

## **Program for Associations financial amalgamation with NZ Playcentre Federation**

### **What Associations need to know:**

- Once amalgamation date is confirmed and is achieved NZ Playcentre Federation (or “the continuing entity”) and all Playcentre Associations (or “Associations”) become one legal entity.
- From this date all assets and liabilities of the Associations combine with the continuing entity.
- Think of the Amalgamation like a marriage rather than the transfer of ownership.
- All property becomes the property of the continuing entity, NZ Federation have compiled a database of these assets over the preceding years and have revalued all assets consistent with the Playcentre Group Aotearoa Accounting Policies in 31 August 2017.
- There is no sale and purchase or legal transactions and as such no GST implications of the changeover for Associations.
- All leases automatically change over there is no need for Associations to do anything.
- Any remaining employees automatically become the employees of NZ Playcentre Federation

### **Practicalities:**

- We will be following the ED PBE IPSAS 40 for accounting for our amalgamation, all technical effort will be undertaken by Federation staff.
- This is a major Amalgamation and due to limited resources at Federation Finance team we request the actual handover of the books and assets take place in March and April 2019 in order to not divert effort away from the 2018 yearend and consolidation process.
- Between the date of legal amalgamation and the date of the handover of the books all funds are to be frozen. As the entities have become one the Delegated Financial Authority policies of NZ Playcentre Federation apply to all Associations.
- Associations will not be expected to carry costs from date of legal amalgamation until date of the final books handover.
- All remaining employees are to be transferred to Federation Payroll from no later than the first payroll subsequent to Amalgamation.
- All invoices are to be forwarded onto Playcentre Aotearoa Accounts Payable [accounts.payable@playcentre.org.nz](mailto:accounts.payable@playcentre.org.nz) for payment, all invoices with an Associations name on them will be honoured after legal amalgamation.
- All direct debits should be transferred before Amalgamation date – request change forms and send to Accounts Payable.
- Do not enter into any new term deposits ending after 28 Feb 2019.
- Do not enter any new contracts ending after amalgamation date.

### **What Associations do need to do now:**

- Please simplify your business and financial activities as much as possible, from the date of amalgamation we expect the Associations to operate as shell entities holding bank accounts only.
- Consolidate all bank accounts preferably into one bank account.
- Pay all outstanding liabilities and loans including employment liabilities prior to amalgamation date.

- Finish all building and/or maintenance projects.
- Complete all programs and other contracts.
- Keep records, we will be asking for a General ledger showing both your balance sheet as at Amalgamation date and Profit and loss for the period 1 September 2018 to amalgamation date. We will require this be provided in excel – we will be following the same process as the 2018 year end.
- If your Association has multiple entities and GLs please pre consolidate into one.
- Shops on their own GL will retain their own GL and continue as if nothing has changed at this stage.

**What we will want from you in March and April 2019:**

- We will be asking for a General ledger showing both your balance sheet as at Amalgamation date and Profit and loss for the period 1 September 2018 to amalgamation date.
- We will ask each association to make a deposit of all remaining bank balances into a nominated bank account, after this we will request all association bank accounts be shut down and all banking records to be included to the date of the final close of bank account. Bank account closure documents also to be provided.
- We will review in April any remaining Term deposit bank accounts and the need to sign these over or to retain these until the end of term then transfer funds.
- We will need detailed information of any liabilities or commitments of the Association.
- Any net liabilities will be honoured by the continuing entity unless the Association has made a distribution to centres.

**Tagged Funds:**

- Tagged funds are funds that have been legally tagged for a specific purpose, think twice before tagging and a tag can create unexpected restrictions and can in some circumstances cause money to be tied up after projects are completed and cannot be released for other useful purposes. Tagging can also cause contention over the wording or scope of the tagging leading to the intended beneficiaries being unable to access fund while waiting for legal clarifications.
- All supporting documentation to be provided, such as copies of solicitor letters relating to bequests and meeting minutes.
- NZ Federation will honour tagged funds where the Association has net assets after all liabilities including those owed to NZ Playcentre Federation to cover the amount tagged.
- There is no need to tag actual liabilities, such as projects and contracts underway or employment liabilities. These are genuine liabilities and NZ Playcentre Federation have a legal obligation to meet these upon amalgamation with or without tagging, tagging just adds a layer of expensive administration.
- NZ Playcentre Federation will honour all insurance monies received for the centre it was received for until the project/repair is satisfactorily complete, simply provide information about the amount of insurance received and the centre it relates to and we will set up a special project, Associations do not need to tag these funds.
- All funds tagged for capital or maintenance are to be fully exhausted by the relevant centres before these centres access any funds from the National Property Fund.

**Distributions to centres:**

- No distributions are to be made to centres after the Amalgamation date. Such distributions will be requested to be repaid or deducted from the following bulk funding round.
- Documentation of all distributions made from 1 August 2016 to Amalgamation date to be provided.
- Any distributions made where the Association is unable to meet their legal liabilities upon amalgamation including liabilities to NZ Playcentre Federation or another related party may be requested to be repaid to cover these liabilities or deducted from the following bulk funding round.
- Note large cash distributions do increase the potential and incentive for fraud at centre level.