

Waikato District Community Wellbeing Trust

Performance Report

For the year ended 30 June 2015

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Entity information

Legal name

Waikato District Community Wellbeing Trust (the Trust).

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status.

The Trust is controlled by Waikato District Council (WDC) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of WDC's right to appoint the Trustees.

Objectives of the Trust

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed *;
2. To develop an investment mandate seeking for the portfolio both income and growth from suitably diversified investments having a moderate investment risk.

* Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

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Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of WDC. Those staff are: General Manager–Strategy & Support, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Deputy Mayor	Dynes Fulton (Chairperson)
Councillor	Shelley Lynch
WDC appointee	Eileen Bateup
WDC appointee	Sandra Perry (resigned 8 October 2014)
WDC appointee	Judi Muru (appointed 13 April 2015)

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Gareth Morgan Investments. The returns from the portfolio are the Trust's source of continuing revenue.

Statement of service performance

The following performance measures were incorporated into the Statement of Intent for the year ended 30 June 2015.

Objective	Performance Measures	2014/15 Result	2013/14 Result
<p>Governance: To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.</p>	<p>Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.</p>	<p>Achieved. Legal review completed on 14 July 2015.</p>	<p>New measure introduced in 2014/15.</p>
<p>Investment: To adhere to the Trusts Management of Investment Portfolio and Distribution Policy. To review on an annual basis the investment mandate with the portfolio manager and the performance of the portfolio manager.</p>	<p>A quarterly Trustee meeting be held to review compliance with the Trusts Management of Investment Portfolio and Distribution Policy for that quarter.</p>	<p>Achieved. Review meetings were held on 13 August, 8 October 20 February and 24 April. (please see the table below for Investment Portfolio and Distribution Policy compliance during the 2014/15 year)</p>	<p>Achieved. The trustees have received and discussed quarterly portfolio performance reports from Gareth Morgan Investments. Half-year financial statements were received and considered on 18 February 2014. (please see the table below for Investment Portfolio and Distribution Policy compliance during the 2013/14 year)</p>
<p>Grant disbursement: As per the Management of Investment Portfolio and Distribution Policy, to distribute a total grant disbursement that does not exceed 50% of the net income for that year after allowing for the CPI movement and expenses.</p>	<p>The distribution process is undertaken that distributes the annual fund to eligible recipients who meet the fund criteria in accordance with funding targets set by trustees in accordance with the Management of Investment</p>	<p>Achieved. The actual grants paid represented 28% of net income less expenses and the capital maintenance allowance. Two grants that were approved in the 2013/14 year were paid in 2014/15 totalling \$80,000. A further two grants approved in 2014/15 were paid within the</p>	<p>Achieved. No grants were disbursed during the year. A grant allocation of \$119,000 was made and will be paid when the conditions attached to those grants are met. This allocation amounts to a distribution of 38% compared with a maximum allowed of</p>

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Objective	Performance Measures	2014/15 Result	2013/14 Result
	<p>Portfolio and Distribution Policy for the 2014/2015 year.</p> <p>Six-monthly reports are received from all successful applicants within the required timeframe.</p>	<p>year totalling \$60,000.</p> <p>Not achieved. Status reports were received from all but one of the applicants within the required timeframe. The final report was received on 10 July 2015, which was outside the stipulated timeframe.</p>	<p>50% as per the Statement of Intent.</p> <p>New measure introduced in 2014/15.</p>

Portfolio and distribution policy compliance

Agreed targets	Actual Outcome 2014/15	Actual Outcome 2013/14
Ensure that the total grant disbursement does not exceed 50% of the net income for that year after allowing for capital maintenance and expenses.	Achieved. The actual grants paid represented 28% of net income less expenses and the capital maintenance allowance.	Achieved. No grants were disbursed during the year. A grant allocation of \$119,000 was made and will be paid when the conditions attached to those grants are met. This allocation amounts to a distribution of 38% compared with a maximum allowed of 50% as per the Statement of Intent.
Ensure that the real (inflation adjusted) value of the fund is protected.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 0.1% over the year.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.6% over the year.
Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. The overall grant payments of \$140,000 equates to 4.4% of total capital.	Achieved. The first grants were approved in the 2013/14 year and totalled \$119,000 or 4.09% of total opening capital.
Ensure there is diversification of	Mostly achieved. The instances where over 2%	Achieved.

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Agreed targets	Actual Outcome 2014/15	Actual Outcome 2013/14
investments with a 2% cap on the value of any single investment in the portfolio.	cap in value of part of the investment portfolio occurred are not considered to be high risk category and the percentage is only marginally over the 2% cap.	
The portfolio investment manager will report regularly to the Trustees.	Achieved. The portfolio investment reports are provided to the Trustees at each meeting.	Achieved. The trustees have received and discussed quarterly portfolio performance reports from Gareth Morgan Investments.
The Trustees will annually review the performance of the portfolio manager.	Achieved. The performance of the portfolio manager has been reviewed and it is considered that the portfolio manager is adding value to the investment activity relative to the benchmark.	Achieved. The performance of the portfolio manager has been reviewed and it is considered that the portfolio manager is adding value to the investment activity relative to the benchmark.

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Declaration by Board of Trustees

The Board of Trustees is responsible for the preparation of the financial statements and performance information in accordance with the financial reporting standards.

The Board of Trustees is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance results. In the opinion of the Board of Trustees, these financial statements fairly reflect or give a true and fair view of the financial position, operations and service performance of the Waikato District Community Wellbeing Trust for the year ended 30 June 2015.

Trustee: _____

Trustee: _____

Date: _____

Date: _____

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Statement of financial performance

2013/14			2014/15	2014/15
Actual		Note	Budget	Actual
\$			\$	\$
Revenue				
68,559	Finance income	1		81,757
27,449	Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)			30,944
195,051	Gains and losses	2		484,799
291,059	Total revenue		221,276	597,500
Expenses				
7,161	Audit fees		7,000	6,291
20,991	Other expenditure	3	19,403	22,446
-	Grants	4	65,274	140,000
28,152	Total expenses		91,677	168,737
262,907	Surplus (deficit) for the year		129,599	428,763

Explanations of major variances against budget are provided in note 15.

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Performance report
For the as of 30 June 2015

Statement of financial position

2013/14 Actual \$		Note	2014/15 Budget \$	2014/15 Actual \$
Assets				
Current assets				
228,345	Bank accounts and cash	5	267,168	296,968
2,971,241	Investments	6	3,294,965	3,477,916
-	Accrued interest		-	1
3,199,586	Total current assets		3,562,133	3,774,885
3,199,586	Total assets		3,562,133	3,774,885
Liabilities				
Current liabilities				
16,598	Creditors and accrued expenses	7	216,317	164,010
7,327	Accrued expenses	8	-	6,451
23,925	Total current liabilities		216,317	170,461
23,925	Total liabilities		216,317	170,461
3,175,661	Total assets less total liabilities (net assets)		3,345,816	3,604,424
Trust equity				
		9		
2,579,899	Introductory fund		2,515,157	2,579,899
130,130	Capital maintenance fund		194,403	193,643
465,632	Accumulated funds		636,256	830,882
3,175,661	Total Trust equity		3,345,816	3,604,424

Explanations of major variances against budget are provided in note 15.

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Statement of cash flows

2013/14			2014/15	2014/15
Actual		Note	Budget	Actual
\$			\$	\$
	Cash flows from operating activities			
	Cash was received from:			
68,559	Interest receipts			77,028
26,981	Dividends received			30,943
	Cash was applied to:			
(20,455)	Payment to suppliers			(22,203)
75,085	Net cash flows from operating activities			85,768
	Cash flows from investing and financing activities			
	Cash was received from:			
2,798,624	Sale of investments			4,289,060
	Cash was applied to:			
(2,813,789)	Acquisition of investments			(4,306,375)
(15,165)	Net cash flows from investing and financing activities			(17,315)
(5,367)	Foreign exchange translation differences			170
54,553	Net increase (decrease) in cash for the year		38,823	68,623
173,792	Add opening bank accounts and cash	5	228,345	228,345
228,345	Closing bank accounts and cash	5	267,168	296,968

Explanations of major variances against budget are provided in note 15.

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Statement of accounting policies

Basis of preparation

The Board of Trustees has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies

Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.
Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in surplus (deficit).

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Board and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Bank accounts and cash

Bank accounts and cash includes cash on hand, deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus or deficit. The reason for this classification is that the portfolio is comprised of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Budget figures

The budget figures are derived from the statement of intent approved by the board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards (with the exceptions noted below), using accounting policies that are consistent with those adopted by the Trustees in preparing these financial statements.

Tier 2 PBE accounting standards applied

The Trustees have elected to apply the following Tier 2 PBE accounting standards:
PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
PBE IPSAS 29 Financial instruments: recognition and measurement.

Changes in accounting policies and transition to the new PBE SFR-A (PS) standard

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard and comparative information for the year ended 30 June 2014 has been re-stated to comply with the new standard.

Notes to the performance report

1. Finance income

2013/14		2014/15
Actual		Actual
\$		\$
68,556	Interest income from portfolio of investments managed by GMI	81,754
3	Interest income from BNZ	3
68,559	Total finance income	81,757

Finance income is the only revenue received by the Trust and is all generated by exchange transactions.

2. Gains and losses from managed portfolio

2013/14		2014/15
Actual		Actual
\$		\$
261,146	Realised gains (losses) on investments	249,200
(66,095)	Unrealised gains (losses) on investments	235,599
195,051	Total realised and unrealised gains (losses)	484,799

3. Other expenditure

2013/14		2014/15
Actual		Actual
\$		\$
19,915	Management fees	21,618
1,076	Other expenses	828
20,991	Total other expenditure	22,446

4. Grants

2013/14 Actual \$	Purpose of Grant	2014/15 Actual	
-	Huntly Lions' Club – Ralph Mine Memorial	Construction of memorial poppet head	40,000
-	Allan Turner Memorial Walkway	Matangi-Tamahere bridge connection	40,000
-	Taupiri Rugby Football Club	Construction of a carpark	20,000
-	Te Awa River Ride Charitable Trust	Contribution towards cost of developing the cycleway	40,000
<hr/>			
-	Total grants paid	140,000	

See the statement of service performance (pg 5) for details relating to the evaluation of done performance.

5. Bank accounts and cash

2013/14 Actual \$		2014/15 Actual \$
1,043	Cash at bank	1,006
227,302	Cash investments managed by GMI	Note 14 295,962
<hr/>		
228,345	Total bank accounts and cash	296,968

The carrying value of cash at bank approximates its fair value.

6. Investments

2013/14 Actual \$		2014/15 Actual \$
1,417,401	Fixed interest instruments managed by GMI	1,656,401
1,553,840	Equity instruments managed by GMI	1,821,515
<hr/>		
2,971,241	Total investments	3,477,916

The Trust has a portfolio of investments which is managed by GMI. The portfolio investments are detailed in note 14.

Accrued interest of \$20,320 (2014: \$15,592) is included in the portfolio.

7. Creditors and accrued expenses

2013/14		2014/15
Actual		Actual
\$		\$
1,693	Management fee	1,892
14,905	WDC Payable:	162,118
7,118	- Audit fee 2012 (inc disbursements)	7,118
6,998	- Audit fee 2013	6,998
-	- Audit fee 2014	7,161
78	- Audit disbursements	27
-	- Annual return fees	103
711	- Advertising	711
-	- Grants	140,000
16,598	Total creditors and accrued expenses	164,010

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of trade and other payables approximates their fair value.

All payables have arisen from exchange transactions.

8. Accrued expenses

2013/14		2014/15
Actual		Actual
\$		\$
7,161	Audit fee – current year	6,291
115	Audit disbursements - current year	120
51	Annual return fee	-
-	Bank audit confirmation fee	40
7,327	Total accrued expenses	6,451

9. Equity

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2013	2,579,899		332,855	2,912,754
Surplus (deficit)			262,907	262,907
Transfer from accumulated funds		130,130	(130,130)	-
Balance at 30 June 2014	2,579,899	130,130	465,632	3,175,661
Surplus (deficit)			428,763	428,763
Capital maintenance charge		63,513	(63,513)	-
Balance at 30 June 2015	2,579,899	193,643	830,882	3,604,424

Introductory and capital maintenance funds

The Trust was established with an initial contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

The Trust's performance objectives, as listed in the Statement of intent for the year to 30 June 2015, includes a requirement to protect the real (inflation adjusted) value of the fund. An adjustment of 2% is added to the Capital maintenance fund annually in order to achieve this objective.

10. Commitments

Capital commitments

There are no capital commitments as at 30 June 2015 (2014: Nil).

Operational commitments

As at 30 June 2015 the Trust had the following grant commitments:

	Donee	Purpose of grant	Amount
Waikato Trust	Crime Prevention	Installation of security cameras in North Waikato townships	20,000
Raglan Mountain Bike Club		Contribution towards development of a mountain bike track	20,000
Glen Afton Incorporated	Pukemiro Society	Construction of a mining memorial in Glen Afton	20,000
Total outstanding grants			\$60,000

During the previous (2013/14) financial year, the Trust approved grants totalling \$119,000. Each of the grants was subject to conditions and none had been uplifted by year end.

11. Contingent liabilities

There are no contingent liabilities as at 30 June 2015 (2014: Nil).

12. Events after balance date

There are no significant events after the balance date.

13. Related party transactions

The Trust is controlled by Waikato District Council and is a member of the Waikato District Council Group along with Council and Strada Corporation Limited. All transactions with related parties were conducted at arms-length.

During the year Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions are listed in note 7 and the balance outstanding at 30 June 2015 is \$162,118 (2014: \$14,905).

The Allan Turner Walkway project, to which the Trust made a grant (see note 4), is a project of Waikato District Council.

14. Managed portfolio

The portfolio of the Trust's investments is managed by Gareth Morgan Investments Limited. The portfolio composition is:

2013/14		2014/15
\$		\$
227,302	Cash investments	295,962
1,417,401	Fixed interest	1,656,401
1,553,840	Equity investments	1,821,515
3,198,543	Total managed portfolio	3,773,878

15. Explanation of major variances against budget

Explanations for major variances from the Trust's budget figures in the 2014/15 Statement of Intent are as follows:

- Total revenue is greater than budget because the return on the opening value of the portfolio was 18.67 per cent compared with a budgeted return of 6.88 per cent.
- Individual revenue items were not budgeted because it was thought the degree of uncertainty was too significant.
- Total grants distributed were more than twice the amount budgeted.
- A budgeted statement of cash flows was not prepared as the statement had not been required in the past.

16. Changes resulting from the first-time adoption of PBE accounting standards

There have been no changes to the comparative year financial statements resulting from the first-time adoption of PBE accounting standards.

17. Breach of section 69 of the Local Government Act 2002

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2015) as required by section 69 of the Local Government Act 2002.

The reason for the late adoption was that some of the evidence required for audit purposes was not available until after 30 September 2015.

Audit opinion