

**Whanganui Community Foundation Inc**  
 Consolidated Statement of Comprehensive Income for the Year ended 31<sup>st</sup> March 2010

| <b>Revenue</b>                                   | <b>Note</b> | <b>2010</b>      | <b>2009</b>        |
|--|-------------|------------------|--------------------|
| <b>Investment Income</b>                         |             | 6,392,071        | (5,802,755)        |
| less Investment Administration                   |             | (36,207)         | (35,033)           |
| Rent Received                                    |             | 23,291           | 30,300             |
| Other Income                                     |             | 4,196            | 3,714              |
|  |             | <u>6,383,351</u> | <u>(5,803,774)</u> |
| <b>Less Expenses</b>                             |             |                  |                    |
| Accident Compensation Levy                       |             | 688              | 567                |
| Advertising                                      |             | 5,718            | 8,851              |
| Audit Fees                                       |             | 8,734            | 7,929              |
| Communication                                    |             | 3,891            | 4,058              |
| Consulting fees                                  |             | 394              | 16,866             |
| Computer Expenses                                |             | 993              | 389                |
| Donations Management System                      |             | 480              | 7,129              |
| General Expenses                                 |             | 3,381            | 2,629              |
| Insurance  |             | 3,500            | 4,375              |
| Occupancy Costs                                  |             | 15,581           | 6,283              |
| Printing and Stationery                          |             | 2,070            | 2,838              |
| Professional Development                         |             | 2,958            | 9,431              |
| Promoting Generosity                             | 7           | 4,344            | 10,750             |
| Subscriptions                                    |             | 3,178            | 3,476              |
| Travelling Expenses                              |             | 2,313            | 1,997              |
| Trustees' Fees and Expenses                      |             | 50,278           | 59,295             |
| Wages and Salaries                               |             | 123,689          | 117,805            |
| Total Expenses                                   |             | <u>232,190</u>   | <u>264,668</u>     |
| <b>Net Surplus (Deficit) before depreciation</b> |             | 6,151,161        | (6,068,442)        |
| Depreciation                                     |             | 3,544            | 4,086              |
| Community Distributions                          |             |                  |                    |
| Community Support                                |             | 20,585           | 3,986              |
| Donations  | 2           | 827,492          | 1,080,850          |
| Less prior year grants cancelled or returned     |             |                  | (13,521)           |
| Total Community Distributions                    |             | <u>848,077</u>   | <u>1,071,315</u>   |
| <b>Net Surplus (deficit) for the Year</b>        |             | <u>5,299,540</u> | <u>(7,143,843)</u> |

**Consolidated Statement of Changes in Equity for the Year ended 31<sup>st</sup> March 2010**

|  | <b>2010</b>       | <b>2009</b>        |
|--|-------------------|--------------------|
| Equity at Start of Year                              | 27,498,606        | 34,672,449         |
| Net surplus (Deficit) excluding building revaluation | <u>5,299,540</u>  | <u>(7,143,843)</u> |
| Total Income and Expenses recognised for the year    | 5,299,540         | (7,143,843)        |
| Property Revaluation Reserve movement                | -                 | (30,000)           |
| Equity at End of Year                                | <u>32,798,146</u> | <u>27,498,606</u>  |

NOTE: This statement is to be read in conjunction with the Notes to the Financial Statements.

**Whanganui Community Foundation Inc**  
 Consolidated Balance Sheet for the Year ended 31<sup>st</sup> March 2010

|                                  |   | 2010              | 2009              |
|----------------------------------|---|-------------------|-------------------|
| <b>Assets</b>                    |   |                   |                   |
| <b>Current Assets</b>            |   |                   |                   |
| Cash and Cash Equivalents        |   |                   |                   |
| - Westpac                        | 1 | 143,712           | 147,639           |
| - On Call Account                | 5 | 1,027,130         | 1,526,491         |
| - Term Deposits                  | 5 | 1,780,000         | 2,220,000         |
| Accrued Income                   |   | 34,971            | 87,445            |
| GST                              |   | 4,841             | 2,874             |
| WRPHO Loan                       | 9 | 50,000            | 0                 |
| Database loan                    | 9 | 16,080            | 0                 |
| <b>Total Current Assets</b>      |   | <b>3,056,734</b>  | <b>3,984,449</b>  |
| <b>Non Current Assets</b>        |   |                   |                   |
| Property Plant and Equipment     | 6 | 586,115           | 583,936           |
| <b>Investments</b>               |   |                   |                   |
| State Street Global Assets       | 5 | 21,502,981        | 16,244,947        |
| Term Deposit                     | 5 | 2,000,000         | 2,000,000         |
| Bonds                            | 5 | 5,748,891         | 5,363,513         |
| WRPHO Loan                       |   | 420,833           | 0                 |
| <b>Total Non Current Assets</b>  |   | <b>30,258,820</b> | <b>24,192,396</b> |
| <b>Total Assets</b>              |   | <b>33,315,554</b> | <b>28,176,842</b> |
| <b>Liabilities</b>               |   |                   |                   |
| <b>Trust Funds Held</b>          |   |                   |                   |
| Heart Fund                       |   | 3,364             | 4,866             |
| Youth Fund                       |   | 18,000            | 20,500            |
| Disaster Recovery Fund           |   | 51,717            | 51,717            |
| Tindall Foundation               |   | 1,400             | 15,000            |
| <b>Total Trust Funds held</b>    |   | <b>74,481</b>     | <b>92,083</b>     |
| <b>Current Liabilities</b>       |   |                   |                   |
| Accounts Payable                 |   | 33,091            | 21,461            |
| Donations not yet uplifted       |   | 403,630           | 559,152           |
| Accrued employee entitlements    |   | 6,206             | 5,540             |
| <b>Total Current Liabilities</b> |   | <b>442,927</b>    | <b>586,153</b>    |
| <b>Total Liabilities</b>         |   | <b>517,408</b>    | <b>678,236</b>    |
| <b>Net Assets</b>                |   | <b>32,798,146</b> | <b>27,498,606</b> |
| <b>Represented by Equity</b>     |   |                   |                   |
| Capital                          |   | 32,401,170        | 27,101,630        |
| Property Revaluation Reserve     |   | 396,976           | 396,976           |
| <b>Total Equity</b>              |   | <b>32,798,146</b> | <b>27,498,606</b> |

Signed on Behalf of the Board

Trustee \_\_\_\_\_ Trustee \_\_\_\_\_

Date \_\_\_\_\_ Date \_\_\_\_\_

NOTE: This statement is to be read in conjunction with the Notes to the Financial Statements.

**WHANGANUI COMMUNITY FOUNDATION INC**

Consolidated Statement of Cashflows for the year ended 31 March 2010

|  | note | 2010             | 2009             |
|--|------|------------------|------------------|
| Cashflows from Operating Activities        |      |                  |                  |
| Cash was provided from                     |      |                  |                  |
| Drawings from Term deposits                |      |                  | 600,000          |
| Rent received                              |      | 23,291           | 30,300           |
| Other Income                               |      | 4,196            | 3,714            |
| Interest Payments                          |      | 801,130          | 991,759          |
| Donations received for specific trust      |      |                  | 22,000           |
|  |      | <u>828,617</u>   | <u>1,647,773</u> |
| This cash was used to                      |      |                  |                  |
| Provide donations and community support    |      | 1,003,599        | 1,209,684        |
| Purchase goods and services                |      | 207,782          | 250,244          |
| Pay trustees honoraria                     |      | 50,278           | 59,295           |
| Trust funds paid                           |      | 17,602           | 21,934           |
|  |      | <u>1,279,261</u> | <u>1,541,157</u> |
| Net cash outflow from investing activities |      | -                | 106,616          |
| Purchase fixed assets                      |      | 5,723            | -                |
| Make loans                                 |      | 486,913          | -                |
|  |      | <u>492,636</u>   | <u>-</u>         |
| Which resulted in an increase of cash of   |      | <u>(943,280)</u> | <u>106,616</u>   |
| Add cash at 1 April 2009                   |      | 3,894,122        | 3,787,506        |
| Closing cash balance                       |      | <u>2,950,842</u> | <u>3,894,122</u> |

The notes to the Financial Statements are to be read in conjunction with this Consolidated Statement of Cashflows.

**AUDIT REPORT**

**To the Trustees of Whanganui Community Foundation Incorporated ("The Foundation")**

We have audited the financial report on pages 5 to 8 and 11 to 21. The financial report provides information about the past financial performance of the Foundation and Group and it's financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 11 to 14. This report is provided solely for your exclusive use and solely for the purpose of expressing an opinion on the financial statements for the year ended 31 March 2010. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence.

**Board of Trustees' Responsibilities**

The Board of Trustees is responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Foundation and Group as at 31 March 2010 and of the results of operations and cash flows for the year then ended.

**Auditors' Responsibilities**

It is our responsibility to express an independent opinion on the financial report presented by the Board of Trustees and report our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board of Trustees in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Foundation and the Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report. Other than in our capacity as auditors we have no relationship with or interests in the Foundation or it's subsidiary.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Foundation as far as appears from our examination of those records; and
- the financial report on pages 5 to 8 and 11 to 21
  - complies with generally accepted accounting practice;
  - complies with International Financial Reporting Standards; and
  - gives a true and fair view of the financial position of the Foundation and Group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 29 July 2010 and our unqualified opinion is expressed as at that date.



**Silks**  
**Chartered Accountants**  
**Wanganui**

## **Notes to the Consolidated Financial Statements for the Year Ended 31 March 2010**

### **1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Whanganui Community Foundation Inc, is a Trust established pursuant to section 14(1) of the Trustee Banks Restructuring Act 1988. This Act has since been repealed and replaced by the Community Trusts Act 1999. Pursuant to the Act the Whanganui Community Foundation is incorporated under the Charitable Trusts Act 1957.

The Group consists of Whanganui Community Foundation Inc and its subsidiary Whanganui Charitable Foundation Ltd. The Whanganui Community Foundation Incorporated is a tax exempt entity pursuant to sCW44 of the Income Tax Act 2004.

The Whanganui Charitable Foundation Ltd is a limited liability company registered as a charitable entity under the Charities Act 2005 (CC21727)

The Foundation is a Public Benefit Entity which makes grants to qualifying not for profit entities in the Whanganui, Rangitikei, Waimarino and Southern Taranaki regions.

#### **Accounting Policies**

The measurement basis adopted is that of historical cost except for financial assets and liabilities which are recorded at fair value.

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) will apply to all New Zealand entities for financial reporting periods commencing on or after 1 January 2007.

The financial statements of the Foundation for the year ended 31 March have been prepared in accordance with and comply with the International Financial Reporting Standards.

Reliance is placed on the fact that the Foundation is a going concern. The Financial Statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

The Foundation's functional currency is New Zealand Dollars.

#### **Basis of Preparation**

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of NZ IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 9: Financial Assets and Liabilities.

#### **Consolidated financial statements**

The Consolidated Statements include the Foundation's wholly owned subsidiary, Whanganui Charitable Foundation Ltd.

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line by line basis. All balances and transactions between the Whanganui Community Foundation and Whanganui Charitable Foundation are eliminated on consolidation.

#### **Cash Flow Statement**

Cash comprises cash at bank and call deposits but does not include cash or deposits held by the Fund Managers. Therefore the Cash Flow Statement does not reflect the cash flows within the Fund Managers' portfolios.

#### **Revenue - Dividends, Pooled Funds and Interest**

Income from Pooled Funds is recognised on declaration date. Interest is recognised on an accrual basis.

#### **Grants**

Approval of a grant by Trustees results in the recognition of that grant within the Foundation's financial statements whether or not payment has been made.

Committed grants are payable on the satisfaction of any conditions placed on the recipients. Grants no longer required or not fully utilised by grant recipients are shown separately in the Income Statement.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturities of twelve months or less, which are held to meet short term cash requirements.

### Property, Plant & Equipment

Property, Plant & Equipment are valued at cost, less accumulated depreciation and accumulated impairment losses except for Freehold land and buildings which are subsequently revalued on a cyclical basis, with no individual Land and Building being recognised at a valuation undertaken more than 3 years previously. Valuations are at net current value, as determined by an independent valuer. Any revaluation surplus arising on the revaluation of an asset is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the asset is recognised in the income statement in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recorded in the income statement are recognised as revenue in the income statement.

Property, Plant & Equipment are reviewed annually to determine any impairment losses. Impairment losses are recognised in the Income Statement.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the income statement and is calculated as the difference between the sale price and the carrying value of the item.

### Depreciation, Amortisation and Impairment Losses

Depreciation is provided over the useful life of the assets. Buildings have not been depreciated as the impairment assessment is that there has been no impairment in value. Other Plant and Equipment are depreciated on a diminishing value basis. The rates used are those approved by Trustees as follows:

|                              |            |
|------------------------------|------------|
| Land                         | Nil        |
| Buildings                    | Nil        |
| Office Equipment & Furniture | 15% to 48% |

### Foreign Currency Transactions and Balances

Foreign Currency transactions are recorded in New Zealand dollars at the spot exchange rate applying at the date of the transaction.

All amounts denominated in foreign currencies at balance date are translated to New Zealand dollars at the balance date closing exchange rate.

All realised and unrealised gains and losses on foreign currency transactions are recognised in the Income Statement.

### Financial Assets

Financial instruments are recognised in the balance sheet when the Foundation becomes party to a financial contract. They include cash balances, investments, deposits, bank overdraft, bills payable, receivables, payables and intercompany balances.

All assets that are financial instruments are recognised in the Balance Sheet.

All investments are initially recognised at fair value, being the fair value of consideration paid. After initial recognition, financial assets designated at fair value through profit or loss are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the Statement of Financial Position date.

All realised and unrealised gains or losses on investments are recognised in the Income Statement.

Investments in pooled funds are valued at the unit exit price determined by the Fund Manager at the close of business on the Balance Sheet date.

Investment transactions are recorded by Fund Managers on a transaction date basis.

Financial assets are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Foundation, as disclosed in Note 9.

The Foundation uses financial instruments to reduce exposure to fluctuations in foreign currency denominated assets. Forward exchange contracts are entered into to hedge foreign currency denominated assets. These are converted to the New Zealand dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Financial Performance.

The Foundation ceases to recognise a financial asset when and only when the contractual rights to cash flows from the financial asset expire.

The nature of investments is that the value will fluctuate over time. The passive strategy of the Whanganui Community Foundation means that fluctuations will be in line with overall market movements. The value of global equities and bonds at 30 June 2010 was \$25,644,047 (2009, \$23,678,185)

### Impairment

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the income statement. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the income statement.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in the income statement; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation.

### Taxation

The Income Tax Act 1994 provides exemption from income tax for Community Trusts established under the Trustee Banks Restructuring Act 1988. The amendment applied from the 2005 income year, and consequently no taxation has been provided for in these financial statements. The Whanganui Charitable Foundation Ltd is a limited liability company registered as a charitable entity under the Charities Act 2005 (CC21727)

### Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis.

### Accounts Receivable and Payable

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts).

### Employee benefits

Liabilities for annual leave, sick leave and long-service leave are accrued and recognised in the balance sheet.

Annual leave and sick leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave this is based on the unused entitlement accumulated at balance date and expected to be utilised in the future.

For long-service leave the liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

## Changes in accounting policies

There have been no changes in accounting policies

## 2 Grants

|   | 2010    | 2009      |
|---|---------|-----------|
|   | \$      | \$        |
| Committed and Disbursed                       | 654,122 | 728,698   |
| Committed but unpaid                          | 173,370 | 352,152   |
| Total grants approved and committed this year | 827,492 | 1,080,850 |

## 3 Trust Funds and Reserves

### Trust Capital

The Original Capital of the Foundation arose from the sale of shares in Trust Bank Limited. The Original Capital and the Capital Maintenance Reserve form the Trust Capital. Trustees have resolved to preserve the Trust Capital for the benefit of present and future generations. This is achieved by setting aside each year sufficient sums from Reserves to increase the Trust Capital by the annual rate of inflation as measured by the Consumer Price Index and the rate of population growth in the region served by the Foundation.

### Revaluation Reserves

The sole reserve is an amount of \$396,976 which arose on the revaluation of a building

## 4 Reconciliation of Reported Surplus to Cashflow from Operating Activities

|  | Group 2010  | Group 2009  |
|--|-------------|-------------|
|  | \$          | \$          |
| Surplus / (Deficit) for the Year                           | 5,299,540   | (7,143,843) |
| <b>Add (Less) Non Cash Items</b>                           |             |             |
| Depreciation   | 3,544       | 4,088       |
| Changes in Investment Values                               | (5,643,412) | 6,792,996   |
|  | (340,328)   | (346,759)   |
| <b>Working Capital Movements</b>                           |             |             |
| (Increase) decrease in Investments                         |             | 600,000     |
| (Increase) decrease in Accounts Receivable                 | 50,507      | 2,680       |
| Increase (decrease) in Accounts Payable                    | 12,293      | (11,002)    |
| Increase (decrease) in Donations not yet Uplifted          | (155,522)   | (138,369)   |
| Increase (decrease) in Trust Funds held                    | (17,602)    | 66          |
|  | (110,323)   | 453,375     |
| <b>Fixed Asset Movements</b>                               |             |             |
| (Increase) decrease in Fixed Assets                        | (5,723)     |             |
| (Increase) decrease in loans                               | (486,913)   |             |
| <b>Net Cash Inflow (Outflow) from Operating Activities</b> | 943,288     | (106,616)   |

## 5 Investments

The Statement of Investment Policies and Objectives states:

3.1 Given the objectives and nature of the Foundation the capital base will be invested based on the following long-term benchmark allocation and will generally be maintained within the ranges indicated. The benchmark and ranges will be reviewed as circumstances change and will be reassessed as appropriate.

3.2 The assets shall be invested according to the following table:

| Long-term investment strategy (including cash holdings) |                      |                 |
|---|----------------------|-----------------|
| Asset class *   | Benchmark allocation | Allowable range |
| Overseas shares   | 67%                  | 57% to 77%      |
| NZ bonds and cash                                       | 33%                  | 23% to 43%      |

The following were the allocations as at balance date:

|                         | 2010     | %     | Allocation |
|-------------------------|----------|-------|------------|
|                         | \$       |       |            |
| Global Equities         | 21502981 | 67.1  | 57% to 77% |
| Bonds and term Deposits | 10556021 | 32.9  | 23% to 43% |
|                         | 32059002 | 100.0 |            |

|                         | 2009       | %     | Allocation |
|-------------------------|------------|-------|------------|
|                         | \$         |       |            |
| Global Equities         | 16,244,947 | 62.90 | 57% to 77% |
| Bonds and Term Deposits | 9,583,513  | 37.10 | 23% to 43% |
|                         | 25,828,460 | 100.0 |            |

**Property, Plant & Equipment**

| 2010                           | Cost           | Depreciation | Revaluation    | Accumulated Depreciation | Book Value     |
|--------------------------------|----------------|--------------|----------------|--------------------------|----------------|
| Land and Buildings             | 173,024        | 0            | 396,976        | 0                        | 570000         |
| Office Equipment and Furniture | 86,338         | 3544         |                | 70223                    | 16,115         |
|                                | <b>259,362</b> | <b>3,544</b> | <b>396,976</b> | <b>70,223</b>            | <b>586,115</b> |

| 2009                           | Cost           | Depreciation | Revaluation    | Accumulated Depreciation | Book Value     |
|--------------------------------|----------------|--------------|----------------|--------------------------|----------------|
| Land and Buildings             | 173,024        | 0            | 396,976        | 0                        | 570,000        |
| Office Equipment and Furniture | 75,138         | 4,086        | 0              | 61,202                   | 13,936         |
|                                | <b>248,162</b> | <b>4,086</b> | <b>396,976</b> | <b>61,202</b>            | <b>583,936</b> |

**Reconciliation of Carrying value of assets.**

|                                    | 2010           | 2009           |
|------------------------------------|----------------|----------------|
| Book value at 1 April 2009         | 583,938        | 618,024        |
| Plus additions                     | 5,721          | 0              |
| +Depreciation written back         | 0              | 0              |
| Revaluations                       |                | (30,000)       |
| Less depreciation                  | 3,544          | 4,086          |
| <b>Book value at 31 March 2010</b> | <b>586,115</b> | <b>583,938</b> |

**Valuation**

The freehold land and buildings was revalued at 31 March 2009 at fair value as determined by an independent registered valuer, K D Pawson, of the firm Morgans Property Advisers. All values were determined directly by reference to observable prices in an active market.

**7. Promoting Generosity**

The Trustees believe that promoting the giving of time, money and spirit are important in a strong community and use resources to achieve this purpose. Resources were spent as follows:

|                | 2010           | 2009            |
|----------------|----------------|-----------------|
| Salaries       |                | 3,625           |
| Other expenses | 4,344          | 7,125           |
| <b>Total</b>   | <b>\$4,344</b> | <b>\$10,750</b> |

**8. Related Party Information**

The Trustees are key management personnel of the Foundation as defined by NZ IAS 24: Related Party Disclosures. As the Trustees are not employees of the Foundation, they do not receive short term employee benefits, post employment benefits, other long term benefits, or termination benefits. Trustees are appointed by the New Zealand Government and remunerated at rates set by the Government. These rates were last set in June 2002. During the year Trustees received honoraria and meeting fees as follows:

|                      | 2010          | 2009          |
|----------------------|---------------|---------------|
|                      | \$            | \$            |
| Graham Adams         | 4,375         | 3,258         |
| Prue Anderson        | 6,066         | 6,696         |
| Philippa Baker-Hogan | 1,675         |               |
| Caryl Blomkvist      | 1,675         |               |
| Bob Dempsey          | 1,675         | 3,875         |
| Pam Erni             | 3,350         | 4,049         |
| Jim Farley           | 1,675         | 4,225         |
| Sally Sisson         | 2,825         | 4,450         |
| Cherryl Smith        | 2,825         | 3,175         |
| Richard Thompson     | 10,920        | 11,800        |
| Esther Tinirau       | 2,000         |               |
| Nancy Tuaine         |               | 4,000         |
| Di Valentine         |               | 617           |
| Graham Wood          | 5,606         | 6,242         |
| <b>Total</b>         | <b>44,667</b> | <b>52,387</b> |

The Whanganui Community Foundation received no funding from its subsidiary during the year. The amount outstanding at balance date was \$1,649,275 (2009: \$2,463,767) which is payable by the Whanganui Community Foundation to the Whanganui Charitable Foundation. There are no fixed terms for repayment.

The Whanganui Community Foundation paid \$480 to Claire Timpany M.CGD for design services. Claire Timpany is the daughter of Judith Timpany who is CE of the Whanganui Community Foundation

No related party debts have been written off or provided for as doubtful.

**9. Loans**

A loan has been made to the Whanganui Regional Primary Health Authority. In accordance with policy the loan is secured and regular monthly payments are made. The loan is at a concessionary interest rate and the difference between the required rate of 6% and the concessionary rate is accounted for as a donation with interest foregone being added back to income.

The Whanganui Community Foundation is currently part of a consortium developing a Donations Management System. Payments for the building of the system currently show as a loan. Once completed the amount will convert to a share of the value of the system.

## 10 Financial Instruments

Risks arising from the Foundation's financial assets and liabilities are inherent in the nature of the Foundation's activities, and are managed through an ongoing process of identification, measurement and monitoring. The Foundation is exposed to credit risk, liquidity risk, and market risk (including currency, interest rate and pricing risks).

The Foundation's income is generated from its financial assets. Liabilities which arise from its operations are met from cash flows provided by these assets. Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to the Foundation's management, the Foundation's Investment Audit and Compliance Committee and ultimately to the Board of Trustees. The Investment Portfolio is regularly rebalanced to ensure that asset classes remain within the Strategic Asset Allocation set out in the Foundation's Statement of Investment Policy and Objectives (SIPO).

The SIPO sets out the Foundation's investment objectives. These can be summarised as:

- to ensure that the investment fund is invested prudently;
- to provide inter-generational equity with regard to distribution levels over time;
- to ensure that money is available for distribution, as required, to meet the needs and distribution policies of the Foundation;
- to maintain the value of the investment fund's capital base in real terms and to grow such capital value at a level equal to the population base growth of the region. Real in this context relates to the changes in the Consumer Price Index (CPI);

### The Investment Portfolio

The Foundation manages its Investment Portfolio in terms of its SIPO. The SIPO is monitored on a regular basis by the Board of Trustees and, as required, amended to reflect international best investment practice. The Portfolio's strategic asset allocation is reviewed at three yearly intervals. The strategic asset allocation was last reviewed in 2007. Michael Chamberlain and Associates assists both management and Trustees with investment advice and portfolio monitoring.

### Portfolio Characteristics

The Foundation is not directly involved with the analysis, sale or purchase of individual asset securities other than bonds and term deposits. Investments are made into either pooled funds or segregated accounts with Fund Managers. The performance of each asset class is measured against an appropriate internationally accepted standard or index for each asset class.

Global Equities:

This portfolio is measured against the MSCI World Index, and is 50% hedged back to New Zealand Dollars.

New Zealand Bonds:

The New Zealand Bond Portfolio is managed in house. The Investment Guidelines provide strict limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX Government Stock Index.

Cash:

The Cash Portfolio is managed in house. The investment guidelines places limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX 90 day bank bill index.

The Statement of Investment Policies and Objectives sets out the following risks and mitigations:

| Risk               | Definition   | Foundation's Management Policies  |
|--------------------|--|---|
| Interest rate risk | The risk that the value of a security, particularly a bond, will temporarily decrease in value as a result of a rise in interest rates.  | Bonds are generally held to maturity. Such temporary decreases are therefore unrealised.<br>Bond holdings are to the extent practical diversified by maturity date.<br>The cash levels are set to minimise the potential needs to realise a bond to meet distribution needs.  |
| Re-investment risk | The risk that interest, or dividends, received from an investment may not be able to be re-invested in such a way that they earn the same rate of return, or more, as the investment that generated them.<br><br>Also, that at the time an investment matures, interest rates have fallen preventing the capital to be re-invested at the same yield | Bonds are structured to maximise diversification by duration and minimise the level of investments that mature at any point in time.<br>New investments can be deferred if interest rates are low.  |
| Default Risk       | The possibility that an issuer of a bond will fail to make a principal and/or interest payment in a timely manner on the due date.   | Bond investments are restricted to investment grade or better, or the equivalent.<br>Investments are diversified over a range of companies, industries and maturities.<br>Exposure to any one issuer is limited.  |
| Currency Risk      | The risk that changes in exchange rates will reduce the value of the assets.   | Currency risks from shares are generally hedged, within controlled limits under the currency management policy.   |
| Inflation Risk     | The risk that inflation increases the size of the requests for distribution.<br><br>The risk that a high level of inflation makes unexpected significant demands for capital base increases.   | Part of the assets are invested in shares that provide a natural hedge against inflation.<br>The Foundation looks to regularly increase the capital base over time to maintain it in real terms.  |
| Market volatility  | The risk that the investments will decrease in value with general market movements over the short term.  | Investments are diversified across the asset classes, countries, industries and companies.<br>Cash holdings are set to limit the need to realise assets and therefore market volatility does not impact on short-term distribution.<br>The reserving policy helps minimise the impact market volatility on the distribution policy.<br>The reserves of the Foundation above the 29% threshold are invested in cash/bond assets.<br>Cash holdings are increased as opportunities arise to ensure that assets |

|                      |   |  |
|----------------------|---|--|
|                      |   | need not be sold for distribution.   |
| Market downturn risk | The risk that the markets suffer a severe and prolonged periods of negative performance.                          | Cash and bond assets are held to ensure that distributions can be maintained short-term.<br>Assets are diversified across the asset classes and across the economic regions of the world.<br>The Foundation seeks specific independent advice on the market outlook as required, but a least annually. |
| Manager Risk         | The risk that the discretionary active decisions of a single manager prove to be wrong or that the manager fails. | Where discretionary decisions are delegated, a specific mandate documents their application.<br>The exposure to any single manager is limited.<br>An index approach is adopted for overseas shares.<br>Assets are held separate to the manager's own assets under trust.                               |
| Timing Risk          | The risk that investments are made as the market is about to fall, or sold as the markets are about to rise.      | Money is moved into new investments or volatile assets classes over time in multiples typically no more than 5%.   |

The credit quality of Foundation's New Zealand Bond portfolio is managed by the Foundation using Standard & Poor's rating categories.

| NZ Bonds and Term Deposits | AAA to A | A+to A- | BBB | NR  | 2010      | 2009      |
|----------------------------|----------|---------|-----|-----|-----------|-----------|
| Corporate Bonds            | 27%      | 41%     | 14% | 18% | 5,748,891 | 5,363,513 |
| Term Deposits              | 100%     |         |     |     | 3,780,000 | 4,220,000 |

#### Hedging:

Hedging is managed by State Street Global Advisors under the following guidelines:

The ideal currency hedged position, solely from a return point of view, is to be unhedged when the NZ dollar is depreciating and to be hedged when it is appreciating.

The Foundation's policy looks to set the actual hedging level relative to that shown below :

| Currency level relative to the long-term average level | Medium term trend/momentum |             |
|--|----------------------------|-------------|
|  | Upwards                    | Downwards   |
| Above +2 standard deviations                           | 50% hedging                | 25% hedging |
| +1 to +2 standard deviations                           | 50% hedging                | 25% hedging |
| 0 to +1 standard deviations                            | 63% hedging                | 25% hedging |
| -1 to 0 standard deviations                            | 75% hedging                | 37% hedging |
| -2 to -1 standard deviations                           | 75% hedging                | 50% hedging |
| Below -2 standard deviations                           | 75% hedging                | 50% hedging |

#### Liquidity Risk

Liquidity Risk is the risk that the Foundation will encounter difficulties in meeting the obligations associated with its financial liabilities. This risk is managed through the Foundation's investment in a diversified portfolio of financial assets.

The Foundation's investment portfolio during the year under review consisted of only listed securities which under normal market conditions are readily convertible to cash. In addition the Foundation maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Foundation's financial liabilities comprise trade and other payables, and committed but unpaid grants.

At balance date, all trade and other payables were current, and are normally settled on the 20<sup>th</sup> of the month following invoice date.

Committed but unpaid grants are held as current liabilities pending the satisfaction of conditions under which the grant was made. At balance date Committed but unpaid Grants totalled \$403,630. These committed but unpaid grants had the following profile:

| Financial Year Approved | Number of Grants Outstanding | Value \$       |
|-------------------------|------------------------------|----------------|
| 2006                    | 1                            | 187,700        |
| 2007                    | 2                            | 25,000         |
| 2009                    | 4                            | 17,200         |
| 2010                    | 24                           | 173,730        |
| <b>Total</b>            |                              | <b>403,630</b> |

Committed but unpaid grants at 31 March 2009 had the following profile:

| Financial Year Approved | Number of Grants Outstanding | Value \$       |
|-------------------------|------------------------------|----------------|
| 2006                    | 1                            | 197,000        |
| 2007                    | 1                            | 10,000         |
| 2009                    | 22                           | 352,152        |
| <b>Total</b>            |                              | <b>559,152</b> |

#### 11 Capital Commitments and Contingent Liabilities

Other than committed grants, the Foundation expects to spend between \$25,000 and \$30,000 on a donations management system. To date \$16,080 has been capitalised. (2009, nil)

#### 12 Material Events after balance date

There were no material events after balance date which required adjustment to the Financial Statements for the year ended 31 March 2010 (2009 Nil).