowings		(2,660)	-
Net cash flows (used in)/inflow financing activities		(2,660)	1,420
Net increase/(decrease) in cash and cash equivalents held		(670)	(310)
Cash and cash equivalents at beginning of year		415	725
Cash and cash equivalents at end of year	5	(255)	415
Represented by:			
Cash on hand		-	415
Bank overdraft		(255)	-
Total		(255)	415

The above statement should be read in conjunction with the accompanying notes.



Notes to the financial statements For the year ended 30 June 2020

1. Incorporated Society information

Reporting entity

YMCA North Incorporated (“the Society”) is an Incorporated Society incorporated in New Zealand under the Incorporated Societies Act 1908 and registered under the Charities Act 2005 and is domiciled in Auckland, New Zealand. The primary objective of the Society is to provide services in the fields of Health and Fitness, Recreation, Camping, Early Childhood, and Accommodation. The Society is a not for profit organisation with profits from the services provided being used in programmes designed to strengthen families and develop youth.

YMCA North Incorporated
Private Bag 92150
Victoria Street West,
Auckland 1142

The Society is a public benefit entity.

The Society is required by its rules to prepare general purpose financial statements.

2. Statement of accounting policies

(a) Statement of compliance and basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP). The Society has elected to report in accordance with Tier 2 Public Benefit Entity (PBE) Standards for Not-for-profit Entities and applied disclosure concessions (RDR). The Society is able to apply Tier 2 as it does not meet the International Accounting Standards Board’s definition of public accountability and its expenses did not exceed \$30m for the two consecutive preceding years.

Historical cost convention

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

Currency and rounding of amounts

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$’000) unless otherwise stated. The functional currency of the Society is New Zealand dollars.

(b) Significant accounting judgements, estimate 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.

Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is noted below:

- Management has judged that the Society is a public benefit entity. The primary objective of the Society is to provide services in the fields of Health and Fitness, Recreation, Camping, Early Childhood, and Accommodation. The Society is a not for profit organisation with profits from the services provided being used in programmes designed to strengthen families and develop youth.
- Estimated economic lives of property, plant and equipment and intangible software assets (note 2 (i) – (j))

Notes to the financial statements For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(b) Significant accounting judgements, estimate and assumptions (continued)

- Revenue from bequests and legacies: Where there is life interest associated with the bequest or legacy or the bequest or the legacy is being contested, the revenue from the bequest and legacy is not recognised until the revenue is considered reliably measurable and probable, which requires the exercise of judgement.

(c) Revenue

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

Revenue is comprised of exchange and non-exchange transactions. Exchange transaction revenue arises when YMCA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transaction revenue arises from transactions without an apparent exchange of approximately equal value. Non-exchange revenue includes grants, donations and government subsidies. When non-exchange revenue is received with conditions attached, the asset is recognised with a matching liability. As the conditions are satisfied the liability is decreased and revenue recognised.

Sponsorship, donations and grants

Sponsorship, grant and donation income is recognised as revenue when it becomes receivable unless the Society has a liability to repay the sponsorship, donations and grants if the conditions of the specific revenue received are not fulfilled. A liability is recognised as a deferred income liability to the extent that such conditions are unfulfilled at the end of the reporting period if there is an obligation to repay the funds.

Government grants

The Society's activities are supported by grants received from national and local governments. Some grants are received on the condition that specified services are delivered, or conditions are fulfilled otherwise the funds are repayable. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from grants with no conditions attached are recognised when the Society obtains control of the funds.

COVID-19 wage subsidy is recognized as revenue in the related period of the wage cost being subsidised.

Bequests and legacies

Bequests are recognised in the statement of comprehensive income and expenses when probate of the will has been granted, receipt of the bequest is probable and the amount of the bequest can be measured reliably. Probate is determined when the undisputed right to receive the revenue is established. Revenue from bequests which have conditions attached, where the required expenditure during the year has not occurred or is incomplete and where there is an obligation to repay the funds, will be initially recognized as a deferred income liability and will be brought to revenue account in future years as the funds are expended to fulfill the conditions.

Donated assets

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 through ownership over the asset is obtained.

Donated services

Volunteer hours of service donated are not recognized in the statement of comprehensive income and expenses.

Health and fitness operations, hostel, camp and lodge operations and early childhood centre income

Revenue from the health and fitness operations, hostel, camp and lodge operations and early childhood centres is recognised when the service is rendered, using the stage of completion method.

Notes to the financial statements

For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(c) Revenue (continued)

Health and fitness operations, hostel, camp and lodge operations and early childhood centre income

Revenue received but not able to be recognised under the above policy is recognised in the statement of financial position as revenue in advance.

Retail sales

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Finance income

Interest income is recognised in the statement of comprehensive income and expense as it accrues, using the effective interest method.

(d) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with use of the resources.

Finance costs

Interest payable on borrowings is recognised on an accruals basis and calculated using the effective interest rate method.

(e) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, short term deposits, trade and other payables, accrued wages and interest bearing loans.

Recognition

Financial instruments are initially measured at fair value plus directly attributable transaction costs as the above are not subsequently measured at fair value. Subsequent to initial recognition these instruments are measured as set out below.

A financial instrument is recognised if the Society becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Society's contractual rights to the cash flows from the financial assets expire or if the Society transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Society's obligations specified in the contract expire, are discharged or cancelled.

(f) Cash and cash equivalents and short term deposits

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under current liabilities in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Short term deposits include non-derivative financial assets with fixed or determinable payments and fixed maturities of greater than 90 days but less than 12 months.

Notes to the financial statements For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(g) Trade and other receivables

Trade and other receivables are stated at amortised cost, using the effective interest method, less impairment losses.

(h) Inventories

Inventories are measured at the lower of cost or net realisable value. Inventory held for distribution at no or nominal consideration is measured at the lower of cost and current replacement cost. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. When inventories are written down from cost to current replacement cost or net realisable value, the write down is recognised in the statement of comprehensive income and expenses.

(i) Property, plant and equipment

Bases of measurement of carrying amounts

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Donated assets are initially valued at the fair value of the asset recorded as their deemed cost with the resulting gain being recognised in the statement of comprehensive income and expense.

Cost includes expenditure that is directly attributable to the acquisition of the asset. All asset purchases are initially recorded in work in progress (WIP) before transfer to an asset class, including the cost of materials and direct labour based on normal operating capacity, any other costs directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

Derecognition and disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of comprehensive income and expenses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Society and the costs of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income and expenses as an expense as incurred.

Depreciation

The depreciable amount of all property, plant and equipment, including buildings, is depreciated on a straight line basis over their estimated useful lives to the Society commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

Notes to the financial statements

For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation

The estimated useful lives used for the calculation of depreciation for each class of assets for the current period and the prior year are:

Buildings	15-40 years
Furniture and fittings	3-15 years
Motor vehicles	5-10 years
Plant and equipment	2-33 years

The assets' residual values, depreciation methods, and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income and expenses.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(j) Intangible assets

Software

Software is measured at cost, less amortisation and impairment losses. Software is considered to have a finite life and is amortised on a systematic basis over its useful life from the date that they are available for use. The estimated useful life of software on hand is:

Software – General	3 years
Software – CRM	5 years

Amortisation methods, useful lives and current residual values are reassessed annually.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Statement of comprehensive income and expenses as incurred.

(k) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Society 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. Trade and other payables are measured at amortised cost using the effective interest method.

(l) Interest bearing loans

Interest bearing loans are recognised at amortised cost with any difference between the cost and redemption value being recognised in the statement of comprehensive income and expenses over the period of the borrowings on an effective interest basis.

(m) Employee benefits

An accrual is made for the Society's liability for employee benefits arising from services rendered by employees to reporting date.

Notes to the financial statements For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(m) Employee benefits (continued)

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled on an undiscounted basis.

Defined contribution pension plans

Contributions are made by the Society to an employee superannuation fund and are charged as expenses in the statement of comprehensive income and expenses when incurred.

(n) Provisions

Provisions are recognised when the Society has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Taxation

Income tax

The Society was granted charitable tax status by the Charities Commission. As such no taxation expense has been recognised in the statement of comprehensive income and expenses.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a net of GST basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in revenue and expense on a straight line basis over the life of the lease.

Lease incentives under operating leases are recognised as an integral part of the total lease expense over the term of the lease.

(q) Impact from COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a Global Pandemic on the 11 March 2020, resulted in an increase in uncertainty in both the local and global market conditions. The outbreak and the subsequent quarantine measures and travel restrictions imposed by the New Zealand government have caused disruptions to business and economic activity. YMCA North Inc has multiple streams of revenue from exchange and non-exchange activities including recreation and fitness operations, hostels, camp and lodge operations and early childhood income. These revenue streams were affected by varying severity from the effects of COVID-19.

These varying levels of lockdown restrictions in New Zealand restricted YMCA North Inc from all exchange operations from the start of level 4 lockdown in late March 2020 and throughout the gradual lifting of restrictions since May 2020 with most operations able to open to the public, with appropriate safeguards, at level 2.5. Further, New Zealand and the rest of the world has enforced non-essential travel restrictions including the virtual closure of New Zealand's borders to international visitors, this severely impacted YMCA's hostel revenue as the services were mainly provided to international visitors.

Notes to the financial statements For the year ended 30 June 2020

2. Statement of accounting policies (continued)

(q) Impact from COVID-19 (continued)

Restrictions on gathering size limitations and physical distancing requirements has also had an impact on other revenue streams, as the centres cannot operate at full capacity when government COVID alert level 3 and 2 restrictions are in place.

Along with reductions in revenue, customer collectability may potentially be impacted and this has been reflected in increased provisioning for doubtful debts. YMCA North Inc has implemented several cost reduction and other initiatives to counter the negative impacts including:

- Reduction in staff headcount and working hours and up to 20% reduction in salaries and wages for periods across the organisation;
- Application for government announced waged subsidy programs where the organisation received \$3.181m initial wage subsidy and \$2.0m from the wage subsidy extension of which \$406k was recognised as revenue and the remainder included in deferred revenue liability to be recognised as revenue when the related employee wages are incurred in the 2021 financial year along with an additional \$442k from the resurgence subsidy received after balance date to be recognised in the 2021 financial year;
- seeking alternative revenue streams to replace lost revenues from international visitors;
- securing an additional \$4m in borrowing facilities secured over property assets (refer notes 5 and 6).
- Management has also secured a waiver from the covenant requirements until 31 March 2021.

Refer to Note 17 for consideration of events after year ended 30 June 2020.

Notes to the financial statements
For the year ended 30 June 2020

3. Revenue	Notes	2020 \$'000	2019 \$'000
(a) Revenue from Non-Exchange Transactions			
Early childhood income – subsidies and grants	3(b)	1,598	1,932
Sponsorship, donations, and grants		1,032	969
Recreation and fitness operations - grants		459	462
Wage Subsidy		3,587	-
Sundry revenue		108	-
Total Revenue from Non-Exchange Transactions		6,784	3,363
<i>Revenue from Exchange Transactions</i>			
Recreation and fitness operations		14,110	16,552
Hostel, camp and lodge operations		5,357	6,620
Retail sales		541	790
Early childhood income – parent fees		168	334
Sundry revenue		292	185
Total Revenue from Exchange Transactions		20,468	24,481
Total Revenue		27,252	27,844

\$2.1m of government grants were included in the non-exchange revenue categories (2019: \$2.4m) in addition to the wage subsidies received in relation to COVID-19 disclosed above.

(b) Ministry of Education Extract from Revenue

The following funding was received from the Ministry of Education (MOE) and Ministry of Social Development (MSD):

<i>Early Childhood Education Bulk Funding</i>		2020 \$'000	2019 \$'000
MOE Funding recognised in early childhood income		1,477	1,712
MSD WINZ subsidies		85	153
MOE equity funding recognised in the statement of comprehensive income		36	67
	3(a)	1,598	1,932

**Notes to the financial statements
For the year ended 30 June 2020**

(c) Grants

The Society acknowledges the following funding which has been received in the year:

	2020	2019
	\$'000	\$'000
Lottery National Community	30	30
Foundation North	80	80
St Joans Charitable Trust	3	-

4. Expenses

Employee Benefits Expense

	2020	2019
	\$'000	\$'000
Wages and salaries	17,512	17,529
Defined contribution pension plan expenses	330	303
	17,842	17,832

Administration expenses

Occupancy costs	2,029	2,371
Contractors	481	775
Other staff expenses	347	596
Other general administration	1,708	1,965
Audit of the financial statements	54	89
Other Services provided by Auditors	3	-
	4,622	5,796

Building Expenses

Repairs and maintenance-general	602	730
Utilities	1,543	1,682
Rental expenses	92	102
	2,237	2,514

Depreciation and Amortisation Expense

Depreciation

Buildings	678	678
Plant and equipment	644	785
Furniture and fittings	353	373
Motor vehicles	95	105
	1,770	1,941

Amortisation

Intangible assets	374	324
	374	324

Total Depreciation and amortisation	2,144	2,265
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Notes to the financial statements

For the year ended 30 June 2020

5. Cash and Cash Equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	1,949	365
Call account	66	50
Bank Overdraft (secured) - refer to Note 6	(2,270)	-
	(255)	415

6. BNZ Bank overdraft and Loan Facility

The YMCA holds an overdraft facility of \$4.0M with the BNZ. The balance at 30 June 2020 was \$2.3M (2019: \$0M) leaving an undrawn facility of \$1.7M (2019: \$0M). The overdraft facility has an interest rate of 4% at 30 June 2020 and is an on-going facility used to manage working capital. The overdraft facility (and the loan facility held in the prior year) is secured against the land and buildings located at 150 Vincent Street, Auckland and 36-50 Pembroke Street, Hamilton.

Financial covenants have been put in place requiring EBITDA (earnings before interest, tax expense, depreciation and amortisation of intangibles) to be maintained at a minimum of 3 times gross interest expense at all times and will be tested as at the last day of each financial year on a rolling 12 month basis. However due to the impacts of COVID-19 this covenant has been waived until March 2021.

The YMCA does not hold a Loan Facility with the BNZ. The balance at 30 June 2020 was Nil (2019: \$2.7M).

7. Trade and Other Receivables

	2020 \$'000	2019 \$'000
Trade receivables	797	833
Less allowances for impairment losses	(128)	(83)
Other receivables	424	284
	1,093	1,034

Trade receivables are subject to normal trade terms and are interest free.

The carrying value of accounts receivables approximates their fair value.

Included within trade receivables is \$129k recognised in respect of non-exchange transactions (2019: \$193k). Included within other receivables are receivables related to costs recoverable under the Public Works Act. Refer Note 17 Subsequent events.

8. Inventories

	2020 \$'000	2019 \$'000
Finished goods	148	152

No inventories are specifically and separately pledged as securities for liabilities in the Society.

There are no impairment losses on the inventory in the Society.



Notes to the financial statements

For the year ended 30 June 2020

9. Property, Plant and Equipment

	Land \$'000 (i)	Buildings and Carparks \$'000 (i)	Furniture and Fittings \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Work In Progress \$'000	Total \$'000
Cost							
Balance as at 1 July 2018	4,984	20,095	2,893	487	9,195	167	37,821
Acquisitions	-	-	114	-	294	764	1,172
Transfer from WIP	-	-	323	316	259	(897)	1
Disposals	-	(25)	(31)	(104)	(5)	(7)	(172)
Balance as at 30 June 2019	4,984	20,070	3,299	699	9,743	27	38,822
Acquisitions	-	12	12	-	62	343	429
Transfer from WIP	-	238	37	-	39	(340)	(26)
Disposals	-	(566)	(708)	(110)	(2,473)	-	(3,857)
Balance as at 30 June 2020	4,984	19,754	2,640	589	7,371	30	35,368
Accumulated Depreciation							
Balance as at 1 July 2018	-	8,882	1,884	309	6,570	-	17,645
Depreciation for the year	-	678	373	105	785	-	1,941
Release on disposal	-	(2)	(30)	(92)	(4)	-	(128)
Balance as at 30 June 2019	-	9,558	2,227	322	7,351	-	19,458
Depreciation for the year	-	678	353	95	644	-	1,770
Release on disposal	-	(563)	(701)	(90)	(2,450)	-	(3,804)
Balance as at 30 June 2020	-	9,673	1,879	327	5,545	-	17,424
At 30 June 2019	4,984	10,512	1,072	377	2,392	27	19,364
At 30 June 2020	4,984	10,081	761	262	1,826	30	17,944

(i)

Land and buildings located at 150 Vincent Street, Auckland and 36-50 Pembroke Street, Hamilton, with a total net carrying amount of \$4M (2019: \$4.2M) are the security for the interest bearing loan facility detailed in Note 6. Land and buildings located in Tauranga with a carrying amount of \$1.1M (2019: \$1.1M) are the security for a contingent payment obligation outlined in Note 15.

Notes to the financial statements
For the year ended 30 June 2020

10. Intangible Assets

	Software - CRM \$'000	Software - General \$'000	Work In Progress \$'000	Total \$'000
Cost				
Balance as at 30 June 2018	1,035	1,035	395	2,465
Acquisitions	-	932	490	1,422
Transfer from WIP			(885)	(885)
Balance as at 30 June 2019	1,035	1,967	-	3,002
Acquisitions	-	5	78	83
Disposals	(1,035)	(145)	-	(1,180)
Transfer from WIP	-	78	(78)	-
Balance as at 30 June 2020	-	1,905	-	1,905
Amortisation and impairment losses				
Balance as at 30 June 2018	1,035	410	-	1,445
Amortisation for the year	-	324	-	324
Balance as at 30 June 2019	1,035	734	-	1,769
Amortisation for the year	-	374	-	374
Disposal amortisation for the year	(1,035)	(144)	-	(1,179)
Balance as at 30 June 2020	-	964	-	964
Carrying Amounts				
At 30 June 2019	-	1,233	-	1,233
At 30 June 2020	-	941	-	941

Amortisation charge

No amortisation was recognised on the work in progress intangible assets as they were not available for use during the year. Amortisation will commence when the asset is available for use.

Notes to the financial statements
For the year ended 30 June 2020

11. Trade and Other Payables

	2020	2019
	\$'000	\$'000
Trade payables	200	577
Other payables and accruals	367	422
	<u>567</u>	<u>999</u>

Trade payables are on normal trade terms and interest free.
The carrying value of accounts payable approximates their fair value.

12. Subscriptions and Revenue in Advance

	2020	2019
	\$'000	\$'000
Sponsorship, donations and grants	392	194
Health and fitness operations	621	730
Wage Subsidy	1,535	-
Hostel, camp and lodge operations	194	203
	<u>2,742</u>	<u>1,127</u>

13. Employee Benefits

Short-Term Employee Benefits

	2020	2019
	\$'000	\$'000
Accrued wages	776	818
Annual leave	998	951
	<u>1,774</u>	<u>1,769</u>

Notes to the financial statements
For the year ended 30 June 2020

14. Reconciliation of net surplus for the year to net cash flows from operations

	2020	2019
	\$'000	\$'000
Net surplus for the year	(845)	(2,331)
Non-cash items		
Depreciation and amortisation	2,144	2,265
Loss on sales of property, plant and equipment	47	20
(Increase)/decrease in assets		
Trade and other receivables	(59)	82
Inventories	4	(5)
Prepayments	87	13
Increase/(decrease) in liabilities		
Trade and other payables	(433)	(243)
Provisions & Other Changes	(90)	(46)
Subscriptions and revenue in advance	1,615	201
Net cash inflow from/(used in) operating activities	2,470	(44)

15. Commitments and Contingencies

(a) Operating Leases

The Society has the following lease commitments:

	2020	2019
	\$'000	\$'000
Not later than one year	53	53
Later than one year and not later than five years	31	84
Later than five years	156	3
	240	140

The above lease commitments are calculated to the contracted final maturity dates.

Notes to the financial statements For the year ended 30 June 2020

(b) Contingent Liabilities

On 1 January 2018 the Society acquired the business and assets of the Tauranga YMCA.

Included in those assets is a property over which TECT Holdings Limited has a first registered mortgage. The mortgage secures a Payment Obligation of \$250,000 in the event the property is sold. The intention of TECT Holdings Limited is to ensure the property is used to benefit the Tauranga region.

No liability has been recognised in the Financial Statements for this Payment Obligation as the Society has no intention to sell the property.

(c) Capital Commitments

As at 30 June 2020, the Society has no significant capital commitments (2019: Nil).

16. Related Party Transactions

(a) Transactions with Director related entities

Payment made to Uniforms Direct for the supply of YMCA retail product. David Kranz is a Director of Uniforms Direct and a YMCA North Board Member. The fees paid for the year total NIL (2019: \$533). There is no outstanding balance at reporting date.

Fees paid to Duncan Cotterill Law for legal services provided. Mark Lawlor is a Partner of Duncan Cotterill Law and a YMCA North Board Member. The fees paid for the year total NIL (2019: \$3,850). There is no outstanding balance at reporting date.

Fees paid to Andrew Howard and Associates Ltd for interim CEO services provided. Andrew Howard is a Director of Andrew Howard and Associates Ltd and a YMCA North Board Member. The fees paid for the year total NIL (2019: \$82,068). There is no outstanding balance at reporting date.

Fees paid to Heimsath Alexander for legal services provided. David Jones is Special Counsel for Heimsath Alexander and a YMCA North Board Member. The payments for the year total \$131,165 (2019: \$63,334). There is no outstanding balance at reporting date.

Fees paid to Isentia Media Clippings. Becky Erwood is an agent of Isentia Media Clippings and a YMCA North Board Member. The fees paid for the year total NIL (2019:\$1,000). There is no outstanding balance at reporting date.

Amounts were billed under normal rates for such services and were due and payable under normal payment terms.

Notes to the financial statements For the year ended 30 June 2020

(b) Key Management Personnel

The Board members and executive team are considered the key management personnel of the Society.

Board members of the Society receive no remuneration.

The executive team consists of 6 full time equivalents (2019: 7) and receives the following total remuneration:

	2020 \$'000	2019 \$'000
Employee benefit expense	1,205	1,128
Defined contribution pension plan expenses	31	28
Total compensation	1,236	1,156

17. Subsequent Events

COVID-19 and Going Concern Assessment

On 12 August 2020, the New Zealand Government reinstated COVID-19 Alert Level 3 for the Auckland region, which included restrictions on opening YMCA North Inc services within the Auckland region. The rest of New Zealand moved into Alert Level 2. On 21 August 2020, YMCA North Inc applied for the resurgence wage subsidy and received \$442k.

The organisation's current liabilities exceeded its current assets at balance date by \$4,164k (2019: \$5,031k) including Subscriptions and revenue in advance of \$2,742k (2019: \$1,127k) and incurred a deficit for the year of \$845k (2019: deficit of \$ 2,331). However, as noted in the Statement of Financial Position, the organisation had positive equity of \$14,721k (2019: \$15,566k), and \$1.7m of undrawn borrowing facilities. Whilst the overdraft facilities are repayable on demand the directors are confident that they will continue to be available based on the value of property security provided.

Management has updated the organisations three year revenue and cash forecasts taking into account the potential impact the pandemic is expected to have. On the basis of these cash flow forecasts, which include all available government announced wage subsidies, several of management's cost reduction initiatives and it's existing working capital structure, including significant undrawn facilities as well as potential to borrow additional funding through existing property assets as security, it is our view that the organisation is able to meet its obligations as they fall due for the foreseeable future.

Accordingly, and notwithstanding the inherent uncertainty in forecasting cashflows in the current climate, the directors of YMCA North Inc continue to adopt the going concern assumption in the preparation of these financial statements and do not consider there are material uncertainties as to the appropriateness of the going concern assumption.

City Rail Link - Subsurface land acquisition 149-157 Greys Avenue.

On 5 October 2018, Auckland Council issued a Notice of Desire under s.18 (1) (a) of the Public Works Act (PWA) expressing a desire to acquire and impose restrictive covenants over certain parts of the substrata of YMCA's titles at its property at 149-157 Grey's Ave, Auckland Central (Property).

Notes to the financial statements For the year ended 30 June 2020

17. Subsequent Events (continued)

On 1 April 2019, Council issued a Notice of Intent (NOI) under s 23 of the PWA confirming its intention to acquire such property rights.

Title to the notified property rights vested in the Council as the acquiring authority in accordance with Section 26(3) of the PWA by way of Proclamation from 9 September 2020 being 14 days following publication of the notice of Proclamation in the Gazette. The value of YMCA's entitlement to compensation for the acquisition of the property rights remains to be determined.

The "specified date" for the purposes of determining compensation under the PWA is 9 September 2020. The Proclamation has been registered against the relevant computer registers of the Property in accordance with Section 57(1).

The Proclamation taking the land does not affect the YMCA's entitlement to full compensation under the PWA. Now that the land has vested, the YMCA has the right to make a claim for compensation to the Land Valuation Tribunal (LVT) in the event that compensation for the acquisition cannot be agreed with the Council and Central Rail Link Limited (CRLI).

Payroll System

On the 1st of September 2020 YMCA received notice from its payroll system provider, Ascender HCM New Zealand Ltd that the PSe payroll platform would immediately go into maintenance mode and over time would be moved to a de-supported platform. The impact of this, if any, cannot yet be quantified as its remaining useful life is still to be determined.