

Bay of Plenty Community Trust Incorporated Annual Report for the Year ended 31 March 2018

Our Vision:
**Bay of Plenty is the
greatest place to be**



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“We were blown away. We’re so delighted to have BayTrust’s support and can’t wait to get our new ‘workshop’ on the road. It’s just outstanding.”

Stu Thompson – Boys Brigade ICONS

Why we exist

Bay of Plenty Community Trust (BayTrust) was initially incorporated on 5 August 1988 as the Trust Bank Bay of Plenty Community Trust in accordance with the provisions of the Trustee Banks Restructuring Act, 1988. It continues under the provisions of the Community Trusts Act, 1999. The purpose of the Trust as outlined in its Trust Deed, is to provide charitable, cultural, philanthropic, recreational and other benefits to Bay of Plenty communities.

The Trust's region extends from Katikati to Turangi to Te Kaha and includes the Eastern and Western Bay of Plenty and Rotorua and Taupo districts.

Working closely with our communities, BayTrust has developed a Vision and everything we do and the organisations we support is directed towards achieving our Vision while always being underpinned by our values:

- **Kaitiaki** (Guardianship) of our assets, our people and our environment
- **Together we are strong**
- We will make a **real difference**
- **Innovative** and **balanced** solutions produce the best results
- **Everything** we do, we do well.

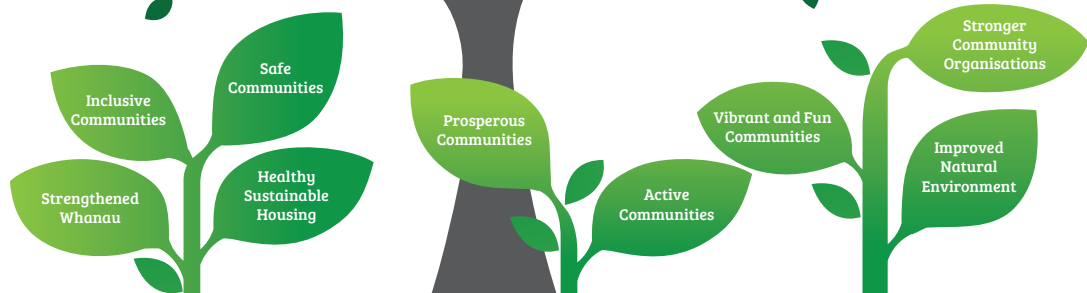
Our Region



OUR VISION



WE ARE LOOKING FOR THESE OUTCOMES



BY STRATEGICALLY INVESTING IN PROGRAMMES, SERVICES OR ACTIVITIES WHICH CONTAIN THESE ATTRIBUTES:



Who we are

To support achieving our Vision, BayTrust is governed by a Board of up to 12 Trustees who are appointed by the Minister of Finance for terms of four years to represent the entire region plus four fulltime staff.

The Board's principal responsibility is to invest the assets of the Trust in a range of diversified investments designed to maximise the total amount of community distributions that can be financed over the long term and maintain the real (inflation-adjusted) value of the Trust's capital. In meeting this responsibility, the Board approves the adoption of appropriate strategies, objectives and budgets and reviews the performance of the Trust against these objectives.

It is recognised that Trustees and staff have a wide range of involvement throughout the Bay of Plenty region and as

such, the potential for conflict will arise from time to time. To cover this eventuality, Trustees and staff disclose their involvement with other organisations, do not take part in discussions relating to organisations with which they have a conflict of interest and do not vote on any matter where a conflict or potential conflict exists.

BayTrust's head office is located at 73 Spring Street in Tauranga. BayTrust also operates satellite offices in Rotorua (once a week at Rotorua Energy Trust office, 1358 Eruera Street) and Whakatane (once a month at EBET office, 5 Richardson Street) with the intention for a further satellite office to be set up in Taupo in the near future. BayTrust staff also operate remotely and are often on the road spending time with a variety of organisations and stakeholders throughout the BOP.



Bill Cleghorn; Terri Eggleton (Senior Community Investment Advisor); Rita Nabney; Steve Morris; Yvonne Baldock (Finance and Office Manager); Kenneth Brown (Chair) front; Sam Cummins (Community Engagement Advisor); Roko Mihinui; Nigel McAdie; Maggie Bentley; Alastair Rhodes (Chief Executive); Simon Clarke; Kylie Hawker-Green; Wayne Marriott (Deputy Chair); Kim Bell (Admin Assistant); Michael Christensen.

What we have done

Tena Koutou Katoa – Greetings to you all

BayTrust has a Vision that Bay of Plenty is the greatest place to be and it is our pleasure to share BayTrust's activities, achievements and highlights for the year ended 31 March 2018 as we work towards achieving this Vision.

Here are our key highlights for the 2018 year:

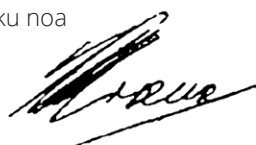
Financial

- From an investment perspective it has been a good year for BayTrust's investment portfolio following a stellar performance last year, **with BayTrust's investments returning \$17m (8%)**, (2017: \$20.4m).
- After a robust and extensive market review process, BayTrust made the difficult decision during the year to replace its long-standing lead Investment Advisor Russell Investments with **Cambridge Associates who specialise in advising Foundations and Endowments**. We believe that Cambridge Associates is the best fit for our future needs, particularly as we look to further diversify our investment portfolio and we wish to publicly thank Russell Investments and acknowledge their professionalism and their dedication over the years.
- As a result of this strong revenue performance, **BayTrust's returns have more than adequately covered the Trust's expenses** of \$2.6m (2017: \$2.4m) and granting of \$5.9m (2017: \$4.8m for the year) **leading to an overall surplus of \$8.6m** (2017: \$13.3m).
- Looking forward, the BayTrust Board and our Investment Advisors **continue to be cautious around future returns** with increasing volatility being experienced in the financial markets. However, because of our strong balance sheet we anticipate we will be able to **increase our granting for next year to a record \$6.8m** which will allow us to increase funding across all our funding tiers and outcome areas as well as create a new **Community Amenities Fund** to help support intergenerational community and environmental projects.
- At year-end the **total equity of BayTrust is \$213.5m**, which is an \$8.6m increase from 31 March 2017 (\$204.9m).

Community & Granting

- BayTrust increased its **total granting commitments this year by 22% and committed a total of \$5.9m** in grants (2017: \$4.8m) to 199 community organisations with these grants spread equitably across our outcome areas and across our region. Along with our grants, the Trust provided other significant community support during the year delivered in a variety of ways including capacity-building opportunities such as workshops, which were extremely well received in the community.
- During the year **we completed an in-depth review of our granting "outcome areas" and "funding priorities"** to ensure that they are in alignment with community priorities and concluded that when comparing communities' priorities against the ability for BayTrust to have an impact, our **current outcomes and priorities align well**. As part of this review we have confirmed that going forward we will look to support more **innovative ideas and projects, work in a true partnership manner with many organisations including increasing our multi-year funding and introducing a new Community Amenities fund for intergenerational community and environmental assets**.
- Lastly, one of our key values is **'together we are strong'** and as such a big thank you to all Trustees and staff for all the hard-work that has been put in over the year with both Trustees and staff working well together and for our communities. Plus, an even bigger thank you to all the wonderful community organisations and their supporters for their ongoing work in helping make the **"Bay of Plenty the greatest place to be"**.

Naku noa



Kenneth Brown
Chair



Alastair Rhodes
Chief Executive Officer

31 July 2018

Investment Performance

BayTrust's investment objective is to protect and equitably grow BayTrust's investment capital so that it can provide ongoing returns for distribution to current and future BOP communities. Over the last year, BayTrust with the assistance of our Investment Advisors ran a well-diversified portfolio of investments.

	2018	2017
Revenue	\$17m	\$20m
Return on Investment	8.2%	10.6%
Listed Asset Returns	8.5%	11.1%
Benchmark Return	7%	9.1%

Investment changes during the year

An in-depth review of our strategic asset allocations was completed in the prior year and implemented in May 2017 which resulted in the Trust increasing its growth asset allocations from 46% to 53% year. The slightly increased risk associated with the higher growth allocation, reflects the perpetual nature of the Trust and the desire to ensure the Trust's ongoing distributions to the community remain strong. During the year the Trust increased its commitment to BOP Impact Investments where we were looking to drive measurable social impact alongside a financial return from 3% to 6% (1.1% currently invested) and we were actively looking at opportunities in this space.

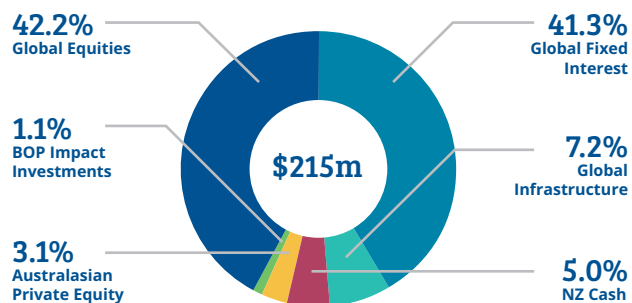
Future Investment plans

Lastly, looking ahead we anticipate financial market volatility is likely to continue and we are working with our new Investment Advisors (Cambridge Associates) to further refine and diversify our investment portfolio to ensure it continues to perform well into the future. We also remain committed to increasing (assuming no global financial crises or similar events occur) our granting from \$5.9m this year to ~\$6.8m next year (+15%) as a result of strong returns driven in previous years and a healthy balance sheet.

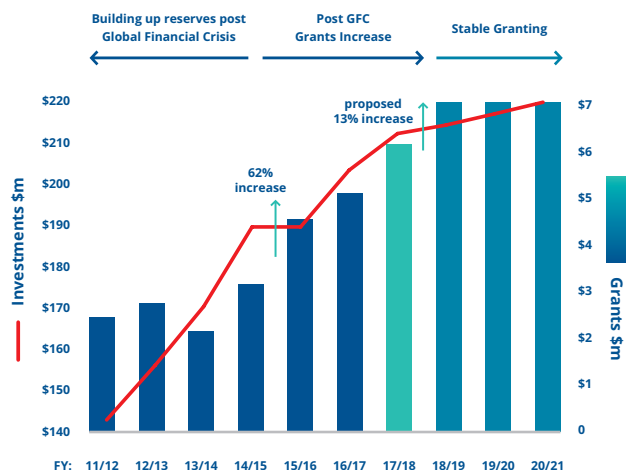
Key performance highlights:

- The Trust's investment base has grown from \$89m when first established to over \$215m.
- In spite of volatile financial markets, investment revenue of \$17m compared well to our forecast of \$10m, although it was slightly lower than the revenue achieved in the prior year (\$20m). Overall, the Trust's core listed asset portfolio performed well and returned 8.5% versus a benchmark of 7%.
- At an asset class level, Global Equities were the star with a return of 14% driven by increased confidence in the global economy, whilst Global Bonds, NZ Cash, Impact Investments and Private Equity performed as expected. Global Infrastructure's performance (which was only introduced during the year) was disappointing (-1.4%), with the Trust's view that this was largely a timing issue with the fundamentals of this asset class still strong.

BayTrust's Asset Portfolio 31 March 2018, \$215m (2017 \$207m)



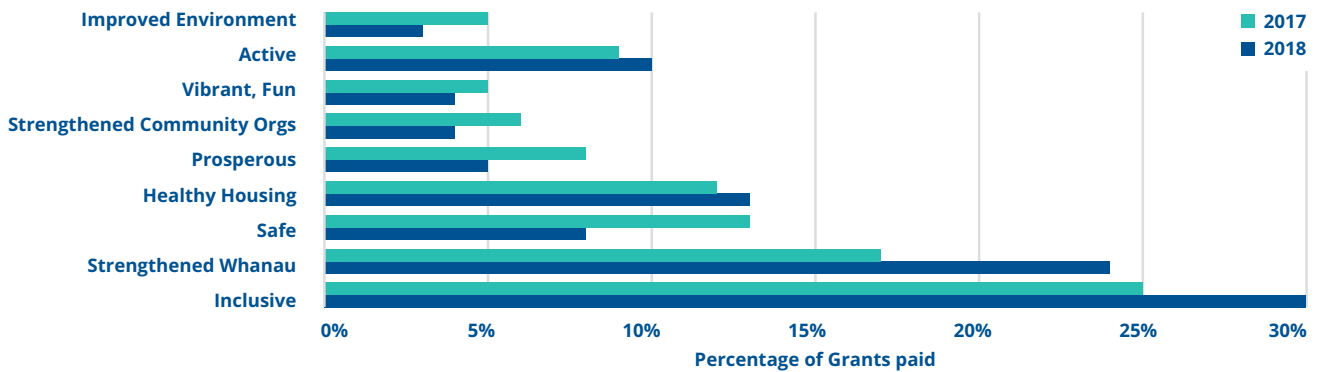
Projected Granting FY19 – FY21



Granting

To help achieve our Vision and in alignment with our Values, the Trust paid out a record \$5.7m (2017: \$4.9m) in grants distributed across our region and our outcomes areas as outlined below:

Grants across Outcome Areas

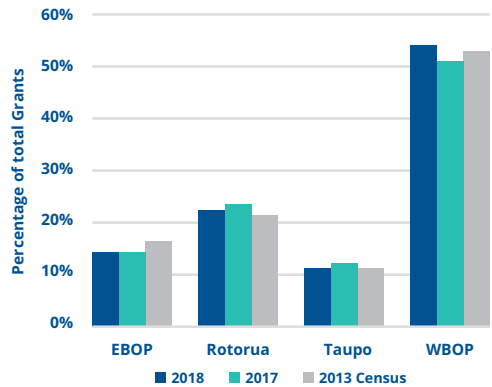


Funding into Environment, Strengthened Community Organisations, Vibrant and Fun and Active Communities were light in comparative to other outcome areas. However, the Trust was pleased to note the **increase in funding into the Environment (3% in 2017 to 5% in 2018) and Prosperous Communities (5% in 2017 to 8% in 2018)** which were areas that BayTrust has proactively targeted.

The Trust **endeavours to achieve an equitable distribution of granting across the region** which has been largely achieved over the last two years.

The number of applications approved has also increased from 61% in 2017 to 71% in 2018 and during the year flexible grants of \$80k were made (2017: \$86k) through our “Toolbox” process, including a \$25k contribution to the Bay wide Vital Signs research project.

Regional Distribution of Granting



“A fresh and creative look at our funding avenues. It was great. Funding support from BayTrust hugely appreciated.”

Partnerships

- BayTrust’s partnership with Sport BOP to drive the Trust’s Active Communities’ outcome area has continued in 2018 with funding of \$552k (2017: \$552k) being paid.
- The Bay Brighter Futures (BBF) Collaboration which is a collaboration of all key BOP funders to help fund collaborative community initiatives that are going to make the biggest positive difference to infants and youth continues to be developed with funding of \$140k (2017: \$0) paid and an additional \$346k committed through multi-year funding.

Multi-year funding

Multi-year funding for operating costs to five organisations totalling \$555k was committed to in 2018, with one third of this paid out in 2018 and which was in addition to the BBF commitments outlined above.

Capability Building Support

In addition to granting, subsidised capability building opportunities were provided through BayTrust’s operating costs to 235 people (2017: 199) to community organisations across the BOP, with 14 (2017: 23) organisations also attending subsidised governance training.

Community Feedback

BayTrust surveys all grantees and key stakeholders annually, the key outtakes from the latest survey undertaken in Dec 2017/Jan 2018 were:

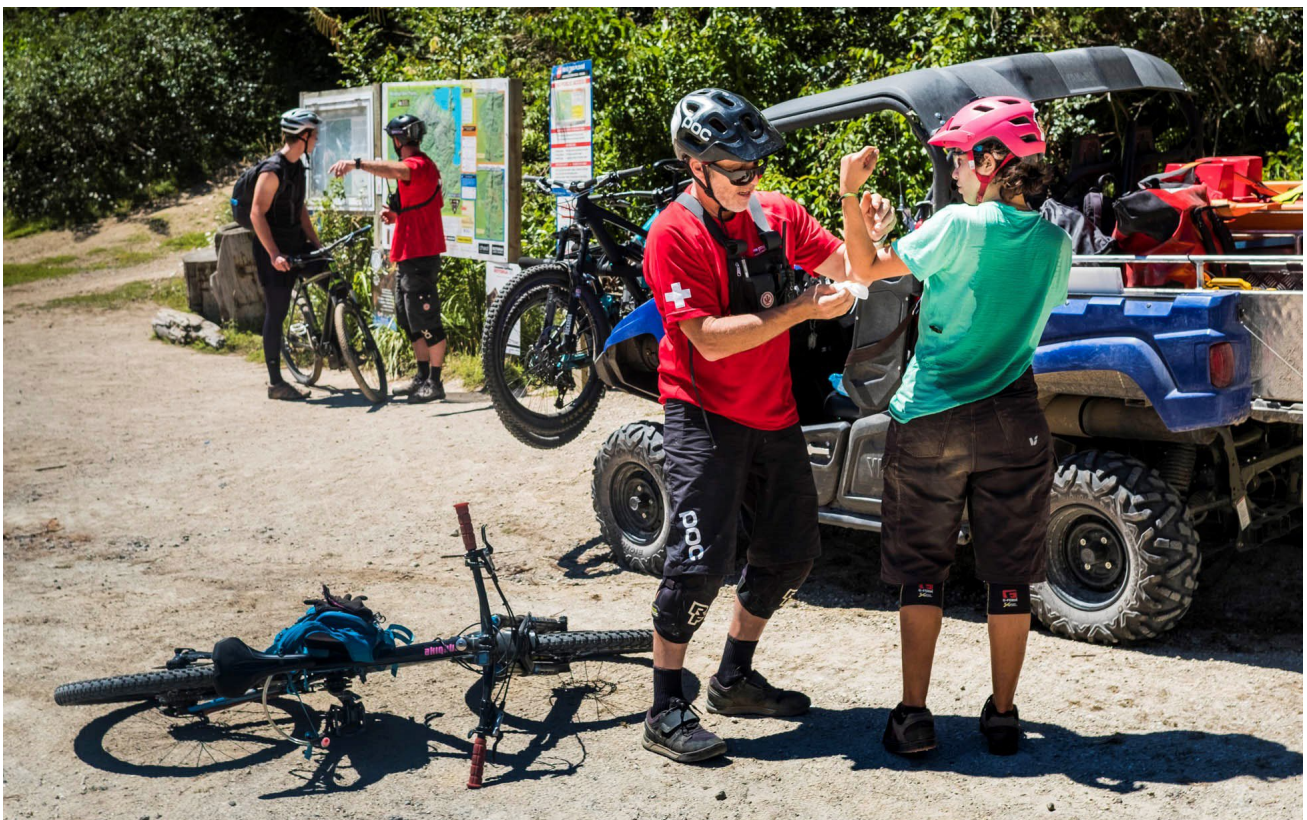
- BayTrust's **Vision resonated well with stakeholders** with almost 80% reporting this.
- Stakeholders had **high levels of awareness of BayTrust's funding priorities and outcome areas and were generally satisfied with the outcome areas BayTrust funds.**
- Stakeholders thought that BayTrust's most **effective mechanisms to achieve its outcomes were funding** (including Toolbox funding), followed by Impact Investments and research.
- Stakeholders felt the **frequency of BayTrust communication was about right.**
- Most felt **BayTrust collaborated well/very well with its partners / stakeholders.**

Drop-In centres

BayTrust holds annual community engagement **drop-in centres across the BOP**, creating a platform for communities to feedback their successes, priorities and challenges. This year the drop-in centres were held in Katikati, Te Puke, Whakatane, Taupo, Rotorua and Opotiki.

There were consistent themes across all the drop in centres that emerged around issues that **stemmed from housing availability and affordability (homelessness, transience, working poor, mental health, physical health), social isolation and loneliness (particularly for older people) and lack of volunteers.**

A strong positive that emerged was how much the organisations valued the subsidised **capability building support that BayTrust offers.**



“We are thrilled to receive this grant. If we don't receive funding, we can't run the service, it's as simple as that. We do rely on donations, grants and fundraising and this money will fund one patroller for about 50 days. It makes a huge difference to receive large sums of money like this.”

Barbara Jenks – Rotorua Mountain Bike Club First Response Unit.

Bay of Plenty Community Trust Incorporated

2018 Summary Financial Statements

Statement of Comprehensive Revenue and Expense	2018	2017
<i>For the year ended 31 March 2018</i>	\$000s	\$000s
Income		
Income from investments	17,026	20,420
Other income	(43)	11
	16,983	20,431
Expenses		
Trustees remuneration and expenses	181	191
Portfolio management & advisory fees	1,427	1,230
Other administration costs	963	932
Grants expenditure	5,855	4,813
	8,426	7,166
Total comprehensive revenue and expense for the year	8,557	13,265
Statement of Changes in Equity	2018	2017
<i>For the year ended 31 March 2018</i>	\$000s	\$000s
Balance as at 1 April 2017	204,941	191,676
Total comprehensive revenue and expense for the year	8,557	13,265
Balance as at 31 March 2018	213,498	204,941
Statement of Financial Position	2018	2017
<i>As at 31 March 2018</i>	\$000s	\$000s
Trust Equity		
Trust capital	89,308	89,308
Grants maintenance reserve	66,654	59,615
Inflation reserve	46,976	45,458
Population reserve	10,560	10,560
	213,498	204,941
Current Assets		
Cash & cash equivalents	4,654	419
Prepayments	289	248
Loans to community groups	64	310
	5,007	977
Non-Current Assets		
Investments	208,110	203,590
Loans to community groups	2,385	2,113
Other non-current assets	-	18
Fixed assets	20	30
	210,515	205,751
Total Assets	215,522	206,728
Current Liabilities		
Grants Payable – current portion	(1,309)	(951)
Trade and other payables	(205)	(157)
	(1,514)	(1,108)
Non-Current Liabilities		
	(510)	(679)
Total Liabilities	(2,024)	(1,787)
Total Net Assets	213,498	204,941
Statement of Cashflows	2018	2017
<i>For the year ended 31 March 2018</i>	\$000s	\$000s
Cash Flows from Operating Activities	4,286	(6,988)
Cash Outflows from Investing Activities	(51)	7,196
Net (decrease)/increase in cash and cash equivalents	4,235	208
Cash and cash equivalents at 1 April 2017	419	211
Cash and cash equivalents at 31 March 2018	4,654	419

Notes to the Summary Financial Statements

Reporting entity

Bay of Plenty Community Trust Incorporated (*BayTrust*) is domiciled and incorporated in New Zealand in accordance with the provisions of the Community Trusts Act 1999.

For financial reporting purposes BayTrust is designated a Public Benefit Entity. Its primary purpose is to distribute income from its investments activities to Bay of Plenty communities.

Basis of Preparation

Statement of compliance

The summary financial statements have been prepared in accordance with FRS 43 - *Summary Financial Statements* and have been extracted from the full financial statements. The full financial statements have been prepared in accordance with the Financial Reporting Act 2013 and New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate for Tier 2 not-for-profit Public Benefit Entities and comply with New Zealand International Financial Reporting Standards (NZ IFRS) and its interpretations.

The summary is extracted from the full financial statements authorised for issue by the Trustees on 31st July 2018. Once issued the Trustees do not have the power to amend these statements. The full financial statements have been audited and an unmodified opinion has been given. This summary has also been examined by KPMG and a copy of their summary unmodified audit opinion is included in this report.

The summary financial statements cannot be expected to provide as complete an understanding as is provided by the full financial statements.

A copy of the full financial statements can be obtained from the BayTrust website www.baytrust.org.nz and is available from the Trust CEO, PO Box 13322, Tauranga 3141, Tel 07 578 6546 or 0800 654 546, or send a request to info@baytrust.org.nz.

The summary financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars.

Basis of measurement

The financial statements have been prepared on the basis of historical cost except for assets and liabilities as outlined in the notes to the full financial statements.

Independent Auditor's Report

To the beneficiaries of Bay of Plenty Community Trust

Report on the summary financial statements

Opinion

In our opinion, the accompanying summary financial statements of Bay of Plenty Community Trust (the Trust) on pages 7 to 8:

- i. Has been correctly derived from the audited Trust financial statements for the year ended on that date; and
- ii. Is a fair summary of the Trust financial statements, in accordance with PBE FRS 43 Summary Financial Statements.

The accompanying summary financial statements comprises:

- The summary statement of financial position as at 31 March 2018;
- The summary statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.



Use of this Independent Auditor's Report

This report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the beneficiaries as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Trustees for the summary Financial Statements

The Trustees, on behalf of the Trust, are responsible for:

- The preparation and fair presentation of the summary financial statements in accordance with PBE FRS 43 Summary Financial Statements; and
- Implementing necessary internal control to enable the preparation of a summary set of financial statements that is correctly derived from the audited financial statements.



Auditor's Responsibilities for the summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the financial statements in our audit report dated 31 July 2018.

The summary financial statements do not contain all the disclosures required for a full set of financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Trust.

A handwritten signature of the KPMG firm, written in blue ink.

Tauranga

31 July 2018