

Waikato District Community Wellbeing Trust
Performance Report
For the year ended 30 June 2017

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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. (Registration number: CC45642)

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

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 Council. Those staff members are: Finance Manager, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chairperson)
Councillor	Rob McGuire
Council appointee	Eileen Bateup
Council appointee	Judi Muru

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 2017.

Objective	Performance Measures	2016/17 Result	2015/16 Result
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.	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	Achieved. Legal review completed on 31 August 2017.	Achieved. Legal review completed on 22 August 2016.
Investment: To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> . To review on an annual basis the investment mandate and the performance of the portfolio manager.	At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.
Fund disbursement: As per the <i>Management of Investment Portfolio and Distribution Policy</i> , to distribute a total grant disbursement that does not exceed 50% of the accumulated retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.	A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the <i>Management of Investment Portfolio and Distribution Policy</i> for the current year.	Achieved. Grant approvals equate to 14% of the accumulated retained net income after allowing for accumulated expenses and inflation movements. Actual grants paid included \$50,548 approved in previous years.	Achieved. Grant distributions equate to 42% of the accumulated retained net income after allowing for accumulated expenses and inflation movements. Actual grants paid were all approved in the previous year.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2017**

Objective	Performance Measures	2016/17 Result	2015/16 Result
Fund disbursement (cont)	Six-monthly reports are received from all successful applicants within the required timeframe.	Achieved. All required reports were received.	Achieved. All required reports were received.

Portfolio and distribution policy compliance

Agreed targets	Actual Outcome 2016/17	Actual Outcome 2015/16
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 1.7% 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 0.4% over the year.
Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. Grants approved of \$88,250 equal 2.6% of total capital.	Achieved. The overall grant payments of \$51,048 represent only 1.4% of total capital.
Ensure there is diversification of investments with a 2% (increased to 7.5% from 1 July 2017) cap on the value of any single investment in the portfolio.	Mostly achieved. The instances where the cap was exceeded related to the PIE investment; they are not considered high risk.	Mostly achieved. The instances where the cap was exceeded are not considered high risk and involved cash or fixed interest managed funds.
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 portfolio investment reports are provided to the Trustees at each meeting.
The Trustees will annually review the performance of the portfolio manager.	Achieved. The performance of the portfolio manager has been reviewed. The Trustees have always acknowledged the need for a long-term view of portfolio management performance.	Achieved. The performance of the portfolio manager has been reviewed. The Trustees have always acknowledged the need for a long-term view of portfolio management performance.

Waikato District Community Wellbeing Trust

Performance report

For the year ended 30 June 2017

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 2017.

Trustee: _____

Trustee: _____

Date: _____

Date: _____

Waikato District Community Wellbeing Trust

Performance report

For the year ended 30 June 2017

Statement of financial performance

		2016/17	2016/17	2015/16
	Note	Actual	Budget	Actual
		\$	\$	\$
Revenue				
Finance income	1	4,543	53,105	58,591
Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)		34,454	25,288	39,930
Realised gains on investments		115,374	-	188,442
Unrealised gains on investments		202,342	174,483	-
Total revenue		356,713	252,876	286,963
Expenses				
Audit fees				
- Current year		7,628	7,200	7,399
- Additional prior year		-	-	944
Other expenditure	2	22,825	25,143	22,471
Grants	3	178,798	75,630	51,048
Unrealised losses on investments		-	-	353,256
Total expenses		209,251	107,973	435,118
Surplus (deficit) for the year		147,462	144,903	(148,155)

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2017****Statement of financial position**

	Note	2016/17 Actual \$	2016/17 Budget \$	2015/16 Actual \$
Assets				
Current assets				
Bank accounts and cash	4	137,494	333,968	281,689
Investments	5	3,662,173	3,367,112	3,242,213
Accrued interest			-	
Total current assets		3,799,668	3,701,080	3,523,903
Total assets		3,799,668	3,701,080	3,523,903
Liabilities				
Current liabilities				
Creditors and other payables	6	128,149	85,232	60,075
Accrued expenses	7	67,788	7,240	7,559
Total current liabilities		195,937	92,472	67,634
Total liabilities		195,937	92,472	67,634
Total assets less total liabilities (net assets)		3,603,731	3,608,608	3,456,269
Trust equity				
	8			
Introductory fund		2,579,899	2,579,899	2,579,899
Capital maintenance fund		334,856	335,006	265,731
Accumulated funds		688,976	693,703	610,639
Total Trust equity		3,603,731	3,608,608	3,456,269

Waikato District Community Wellbeing Trust

Performance report

For the year ended 30 June 2017

Statement of cash flows

	Note	2016/17 Actual \$	2016/17 Budget \$	2015/16 Actual \$
Cash flows from operating activities				
Cash was received from:				
Interest receipts		4,544	54,118	58,593
Dividends received		34,449	25,288	39,933
Cash was applied to:				
Payment to donees		(51,048)	(195,596)	(140,000)
Payment to suppliers		(29,921)	(31,703)	(44,688)
Net cash flows from operating activities		(41,976)	(148,893)	(86,162)
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments		2,309,402	151,070	5,336,352
Cash was applied to:				
Acquisition of investments		(2,410,862)	-	(5,265,205)
Net cash flows from investing and financing activities		(101,460)	151,070	71,147
Foreign exchange translation differences		(759)		(264)
Net increase (decrease) in cash for the year		(144,195)	2,177	(15,279)
Add opening bank accounts and cash	4	281,689	331,791	296,968
Closing bank accounts and cash	4	137,494	333,968	281,689

Statement of accounting policies

Basis of preparation

The Trustees have 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 \$2 million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been used:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
PBE IPSAS 29 Financial instruments: recognition and measurement.

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 (GST)

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) for the year.

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 Trustees 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 and 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 current assets.

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(deficit) for the year.

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

Changes in accounting policies

There have been no changes in accounting policies.

Notes to the performance report

1. Finance income

	2016/17	2015/16
	Actual	Actual
	\$	\$
Interest income from portfolio of investments managed by GMI	4,541	58,521
Interest income from BNZ	2	70
Total finance income	4,543	58,591

All finance income is generated through exchange transactions.

2. Other expenditure

	2016/17	2015/16
	Actual	Actual
	\$	\$
Management fees	22,380	21,887
Other expenses	445	584
Total other expenditure	22,825	22,471

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2017****3. Grants**

	Purpose of Grant	2016/17 Actual	2015/16 Actual
		\$	\$
NW Crime Prevention Trust (2015)	Installation of security cameras in North Waikato townships	-	20,000
The Bush Tramway Club Inc	To complete stage 3 of the extension line on the railway track leading to Glen Afton village	15,548	15,548
Ngaruawahia United AFC	To upgrade the kitchen of the Club's facility located at Centennial Park Ngaruawahia	15,000	15,500
Raglan Mountain Bike Club	Contribution towards development of a mountain bike track	20,000	-
Ngaruawahia Community House	Towards cost of replacing original roof	13,557	-
Pukemokemoke Bush Trust	Towards cost of upgrading walking track	17,193	-
Taupiri Rugby Football Club	Towards cost of upgrading communal toilet facilities	7,500	-
Turangawaewae Rugby League Club	Upgrade kitchen facilities	15,000	-
Whitikahu Hall Committee	Towards cost of upgrading tennis courts	15,000	-
Glen Afton Pukemiro Society Incorporated	Construction of a mining memorial in Glen Afton	20,000	-
Te Kauwhata Events Committee Incorporated	For stage one of the Whangamarino Wetland Walkway	40,000	-
Total grants paid		178,798	51,048

4. Bank accounts and cash

		2016/17 Actual	2015/16 Actual
		\$	\$
Cash at bank		994	1,031
Cash investments managed by GMI	Note 13	136,500	280,658
Total bank accounts and cash		137,494	281,689

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

5. Investments

	2016/17	2015/16
	Actual	Actual
	\$	\$
Fixed interest instruments managed by GMI	1,711,457	1,578,398
Equity instruments managed by GMI	1,950,716	1,663,815
Total investments	3,662,173	3,242,213

The Trust has a portfolio of investments which is managed by Gareth Morgan Investments (GMI). The portfolio investments are detailed in note 13.

Accrued interest of \$18,151 (June 2016: \$188) is included in the portfolio.

6. Creditors and other payables

	2016/17	2015/16
	Actual	Actual
	\$	\$
- Audit fee 2016	7,399	-
- Audit fee 2015	-	7,235
- Annual return fees	51	51
- Credit for over payment	-	(64)
- Grants	118,798	51,048
<i>Total Council Payable:</i>	<i>126,248</i>	<i>58,270</i>
Management fee	1,901	1,805
Total creditors and other payables	128,149	60,075

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.

7. Accrued expenses

	2016/17	2015/16
	Actual	Actual
	\$	\$
Audit fee – current year	7,628	7,399
Audit disbursements - current year	160	160
Grants	60,000	-
Total accrued expenses	67,788	7,559

8. Equity

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2015	2,579,899	193,643	830,882	3,604,424
Surplus (deficit)	-	-	(148,155)	(148,155)
Capital maintenance charge	-	72,088	(72,088)	-
Balance at 30 June 2016	2,579,899	265,731	610,639	3,456,269
Surplus (deficit)	-	-	147,462	147,462
Capital maintenance charge	-	69,125	(69,125)	-
Balance at 30 June 2017	2,579,899	334,856	688,976	3,603,731

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 2017, include 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.

9. Commitments**Capital commitments**

There are no capital commitments as at 30 June 2017 (June 2016: Nil).

Operational commitments

As at 30 June 2017 the Trust had the following grant commitments:

Donee	Purpose of grant	Amount
Onewhero School Building Incorporated	To re-site the old school building back on the grounds of the Onewhero Area School	35,000
Menzshed	Towards cost of building new workshop	10,000
Ngaruawahia Community Board	Towards cost of installing adult fitness station in Ngaruawahia	10,000
Total outstanding grants		\$55,000

All grants are subject to conditions and are not paid until those conditions are fulfilled.

10. Contingent liabilities

There are no contingent liabilities as at 30 June 2017 (June 2016: Nil).

11. Events after balance date

There are no significant events after the balance date.

12. 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 period Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions comprise expense and grants payments and the balance outstanding at 30 June 2017 is \$126,248 (June 2016: \$58,270). See note 6 for details

13. Managed portfolio

The portfolio of the Trust's investments is managed by Gareth Morgan Investments Limited (GMI).

The portfolio composition is:

	June 2017	June 2016
	\$	\$
Cash investments	136,500	280,658
Fixed interest	1,711,457	1,578,398
Equity investments	1,950,673	1,663,815
Total managed portfolio	3,789,673	3,522,871

14. Explanation of major variances against budget

Explanations for major variances from the Trust's budget figures in the 2016/17 Statement of Intent are as follows:

- The increased investment in the PIE fund means that a greater proportion of income is reinvested in the fund. This is the reason for the reduced finance income and increased gains on investments.
- Actual grants distributed included \$50,548 approved in previous years. This was also the reason for the increased amount of creditors and other payables.

15. Breach of section 67 of the Local Government Act 2002

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2017) as required by section 67 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 2017.