

# **Te Awakairangi Health Network**

Financial Statements

For the year ended 30 June 2021

# Te Awakairangi Health Network

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# Te Awakairangi Health Network

## Statement of Responsibility

### Financial Statements

For the year ended 30 June 2021

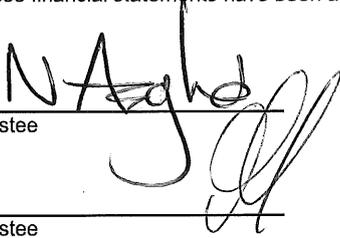
The Trustees are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, financial statements which give a true and fair view of the financial position of the Te Awakairangi Health Network (the "Network") as at 30 June 2021 and the results of its operations for the year ended on that date.

The Trustees consider that the financial statements have been prepared using accounting policies appropriate to the Network's circumstances, consistently applied and supported by reasonable and prudent judgements and estimate.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Network and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Trustees have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Trustees consider that adequate steps have been taken to safeguard the assets of the Network and to prevent and detect fraud and other irregularities.

These financial statements have been authorised for issue by the Trustees.

  
Trustee

3/11/2021  
Date

  
Trustee

3.11.21  
Date

# Te Awakairangi Health Network

## Statement of Comprehensive Revenue and Expense For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Health Services contracts	12	41,845,327	38,058,644
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Interest Received		54,067	94,403
<b>TOTAL REVENUE</b>		<b>41,899,394</b>	<b>38,153,047</b>
<b>EXPENSES</b>			
Direct service delivery costs	13	34,603,108	32,690,258
Wages, salaries and other employee costs (includes Kiwisaver)		5,255,830	4,189,970
Depreciation	14	85,793	90,090
Other overhead and administrative expenses	15	1,086,626	961,130
<b>TOTAL EXPENSES</b>		<b>41,031,357</b>	<b>37,931,448</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>868,037</b>	<b>221,599</b>
<b>OTHER GAINS/(LOSSES)</b>			
Gain/(loss) on sale of plant and equipment		2,956	10,870
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>		<b>870,993</b>	<b>232,469</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR</b>		<b>870,993</b>	<b>232,469</b>

<b>Breakdown of Total Comprehensive Revenue and Expense for the Year</b>	2021 \$	2020 \$
The Surplus for the year consists of the following		
Transfer to (from) committed funds reserve	125,992	9,658
Surplus after utilisation of/transfer to Committed Funds Reserve	745,001	222,811
<b>Total Comprehensive Revenue and Expenses</b>	<b>870,993</b>	<b>232,469</b>

These financial statements should be read in conjunction with the notes to the financial statements.

# Te Awakairangi Health Network

## Statement of Changes in Net Assets/Equity For the year ended 30 June 2021

Notes	2021 \$	2020 \$
<b>ACCUMULATED FUNDS</b>		
Opening balance	3,195,922	2,973,112
Surplus/ (deficit) for the year	870,993	232,469
	<b>4,066,915</b>	<b>3,205,581</b>
Transfer from/(to) Committed Funding Reserve in the year	(125,992)	(9,658)
<b>Closing balance</b>	<b>3,940,923</b>	<b>3,195,922</b>
<b>Committed Funding reserve</b>		
Opening Balance	1,000,866	991,208
Transfer from (to) Accumulated funds in the year	125,992	9,658
<b>Closing balance</b>	<b>1,126,859</b>	<b>1,000,866</b>
<b>TOTAL EQUITY</b>	<b>5,067,781</b>	<b>4,196,788</b>
<b>Movement in Committed funding Reserve is made up of;</b>		
	2021 \$	2020 \$
Existing committed funds spent in the year	(290,721)	(205,253)
New committed funds received and not spent in year	416,713	214,911
	<b>125,992</b>	<b>9,658</b>

*These financial statements should be read in conjunction with the notes to the financial statements.*

# Te Awakairangi Health Network

## Statement of Financial Position As at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	16	2,173,327	564,384
Receivables from Exchange transactions	17	1,366	3,429
Receivables from Non-exchange transactions	17	2,448,059	1,843,113
Prepayments		46,637	45,214
Term Deposits		4,000,000	3,800,000
<b>Total current assets</b>		<b>8,669,390</b>	<b>6,256,140</b>
<b>Non-current</b>			
Property Plant and Equipment	19	380,226	224,676
<b>TOTAL ASSETS</b>		<b>9,049,616</b>	<b>6,480,816</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade creditors and other payables	18	1,682,251	1,360,395
Revenue received in advance	20	2,063,200	680,730
Employee Leave entitlements		236,384	242,903
<b>Total current liabilities</b>		<b>3,981,836</b>	<b>2,284,028</b>
<b>TOTAL LIABILITIES</b>		<b>3,981,836</b>	<b>2,284,028</b>
<b>NET ASSETS</b>		<b>5,067,781</b>	<b>4,196,788</b>
<b>EQUITY</b>			
Accumulated Funds		3,940,923	3,195,922
Committed Funding Reserve	21	1,126,860	1,000,866
<b>TOTAL EQUITY</b>		<b>5,067,781</b>	<b>4,196,788</b>

*These financial statements should be read in conjunction with the notes to the financial statements.*

# Te Awakairangi Health Network

## Statement of Cash Flows For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flow from operating activities			
<i>Cash was provided from/(applied to):</i>			
Revenue from services		42,624,914	37,268,027
Interest Income		54,067	122,075
Payments to suppliers and employees		(40,715,945)	(37,413,609)
GST Paid		84,294	(28,891)
<b>Net cash from/(used in) operating activities</b>	<b>7</b>	<b>2,047,330</b>	<b>(52,398)</b>
Cash flow from investing activities			
<i>Cash was provided from/(applied to):</i>			
Proceeds from sale of property, plant and equipment		2,956	10,870
Purchase of property, plant and equipment		(241,343)	(114,809)
(Purchase)/sale of investments (term deposits)		(200,000)	364,997
<b>Net cash from/(used in) investing activities</b>		<b>(438,387)</b>	<b>261,058</b>
Net increase/(decrease) in cash and cash equivalents		1,608,943	208,660
Cash and cash equivalents, beginning of the year		564,384	355,724
<b>Cash and cash equivalents, end of the year</b>		<b>2,173,327</b>	<b>564,384</b>

*These financial statements should be read in conjunction with the notes to the financial statements.*

# Te Awakairangi Health Network

## Accounting Policies for the year ended 30 June 2021

### 1 Reporting entity

These are the financial statements of Te Awakairangi Health Network (the "Network"). The primary activity of the Network is managing and implementing primary health care programmes on behalf of the Hutt Valley DHB and other contract providers. The Network provides primary health services to the enrolled population of 124,086.

The Network is domiciled in New Zealand. It is registered in New Zealand under the Charitable Trust Act 1957 and registered under the Charities Act 2005 on 20 April 2011.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP") the Network is a not-for-profit public benefit entity.

These financial statements were authorised for issue by the Trustees on 3 November 2021

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with PBE Standards ("PBE Standards") and the requirements of the Charities Act 2005

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

The financial statements are presented in New Zealand dollars, which is the functional currency of the Network. All values are rounded to the nearest dollar, unless otherwise stated.

The Network is applying Tier 1 Public Benefit Entity Standards ("PBE Standards") for the 30 June 2021 period.

### 2 Key estimates and judgements

The preparation of financial statements in conformity with PBE Standards requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the Network's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

#### Revenue recognition

Revenue must be classified as arising from either exchange or non-exchange transactions. Where there is a non-exchange transaction, management must determine whether there are associated conditions (a condition is a requirement to return assets that have not been used for the purposes specified by the other party to the transaction). Information on the manner in which exchange and non-exchange transactions are accounted for is provided in the accounting policy on revenue (policy 4.1).

### 3 New/Amended Accounting Standards Adopted in the Current Period:

#### 3.1 PBE IPSAS 39 *Employee Benefits* ("PBE IPSAS 39")

PBE IPSAS 39 is the definition of short term employee benefits expected to be settled wholly within 12 months after the end of the reporting period.

# **Te Awakairangi Health Network**

## **Accounting Policies for the year ended 30 June 2021**

### **4 Summary of significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **4.1 Revenue**

The Network receives revenue from both exchange and non-exchange transactions.

An exchange transaction is a transaction in which the Network receives assets or services (or has liabilities extinguished) and directly gives approximately equal value to another entity in exchange.

The Networks exchange transactions constitute interest income

A non-exchange transaction is a transaction in which the Network receives an asset (such as cash), but does not provide approximately equal value in return. Revenue from non-exchange transactions is ordinarily recognised when the associated asset is received. However, where a non-exchange transaction has an associated condition (which is a requirement to return assets that have not been used for the purposes specified by the other party to the transaction), a liability is recognised and revenue is recognised (and the liability extinguished) as the condition is met.

The Network's non-exchange transactions consist of Health Service Contracts.

#### **4.2 Interest income**

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **4.3 Employee benefits**

Employee benefits are recognised when employees render services that entitle them to those benefits. Liabilities for employee entitlements are carried at the present value of the estimated future cash flows. Liabilities expected to be settled within 12 months of the reporting date are not discounted.

##### **Superannuation plans**

The Network pays contributions to defined contribution superannuation plans, such as KiwiSaver. The Network has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

#### **4.4 Lease payments**

The Network is a lessor in operating leases. An operating lease is a lease in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

#### **4.5 Income taxation**

The Network is a registered charity and qualifies for tax exemption under the Income Tax 2007 Legislation.

#### **4.6 Goods and Services Tax**

All amounts are shown exclusive of Goods and Services Tax ("GST"), except for receivables and payables, which are stated inclusive of GST. The net amount of GST recoverable from, or payable to, Inland Revenue, is included as part of receivables or payables in the statement of financial position

# **Te Awakairangi Health Network**

## **Accounting Policies for the year ended 30 June 2021**

### **4.7 Financial Assets**

The Network classifies its financial assets in the following categories: financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At reporting date all of the Network's financial assets are classified as loans and receivables.

### **4.8 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Network provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The Network's loans and receivables comprise cash and cash equivalents, trade and other receivables and term deposits.

Loans and receivables are recognised when the Network becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method.

The Network assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Network has transferred substantially all the risks and rewards of ownership.

### **4.9 Cash and cash equivalents**

Cash and cash equivalents consists of cash in hand and deposits held at call with banks.

### **5 Trade and other receivables**

Trade and other receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. A receivable is impaired if there has been an event, or events, subsequent to the initial recognition of the asset that has impacted the asset's future cash flows. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

Individually significant receivables are individually assessed for impairment; debts which are known to be uncollectible are written off and impaired receivables are written down to their impaired amount.

Following the impairment assessment of individually significant receivables, those individually significant receivables that are not impaired, and all other receivables, are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Impairment, which is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the original effective interest rate, is recognised in surplus or deficit.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in surplus or deficit.

Subsequent recoveries of amounts written off are recognised in surplus or deficit.

# **Te Awakairangi Health Network**

## **Accounting Policies for the year ended 30 June 2021**

### **5.1 Property, plant and equipment**

Items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price plus costs directly attributable to bringing it to the location and condition necessary for it to operate as intended and the initial estimate of dismantling and removing the item and restoring the site on which it is located. Where an item of property, plant and equipment is self-constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads.

An asset acquired for nil or nominal cost is initially measured at fair value (which is treated as its cost after initial recognition). The difference between the asset's fair value and the consideration paid for it is recognised in surplus or deficit.

After initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Network and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance costs are expensed as incurred.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired).

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in surplus or deficit.

#### **Depreciation**

Depreciation is calculated using the straight-line method to allocate an asset's cost to its residual value over its estimated useful life. Depreciation is charged to surplus or deficit.

The following useful lives have been used in determining depreciation rates:

Leasehold improvements	10 years
Plant and equipment	5 years
Motor vehicles	5 years

The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date.

### **5.2 Impairment of non-financial assets**

Items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Network conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in surplus or deficit.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

### **5.3 Trade and other payables**

Trade and other payables are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

# Te Awakairangi Health Network

## Notes to the financial statements

### 6 Financial instrument risk

#### Risk management objectives and policies

The Network is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and interest rate risk.

There were no material changes in the Network's risk exposure and risk management objectives and policies during the reporting period.

The Network does not actively engage in trading of financial assets for speculative purposes.

#### Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Network. The Network's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as follows:

#### Classes of financial assets

##### Carrying amounts

Cash and cash equivalents  
Receivables from Exchange transactions  
Receivables from Non-exchange transactions  
Term Deposits

	2021	2020
	\$	\$
Cash and cash equivalents	2,173,327	564,384
Receivables from Exchange transactions	1,366	3,429
Receivables from Non-exchange transactions	2,448,059	1,843,113
Term Deposits	4,000,000	3,800,000
	<b>8,622,752</b>	<b>6,210,926</b>

No receivables from exchange or non exchange transactions are required to be impaired. The Trustees have assessed that all of the above financial assets are not impaired for each of the reporting dates under review and are of good credit quality. The credit risks for cash and cash equivalents, short term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The carrying amounts disclosed above are the company's maximum possible credit risk exposure in relation to these instruments.

The Network's policy is to deal with only creditworthy counterparts. No collateral is held by the Network in respect of its exposure to risk.

#### Liquidity risk analysis

Liquidity risk is the risk that the Network might not be able to meet its obligations associated with financial liabilities. The Network manages its liquidity needs by monitoring cashflow.

The company objective is to maintain sufficient cash and marketable securities to meet its liquidity requirements for three months at a minimum. This objective was met for the reporting period.

#### Classes of financial liabilities

##### Carrying amounts

Trade creditors and other payables

	2021	2020
	\$	\$
Trade creditors and other payables	1,533,355	1,294,982

#### Interest Rate Risk

The Company has exposure to interest rate risk to the extent there is cash in the bank. The interest earned is as determined by the banker. The key driver of interest income to the company is bank rates and amounts on deposit.

### 7 Cash Flow

#### Reconciliation of Surplus/(Deficit) with Net Cash Flow from Operating Activities

##### Surplus/(Deficit) for the year

##### Add/(Less) Non cash items

Depreciation  
Gain/(Loss) on disposal of Fixed Assets

##### Add/(Less) Movement in other working capital items

(Increase)/Decrease in Exchange and Non- exchange receivables  
(Increase)/Decrease in Prepayments  
Increase/(Decrease) in Trade creditors and other payables  
Increase/(Decrease) in Employee Leave entitlements  
Increase/(Decrease) in Revenue received in advance

##### Net cash flow from operating activities

	2021	2020
	\$	\$
Surplus/(Deficit) for the year	870,993	232,469
Add/(Less) Non cash items		
Depreciation	85,793	90,090
Gain/(Loss) on disposal of Fixed Assets	(2,956)	(10,870)
Add/(Less) Movement in other working capital items		
(Increase)/Decrease in Exchange and Non- exchange receivables	(602,883)	(985,918)
(Increase)/Decrease in Prepayments	(1,423)	22,495
Increase/(Decrease) in Trade creditors and other payables	321,856	299,036
Increase/(Decrease) in Employee Leave entitlements	(6,519)	77,062
Increase/(Decrease) in Revenue received in advance	1,382,470	223,238
Net cash flow from operating activities	<b>2,047,330</b>	<b>(52,398)</b>

# Te Awakairangi Health Network

## Notes to the financial statements

### 8 Capital Commitments

An agreement was made between Valentia (being the contracted company), and together, Te Awakairangi Health Network, Tu Ora Compass Health and Central Primary Health Organisation (being the 3 PHO Consortium) in August 2018 for the implementation and roll out of a new cloud based Practice Management System (called Indici). The aim is to encourage as many practices to subscribe to the system. The cost for this system varies dependent on the number of enrolled service users, with additional costs incurred for hosting, developing and migration.

During 2019/20, Te Awakairangi Health Network paused on the rollout while implementation matters were resolved. In June 2020, the Board agreed to re-commence the rollout, after considering various options. The likely cost to the organisation of the rollout over the four years (from 2020/21) is estimated to be between around \$53k and \$81k (depending on the number of practices taking up the Indici PMS).

As at 30 June 2021 the agreement between Valentia and the 3PHOs remains in place. There has been progress towards meeting the 159,000 enrolled service users (ESU) target, but due to a range of implementation issues, the target was not achieved by October 2020 (as originally expected). Since Oct 2020, the 3 PHOs have made payments to Valentia quarterly for the outstanding ESU numbers (as per the contract).

### 9 COVID-19

The COVID-19 pandemic in New Zealand is part of the ongoing pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2. A four level alert system was introduced on 21 March 2020 to manage the outbreak within New Zealand.

Since the COVID-19 pandemic emerged within New Zealand, it is remarkable to recognise the extraordinary response that has occurred at a local and national level in our quest to eliminate the virus. Primary care has gone through a remarkable transformation in a very short space of time, with general practices moving from face-to-face consultations, to virtual consultations almost overnight, in order to minimise the risk of COVID-19 transmission.

As a back bone organization for general practices in the Hutt Valley, Te Awakairangi Health Network supported general practices to adapt to this rapid change. This meant synthesizing the mass of conflicting information coming through into critical key messages for practices, and supporting them to implement signature less prescriptions, and video consultations.

Alongside this remarkable and rapid transition of primary care services, came the need for the creation of specific Community Based Assessment Centres (CBACs) where general practices, Healthline, and other health and wellbeing providers could refer people with COVID-19 symptoms for assessment and swabbing. These centres run in addition to ongoing daily assessment and swabbing within our general practices.

From the outset, the COVID 19 pandemic has meant an increase in work for Te Awakairangi Health Network, and while the practice support did not attract any additional funding, the CBACs did and were funded consistently across the two DHBs. The inconsistent demand for swabbing means that swabbing services need to be ramped up at very short notice, and this means that some capacity needs to be maintained at all times. As a result, the DHBs contracts provide sufficient funding to enable delivery during surge periods, but also allow for residual capacity during periods of low activity.

Alongside the CBAC contract Te Awakairangi Health Network also holds a contract for the funding that practices are receiving for completing assessments in house alongside their business as usual.

It is likely that the requirement for CBACs and testing for COVID-19 will continue for the next 12 months and that Te Awakairangi Health Network will continue to facilitate and provide those services for the population of the Hutt Valley for the duration of the pandemic.

During the 20/21 year Te Awakairangi Health Network has been responsible for the set up of two COVID-19 vaccination clinics in the Hutt Valley and will continue to facilitate and provide COVID-19 vaccinations for the next 6-12 months.

COVID-19 has not had a negative financial impact on the Network.

### 10 Health and Disability System Reforms

On 21 April 2021, the Government confirmed the details of the health system reforms in response to the Health and Disability System Review will formally come into place from 1 July 2022, which includes a disestablishment of all 2 District Health Boards to be replaced with a new crown entity, Health New Zealand which will centralise the running of hospitals and commissioning primary and community health services. This may impact on the funding and contracting arrangements for primary care, including Primary Health Organisations such as Te Awakairangi health Network. Further clarity on future arrangements (nationally and locally) should be forthcoming during 2021/22.

On the basis of the currently available information the Trust considers it appropriate to continue to adopt the going concern assumptions. As the primary funder of Te Awakairangi health Network, Hutt Valley DHB has confirmed that the multiple contracts between the two organisations will continue in 2021/22, largely on the same basis as in 2019/20 and 2020/21, with significant additional contracts for delivery of the COVID-19 response. Along with positive equity and large cash reserves the Trust has the ability to implement changes and strategies when required. On this basis the Trust deems it is appropriate to adopt the going concern basis in preparing the financial statements.

# Te Awakairangi Health Network

## Notes to the financial statements

### 11 New/amended accounting standards that are issued but not yet in effect.

The standards and interpretations that are issued, but not yet in effect, up to the date of issuance of the Trust's financial statements are disclosed below. The Trust intends to adopt these standards, if applicable, when they become effective. The Trust has not yet determined the impact, if any, that adoption of these financial reporting standards will have on the Trust's financial statements.

#### 11.1 PBE IPSAS 41 – Financial instruments

PBE IPSAS 41 introduces into PBE Standards the reforms introduced by NZ IFRS 9 in the for-profit sector. This standard replaces most of the requirements of PBE IPSAS 29.

This new standard:

- Introduces a new classification model for financial assets, which may cause certain financial assets to be classified and measured differently as compared to PBE IPSAS 29.
- Introduces a more flexible and less rules-based hedge accounting model, which allows hedge accounting to be applied to a wider range of risk management strategies.
- Introduces a more forward-looking impairment model for financial assets, based on expected credit loss, which may cause certain assets to be impaired earlier than they would be under the current "incurred loss" model.
- Requires PBEs to provide additional disclosures about hedge accounting and impairment.
- Effective date of the standard is 1 January 2022, meaning the Trust will adopt this standard in its 30 June 2023 financial statements

#### 11.2 PBE FRS 48 – Service Performance Reporting

This Standard was issued in November 2017 and establishes requirements PBEs to select and present service performance information.

PBEs within the scope of this Standard will need to provide users with:

- Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- Information about what the entity has done during the reporting period in working towards its broader aims and objectives.

Effective date of the standard is 1 January 2022, meaning the Trust will adopt this standard in its 30 June 2023 financial statements.

# Te Awakairangi Health Network

## Notes to the financial statements

### 12 Health Services Contracts

	2021	2020
	\$	\$
First Contact Care	25,805,480	24,673,740
Overnight PC Service Delivery	111,329	110,468
Valleywide Contract Income DHB	1,991,204	1,832,048
SIA/HP Income	2,046,904	1,976,221
Careplus Income	2,084,773	1,998,080
Mental Health Income	1,979,070	1,342,541
PHO Management	895,494	863,398
COVID-19	3,283,559	2,276,667
Health Care Home	1,909,925	1,472,550
Other service income	1,650,958	1,512,931
Gross service revenue for the year	41,758,697	38,058,644
Plus Bfwd Funds	86,630	
<b>Total revenue from services for the year</b>	<b>41,845,327</b>	<b>38,058,644</b>

### 13 Direct Service Delivery Costs

	2021	2020
First Contact Care	25,805,480	24,673,740
Overnight PC Service Delivery	110,947	110,098
Valleywide Contract Expenses DHB	1,825,306	1,620,727
Services to Improve Access/Health Promotion	670,434	627,128
Careplus	1,548,827	1,547,963
Mental Health	50,557	50,514
COVID-19	1,856,523	1,832,877
Health Care Home	1,650,192	1,272,102
Other service delivery costs	1,084,843	955,109
<b>Total service delivery costs for the year</b>	<b>34,603,108</b>	<b>32,690,258</b>

*Note that the COVID direct service delivery costs does not include the salary components of this contract*

### 14 Depreciation and impairment expenses

	2021	2020
	\$	\$
Depreciation of property, plant and equipment	85,793	90,090
Impairment losses on trade receivables	-	0
<b>Total depreciation and impairment expense</b>	<b>85,793</b>	<b>90,090</b>

### 15 Other overhead and administrative expenses

	2021	2020
	\$	\$
Audit fees	29,620	19,000
Board fees	29,035	33,794
Operating lease expenses inc Premises rental	173,756	172,496
Other expenses	854,214	735,840
<b>Total other overheads and administrative expenses</b>	<b>1,086,626</b>	<b>961,130</b>

# Te Awakairangi Health Network

## Notes to the financial statements

### 16 Cash and cash equivalents

	2021	2020
	\$	\$
Cheque account	1,172,827	563,884
Term Deposits	1,000,000	-
Petty cash	500	500
<b>Total cash and cash equivalents</b>	<b>2,173,327</b>	<b>564,384</b>

The carrying amount of cash, cash equivalents and term deposits approximates their fair value.

### 17 Trade debtors and other receivables

	2021	2020
	\$	\$
Trade debtors	1,226,784	1,251,841
Related party receivables	641,682	185,757
Accrued income	579,593	405,515
Accrued interest	1,366	3,429
<b>Total trade debtors and other receivables</b>	<b>2,449,425</b>	<b>1,846,542</b>

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value.

As at 30 June 2021 and 2020, all overdue receivables have been assessed for impairment and no allowances have been required. All receivables are subject to credit risk exposure.

### 18 Trade creditors and other payables

	2021	2020
	\$	\$
Trade creditors	852,010	627,364
Non trade payables and accrued expenses	681,345	667,618
GST payable	148,896	65,413
<b>Total trade creditors and other payables</b>	<b>1,682,251</b>	<b>1,360,395</b>

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

# Te Awakairangi Health Network

## Notes to the financial statements

### 19 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

2021	Leasehold Improvements	Plant and equipment	Motor Vehicles	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Opening balance	286,450	415,316	174,247	876,013
Additions		228,134	14,735	242,869
Disposals/Sale		42	(2,956)	(2,914)
Closing balance	286,450	643,492	186,026	1,115,968
<b>Accumulated depreciation</b>				
Opening balance	286,450	262,825	102,065	651,340
Current year depreciation		66,291	19,502	85,793
Depreciation written back on disposal		-	(1,391)	(1,391)
Closing balance	286,450	329,116	120,176	735,742
<b>Carrying amount 30 June 2021</b>	-	314,376	65,850	380,226

2020	Leasehold Improvements	Plant and equipment	Motor Vehicles	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Opening balance	286,450	338,164	136,856	761,470
Additions		77,418	37,391	114,809
Disposals		(266)		(266)
Closing balance	286,450	415,316	174,247	876,013
<b>Accumulated depreciation and impairment</b>				
Opening balance	255,921	217,617	87,711	561,249
Current year depreciation	30,529	45,208	14,354	90,091
Depreciation written back on disposal				-
Closing balance	286,450	262,825	102,065	651,340
<b>Carrying amount 30 June 2020</b>	-	152,491	72,182	224,673

# Te Awakairangi Health Network

## Notes to the financial statements

### 20 Income in advance

The following service funding has been received before balance date, the funding balance has been carried forward for the proportion of agreed upon services not delivered at the balance date.

When the funding received is defined as a non-exchange revenue transaction, any funding received where there is no obligation to refund unused amounts to third parties is recognised immediately as revenue and not carried forward, regardless of whether agreed upon services have been delivered.

	2021	2020
	\$	\$
PC Local Services Agreement	38,116	43,069
Mental Health	152,492	64,397
Mental Health IPMHA	121,552	
HealthPathways	11,148	11,148
Radiology	19,784	36,797
MoreHeart&Diabetes	21,914	21,914
POAC	61,806	51,448
Rapid response	62,677	51,702
Contraception Access	7,011	
Pharmacy Smoking Cessation	15,093	15,093
Bowel Screening	28,980	23,940
Health Care Home	225,361	170,508
Raising Healthy Kids	7,013	8,007
Raising Healthy Kids - Te RooPu U5	34,191	
Refugee funds committed to Year 2	-	900
COVID-19 CBAC Funding	1,201,145	77,708
COVID-19 PsychoSocial Funding	-	8,915
Other income in advance	54,916	95,184
<b>Total Income in Advance</b>	<b>2,063,200</b>	<b>680,730</b>

### 21 Committed Funds

The following funding is held as Equity in Committed Funding Reserve. Committed funds are restricted funds that have been set aside to spend on the specific project.

	2021	2020
	\$	\$
CarePlus	261,002	412,874
System Level Measures	30,000	30,000
PMS Data Migration	114,101	114,101
Services to Improve Access	605,014	373,013
Health Promotion	116,744	70,878
<b>Total Committed Funding Reserve</b>	<b>1,126,860</b>	<b>1,000,866</b>

### 22 Operating leases

Operating leases are held for premises used for office space.

	2021	2020
	\$	\$
<i>Non-cancellable operating leases are payable as follows:</i>		
Less than one year	277,594	13,372
Between one and five years	265,307	3,600
More than five years	-	-
<b>Total</b>	<b>542,901</b>	<b>16,972</b>

The Lease renewal for the office premises on Level 4 330 High St. which was signed on 2 July 2021 has been included in the above disclosure.

## Notes to the financial statements

### 23 Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Network.

The Network has a related party relationship with its Trustees and other key management personnel.

#### (a) Transactions with related parties

The following transactions were carried out with related parties in which Trustees of the Network hold key positions.

	2021		2020	
	\$	\$	\$	\$
	Expense	Income	Expense	Income
Connolly Street Medical	1,258,666	22,089	1,213,571	8,064
Capital and Coast DHB	1,000	912,706	-	-
Emergency Medical Services	77,284	-	95,248	3,900
Gibson Sheat	12,572	-	3,582	-
Hutt Union Community Health	2,958,371	54,918	2,559,318	88,598
Kokiri Marae/Tu Kolahi	78,144	-	75,582	-
Hutt Valley DHB	266,223	9,705,540	452,471	6,208,327
Silverstream Health Centre	2,704,141	44,619	2,529,131	25,696
Te Omanga Hospice Trust	17,164	79,264	-	62,100
Tu Ora Compass Health	172,966	491,132	156,934	536,325
VIBE	35,441	16,200	35,137	-
Waiwhetu Medical Centre	1,155,528	40,558	1,252,247	31,962
Whai Oranga	1,634,009	40,576	1,618,963	6,753
	<b>10,371,509</b>	<b>11,407,602</b>	<b>9,992,183</b>	<b>6,971,725</b>

The following statement discloses outstanding balances with related parties at year end.

	2021		2020	
	Receivable at Year end	Payable at Year end	Receivable at Year end	Payable at Year end
	\$	\$	\$	\$
Connolly Street Medical	-	6,224	-	-
Capital and Coast DHB	549,994	-	-	-
Emergency Medical Services	-	4,825	-	14,779
Gibson Sheat	-	2,384	-	-
Hutt Union Community Health	-	62,217	9,989	61,680
Hutt Valley DHB	1,169,539	18,830	-	-
Silverstream Health Centre	-	20,463	6,447	32,146
Tu Ora Compass Health	130,858	33,515	165,907	24,332
VIBE	1,388	3,371	-	3,371
Waiwhetu Medical Centre	-	31,775	785	6,610
Whai Oranga	-	24,335	3,414	20,775
	<b>1,851,779</b>	<b>207,939</b>	<b>185,757</b>	<b>157,083</b>

#### (b) Key management remuneration

The Network has a related party relationship with its key management personnel. Key management personnel include the Network's Trustees and Senior Management.

Key management personnel received the following remuneration in the year:

	2021	2020
	\$	\$
Network Trustees	24,780	22,850
Number of Network Trustees	9	12
Key Senior Management Personnel	804,906	933,413
Number of Key Senior Management Personnel	7	9
<b>Total key management remuneration</b>	<b>829,686</b>	<b>956,263</b>

# **Te Awakairangi Health Network**

## Notes to the financial statements

### **24 Contingent assets and contingent liabilities**

The Network has no contingent assets or contingent liabilities as at 30 June 2021.

### **25 Events after the reporting period**

There are no significant subsequent events from 30 June 2021 that we are aware of.

### **26 Capital Management**

The Network's risk management policy is to ensure they can continue to adhere to their objectives in the long term in providing comprehensive, quality primary health care in order to ensure "Everyone in the Hutt Valley is healthy and well".

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF TE AWAKAIRANGI HEALTH NETWORK

### Opinion

We have audited the financial statements of Te Awakairangi Health Network ("the Trust"), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.

### Trustees' Responsibilities for the Financial Statements

The Trustees are responsible on behalf of the Trust for the preparation and fair presentation of the financial statements in accordance with PBE Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.

#### **Who we Report to**

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

*BDO Wellington Audit Limited*

**BDO WELLINGTON AUDIT LIMITED**

Wellington

New Zealand

3 November 2021