

Commentary on Financial Statements - 31 March 2022
Statement of Performance (Profit and Loss Statement)

Mangawhai Artists Incorporated generated a Loss for the year ended 31/3/22 of \$11K compared to a surplus \$16K in 2021.

This loss can be completely attributed to MAI writing off (depreciating) the Art Workspace over the remaining years of the lease of the land. See later notes.

While Covid led to having some exhibitions cancelled and very few workshops being run, both the Gallery and the Workspace were able to cover their operating expenses (before depreciation). Both made a surplus.

Key financial points from the 21/22 year are:

- Donations increased by \$7k from \$1k in 20/21 to \$8k in 21/22. \$5k of this was a donation from the Tara Iti golf tournament. Another \$1k came from the sale of books from Lynn Middleton's Estate and our library.
- Depreciation increased by \$13k from \$9k in 2021 to \$22k in 21/22, primarily reflecting a full year's depreciation on the Workspace.

Year on year variances are explained further by the following:

Income for the 2022 year was reduced by \$28k from \$53K in 2021 to \$25K in 2022.

This is made up of:

- \$25K reduction in sponsorship received. \$25k was received from Viranda Group (Mangawhai Central) in 2021 with no sponsorship received in 2022.
- \$3k reduction in Grants received. No Grants were applied for in 2022.
- \$7k reduction in Other Revenue from \$8k in 2021 to \$1k in 2022 (KDC Wood Street Project)

Operating expenses for the 2022 year reduced by \$1k from \$37k 2021 to \$36K in 2022

This is made up of:

- \$13k Increase in Depreciation – first full year of Workspace write off.
- \$1k Increase in Insurance – relating completion of the Workspace project.
- \$9k reduction in Community Projects - Wood St project funded by Kaipara District Council and Youth Art Showcase funded by sponsorship
- \$3k reduction in Prizes - Youth Art Showcase funded by sponsorship
- \$2k net reduction in other operating expenses

Fixed Assets as at 31/03/22

Asset Type	Cost	Closing Value
Building Improvements	\$177,497	\$148,680
Furniture & Fittings	\$ 14,141	\$ 7,459
	\$191,638	\$156,139

Depreciation

As explained in the 2021 Commentary on the Financial Statements, Depreciation of the Workspace commenced in November 2020 and was calculated on a straight-line basis across the remaining 8.67 years of the initial ten-year term of the lease, to 31/7/2029.

Although there are two further rights of renewal of 5 years each the prudent approach to depreciate on the definite term of 10 years was adopted.

- The final cost of the Building improvements was \$177k (\$177,497) An increase of \$5k on the 2021 year for completion of the Workspace Storage Room.
- \$29k is the Closing Accumulated Depreciation for Building Improvements in 2022 with a closing Book Value of \$149k

The table below shows the yearly depreciation and Closing Book Value of Building /Leasehold Improvements for through the years of the current lease term.

Building /Leasehold Improvements				
Financial Year	Additions	Yearly Depreciation	Accumulated Depreciation	Closing Book Value
2021		\$ 8,297	\$ 8,297	\$ 164,351
2022	\$ 4,849	\$ 20,519	\$ 28,816	\$ 148,681
2023		\$ 20,519	\$ 49,335	\$ 128,162
2024		\$ 20,519	\$ 69,854	\$ 107,643
2025		\$ 20,519	\$ 90,373	\$ 87,124
2026		\$ 20,519	\$ 110,892	\$ 66,605
2027		\$ 20,519	\$ 131,411	\$ 46,086
2028		\$ 20,519	\$ 151,930	\$ 25,567
2029		\$ 20,519	\$ 172,449	\$ 5,048
4 months 2030		\$ 5,048	\$ 177,497	\$ -

If MAI renews their lease of the current Gallery and Workspace in 2030 Depreciation will reduce by \$21k per annum.

All Furniture & Fittings are depreciated at 20% p.a. on diminishing value.

Statement of Position (Balance Sheet)

The Statement of Position sets out the assets and liabilities of Mangawhai Artists and reflects the total equity held. At 31/3/22 Total Equity reflected by Net Assets is made up of:

	21/22	20/21	Change
	\$'000	\$'000	\$'000
Bank Balances	22	14	8
Current Assets/Liabilities	(5)	0	(5)
Fixed Assets	156	170	(14)
Total Equity/Net Assets	173	184	(11)

This is a reduction of \$11,472 on 2021 Equity reflecting the loss for the 2022 year which impacted the Balance Sheet.