



Bay of Plenty Community Trust Incorporated Annual Report for the Year ended 31 March 2019

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



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"BayTrust has been a fantastic supporter of Surf Lifesaving in the BOP Region, our members really appreciate the support that allows them to continue to keep the community safe in coastal zones."

Chris Emmett - Surf Lifesaving New Zealand



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:

- **Kaitiakitanga** 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.

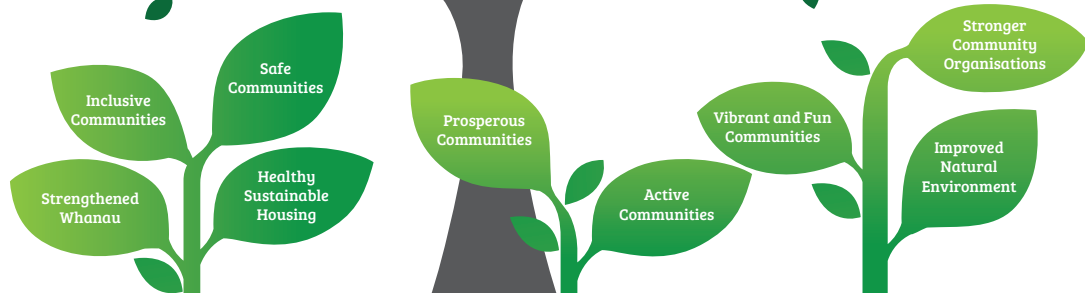
Our Region



OUR VISION

Bay of Plenty is the greatest place to be

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 the Trust has four fulltime and two part time staff. We had four new Trustees appointed (Steve Napier and Roger Taylor; WBOP, Stephanie Northey; Rotorua and Mawera Karetai; EBOP) during the year that have brought in new thoughts/diversity and enthusiasm to the Board. Three new Trustees will also commence on 1 June 2019; Judy Harris; Taupo, Kristen Joiner and Gary Smith; WBOP and we will sadly say goodbye to Bill Cleghorn, Kylie Hawker-Green and Kenneth Brown who have all completed two terms (8 years).

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.

Our dedicated and experienced staff led by CEO Alastair Rhodes continue to perform well and assisted by our

advisors have ensured both our investment and our granting continue to excel.

It is recognised that Trustees and staff have a wide range of involvement throughout the Bay of Plenty region which is fantastic 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 St, Tauranga. However, the Trust will be moving to a new office in Tauranga during 2019 which will assist in reducing costs as well as allow easier access and parking for community organisations. BayTrust also operates satellite offices in Rotorua (once a week at Rotorua Energy Trust office, 1358 Eruera St) and Whakatane (once a month at Eastern Bay Energy Trust office, 5 Richardson St) and by appointment in Taupo. BayTrust staff also operate remotely and are often on the road spending time with a variety of organisations and stakeholders throughout the BOP.

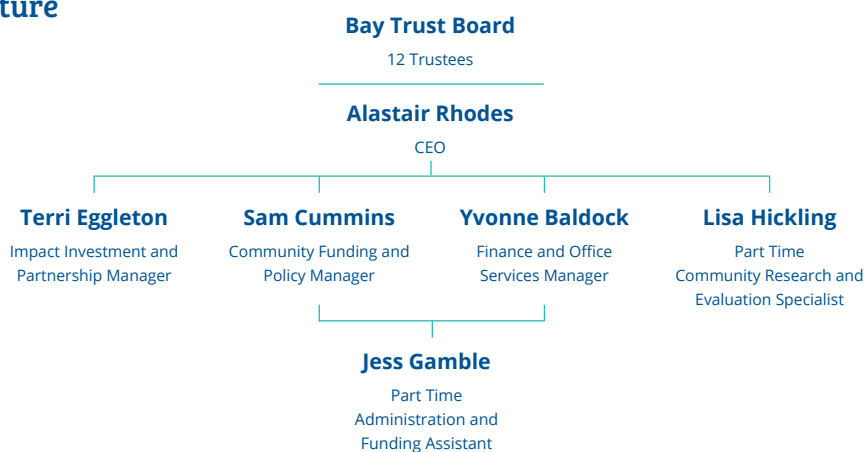


Yvonne Baldock (Finance & Office Services Manager); Nigel McAdie; Jess Gamble (Office & Funding Assistant); Simon Clarke; Lisa Hickling (Evaluation & Community Research Specialist); Steve Napier; Maggie Bentley (Deputy Chair); Michael Christensen; Mawera Karetai; Roger Taylor; Rita Nabney (Chair); Stephaine Northey; Terri Eggleton (Impact Investment & Partnership Manager); Sam Cummins (Community Funding and Policy Manager); Alastair Rhodes (CEO). ABSENT: From Top: Kenneth Brown (Ex Chair); Kylie Hawker-Green; Bill Cleghorn (Ex Deputy Chair).

BayTrust Organisation Structure

Consultants/Advisors

- Investment Advisors – Cambridge Associates
- Legal – Sharpe Tudhope
- Auditors – KPMG
- Accounting – BakerTilly Staples Rodway
- PR/Web – Tailor-made/Moca
- Impact Investments – 4am Consulting
- Maori/Wi – Jacob Tapiata



What we have done

Tena Koutou Katoa

BayTrust has a Vision that Bay of Plenty is the greatest place to be and it is our pleasure to share BayTrust's key activities, achievements and highlights for the year ended 31 March 2019:

Financial

- From an investment perspective it has been a challenging year for BayTrust's investment portfolio following a strong performance last year, with BayTrust's investments returning \$7.6m (2018: \$15.9m) on the back of a volatile international environment.
- In April 2018 after a robust and extensive market review process, BayTrust replaced its long-standing lead Investment Advisor Russell Investment Group with Cambridge Associates who specialise in advising Foundations and Endowments. This year we have been working with Cambridge Associates to further diversify our investment portfolio to ensure it provides solid and sustainable returns for our communities into the future. Taking a staged and cautious approach to this has led to a smooth transition and by the middle of 2019 we expect to have fully transitioned to our new and more diversified investment portfolio.
- As a result of this soft revenue performance, BayTrust's returns have not quite covered the Trust's expenses of \$1.5m (2018: \$1.5m) and granting of \$7.0m (2018: \$5.9m) leading to an overall deficit of \$0.9m (2018 surplus: \$8.6m). This deficit has been covered from the Trust's very healthy grants reserves of \$63.7m (2018: \$66.7m) which have been built up to help allow the Trust to continue to provide stable and consistent granting even when returns are challenging.
- Looking forward, the Board and its Investment Advisors continue to be cautious around future returns with increasing volatility being experienced in the financial markets. However, because of our healthy reserves and in alignment with our agreed spend policy of 4% of the average trailing 3-year investment values, we anticipate we will be able to increase our granting for next year to a record \$7.2m across all our outcome areas.
- At year-end the total equity of BayTrust was \$212.6m, which was a \$0.9m decrease from 31 March 2018 (\$213.5m).

Nā māua noa, nā



Rita Nabney
Chair

15 August 2019

Community & Granting

- BayTrust increased its total granting commitments this year by 20% and committed a total of \$7.0m in grants (2018: \$5.9m) to 195 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 within our communities.
- In February 2018 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. We are now well underway to implementing other findings included in this review including supporting more innovative ideas and projects, working in a true partnership manner with many organisations including increasing our multi-year funding and in 2018 introduced 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 working well together 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".



Alastair Rhodes
Chief Executive Officer

Investment Performance

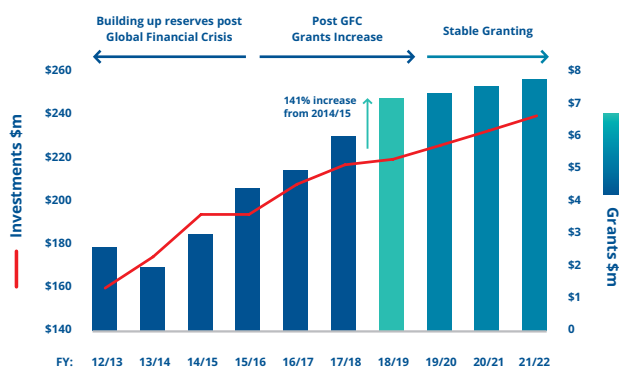
BayTrust's investment objective is to protect and equitably grow BayTrust's investment capital so that it can provide ongoing returns for distribution to current and future BOP communities. Over the last year, the Board with the assistance of our Investments Advisors ran a well diversified portfolio of investments including Global Equities, Emerging Market Equity, Private Investments, Growth Alternatives, Global Fixed Income, Cash, Property and Infrastructure and BOP Impact Investments.

	2019	2018
Investment Income	\$8m	\$16m
Return on Investment	3.6%	7.7%
Benchmark Return	6.1%	7.0%

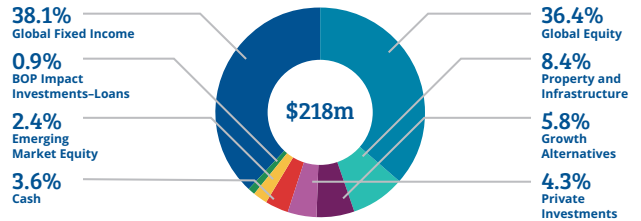
Key performance highlights:

- The Trust's investment base has grown from \$89m when first established to over \$218m (includes cash and impact loans), an increase of \$2.5m from the prior year.
- In spite of volatile financial markets, net investment revenue of \$8m was only slightly behind forecast, although it was significantly lower than the revenue achieved in the prior year (\$16m). Overall, the Trust's portfolio returned 3.6% versus a benchmark of 6.1%.
- At an asset class level, Global Equities drove the poor performance versus benchmark with a return of 1.7% versus a benchmark return of 6.6% driven largely by the Russell's Global Opportunity Fund 'value' style being out of sync with the market's current 'growth' focus. BayTrust is in the process of transitioning out of this fund as part of its transition to Cambridge Associates.
- The Trust's other assets classes generally performed as expected and forecasted.

Granting Analysis



BayTrust's Investment Portfolio 31 March 2019, \$218m

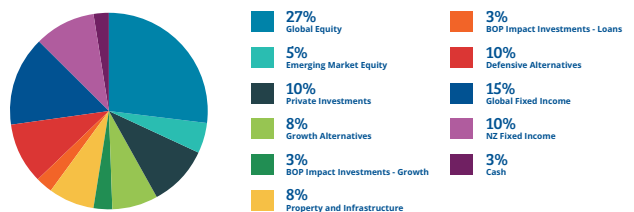


	2019	2018
Growth Assets	57%	53%

Investment changes during the year

An in-depth review of our strategic asset allocations was completed in June 2018 which resulted in the Trust increasing its growth asset allocations from 53% last year to 58% this 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 our communities remains strong. During the year the Trust also 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% currently invested) and we were actively looking at opportunities in this space.

Target Asset Allocation June 2018



60% Growth Asset Target

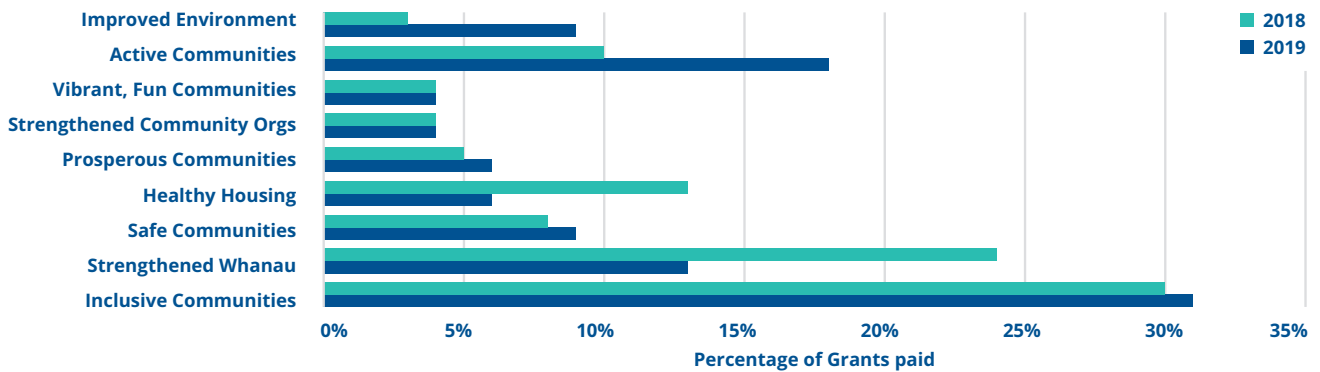
Future Investment plans

Lastly, looking ahead we anticipate financial market volatility is likely to continue and we are working closely with our Investment Advisors (Cambridge Associates) to further refine and diversify our investment portfolio to align with our asset allocation targets and its 60% growth allocation. We remain committed to increasing our granting from \$7m this year (20% increase from the prior year) to ~\$7.2m next year (+2%) as a result of strong returns driven in previous years and a healthy reserving position and in alignment with our 4% spend target based on our last 3 years average trailing investment values.

Granting

To help achieve our Vision and in alignment with our Values, the Trust granted a record \$7m (2018: \$5.9m) in grants & scholarships distributed across our region and our outcome areas as outlined below:

Grants across Outcome Areas



The Trust aims for an **equitable distribution of grants across the region** and this has been maintained this year. Included in this year's granting is the first grants for the Community Amenities Fund. Four organisations were allocated \$1.05m for projects across BOP.

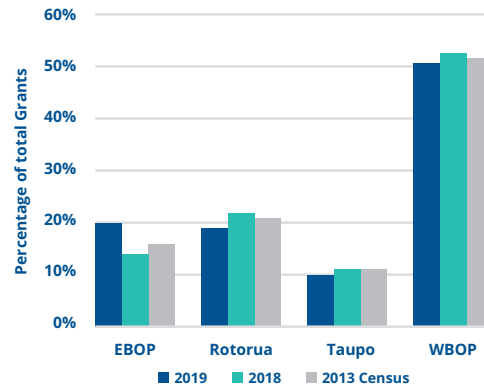
The number of applications 284 (2018: 288) has remained steady with the approval rate increasing to 74% (2018: 71%). The total granted as a percentage of requests has also improved from 32% in 2018 to 51% in 2019.



"This funding has helped with our environmental education programme, which teaches the next generation about conservation and protection of our endangered species. From the classroom to the bush, the students gain life-long knowledge and a passion for our environment. A heartfelt thank you to BayTrust for understanding this importance"

Leah Murphy – Whakatane Kiwi Trust

Regional Distribution of Granting



Partnerships

The partnership with Sport BOP has been solidified with BayTrust entering a 3x3 year funding agreement that will strategically deliver programmes to support BOP communities to be active. The funding will support the delivery of **Coachforce**, Play in the Bay, Youth Engagement and Early Childhood programmes.

Multi-year funding

Multi-year funding for operational costs was granted to six new organisations totalling \$485,000 (1/3 of this paid out in 2018/19 year).

Capability Building Support

Subsidised capability building opportunities were provided to 376 people (235 in 2017/18) from Community organisations across the BOP, with more organisations also attending subsidised governance training, undertaking capability assessments, mentoring, coaching and leadership support activities.

Community Feedback

BayTrust surveys all grantees and key stakeholders annually, the key findings from the latest survey undertaken in Dec 2018/Jan 2019 were:

- BayTrust's **Vision resonated well with stakeholders.**
- 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** and Toolbox funding followed by Impact Investments and research.
- The **frequency of communication was about right** with the most preferred form of communication being email.
- Most **stakeholders felt BayTrust collaborated well/ very well or OK with its partners/stakeholders.**

Stakeholders, applicants and grantees advised that the three biggest community challenges that BayTrust could

influence in the next two to three years were housing/availability/affordability, opportunities for young people and funding sustainability.

Drop-In Hui's

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

There were consistent themes across all the drop in hui's 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.**



"St Chads appreciates the funding we received from BayTrust to support adults with disabilities to gain greater independence, learn and maintain valuable life skills, interact meaningfully with other members of the community, and do everyday things in everyday places"

Jebraun Clifford – St Chads Charitable Trust



Bay of Plenty Community Trust Incorporated

2019 Summary Financial Statements

Statement of Comprehensive Revenue and Expense	2019	2018
<i>For the year ended 31 March 2019</i>	\$000s	\$000s
Income		
Income from investments	7,351	15,940
Other income	295	(43)
	<u>7,646</u>	<u>15,897</u>
Expenses		
Trustees remuneration and expenses	200	206
Portfolio management & advisory fees	387	341
Other administration costs	924	938
Grants expenditure	7,000	5,855
	<u>8,511</u>	<u>7,340</u>
Total comprehensive revenue and expense for the year	(865)	8,557
Statement of Changes in Equity	2019	2018
<i>For the year ended 31 March 2019</i>	\$000s	\$000s
Balance as at 1 April 2018	213,498	204,941
Total comprehensive revenue and expense for the year	(865)	8,557
Balance as at 31 March 2018	212,633	213,498
Statement of Financial Position	2019	2018
<i>As at 31 March 2019</i>	\$000s	\$000s
Trust Equity		
Trust capital	89,308	89,308
Grants maintenance reserve	63,735	66,654
Inflation reserve	49,030	46,976
Population reserve	10,560	10,560
	<u>212,633</u>	<u>213,498</u>
Current Assets		
Cash & cash equivalents	2,038	4,654
Prepayments	220	289
Loans to community groups	508	64
	<u>2,766</u>	<u>5,007</u>
Non-Current Assets		
Investments	213,759	208,110
Loans to community groups	1,234	2,385
Fixed assets	44	20
	<u>215,037</u>	<u>210,515</u>
Total Assets	217,803	215,522
Current Liabilities		
Grants Payable – current portion	(3,382)	(1,309)
Trade and other payables	(197)	(205)
	<u>(3,579)</u>	<u>(1,514)</u>
Non-Current Liabilities		
	<u>(1,591)</u>	<u>(510)</u>
Total Liabilities	(5,170)	(2,024)
Total Net Assets	212,633	213,498
Statement of Cashflows	2019	2018
<i>For the year ended 31 March 2019</i>	\$000s	\$000s
Cash Flows from Operating Activities	(3,583)	4,286
Cash Outflows from Investing Activities	967	(51)
Net (decrease)/increase in cash and cash equivalents	(2,616)	4,235
Cash and cash equivalents at 1 April 2018	4,654	419
Cash and cash equivalents at 31 March 2019	2,038	4,654

Bay of Plenty Community Trust Incorporated 2019 Summary Financial Statements

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 15th August 2019. 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.

The KPMG logo is a circular emblem with the letters 'KPMG' inside. It is positioned in the bottom right corner of the page, above the page number.

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), for the year ended 31 March 2019, 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 2019;
- 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 15 August 2019.

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.



KPMG
Tauranga

15 August 2019