



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:

BOP wide or replicable within the BOP

Demonstrate wide, long-term community benefit

Support those in the BOP with the greatest need

Incorporate partnerships for increased impact

Are community led

Deliver innovative solutions to social issues

Contain measurable outcomes and embedded evaluative practices

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.

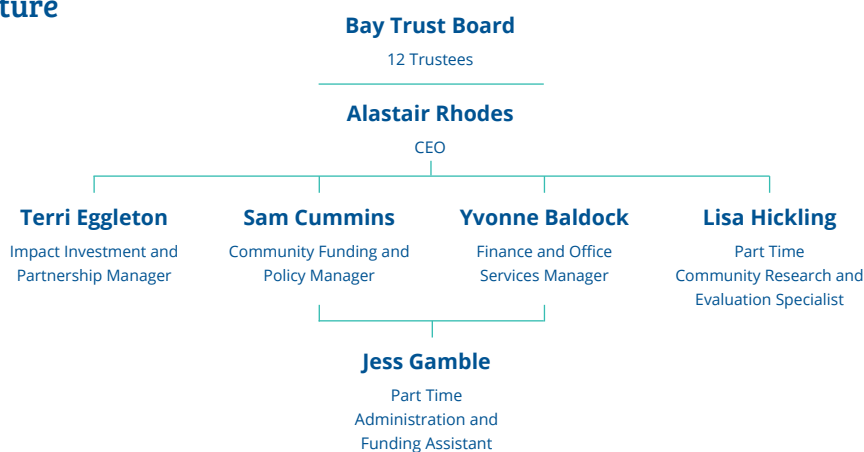


Yvonne Baldock (Finance & Office Services Manager); Nigel McAdie; Jess Gamble (Office & Funding Assistant); Simon Clarke; Lisa Hickling (Evaluation & Community Research Specialist); Steve Napier; Maggie Bentley (Deputy Chair); Michael Christensen; Mawera Karetai; Roger Taylor; Rita Nabney (Chair); Stephaine 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).

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".

Nā māua noa, nā



Rita Nabney
Chair



Alastair Rhodes
Chief Executive Officer

15 August 2019

Investment Performance

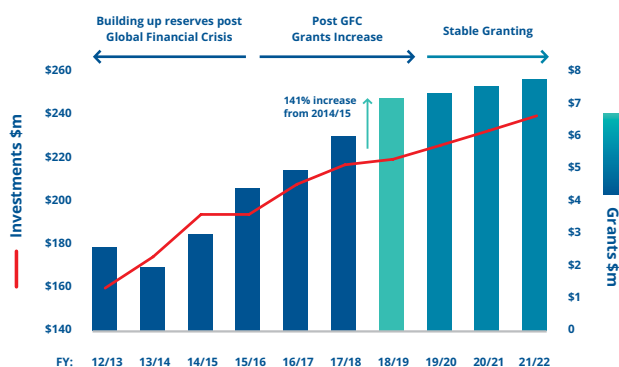
BayTrust's investment objective is to protect and equitably grow BayTrust's investment capital so that it can provide ongoing returns for distribution to current and future BOP communities. Over the last year, the Board with the assistance of our Investments Advisors ran a well diversified portfolio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

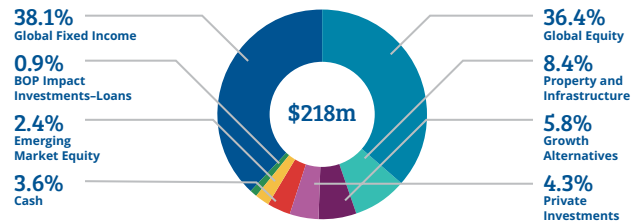
Key performance highlights:

- 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

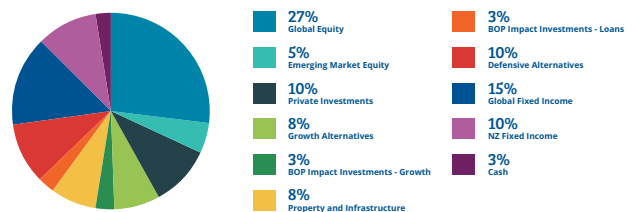


	2019	2018
Growth Assets	57%	53%

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

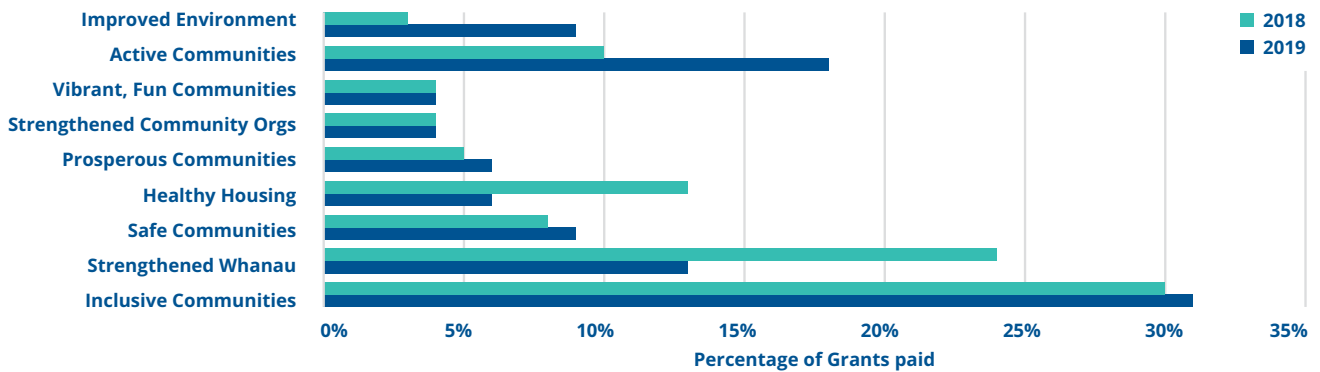
Future Investment plans

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.

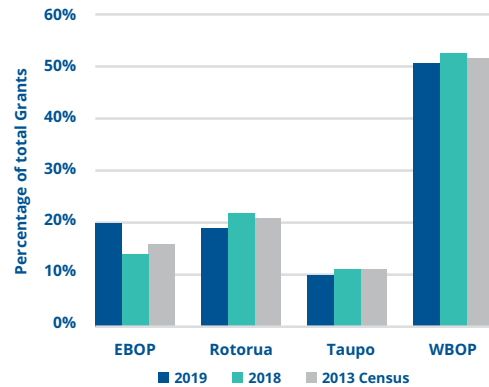
The number of applications 284 (2018: 288) has remained steady with the approval rate increasing to 74% (2018: 71%). The total granted as a percentage of requests has also improved from 32% in 2018 to 51% in 2019.



"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 Annual Report

Statement of comprehensive revenue and expense

For the year ended 31 March 2019

in New Zealand Dollars (\$000's)

	Note	2019	2018
Investment Income	4	7,646	15,897
Less Expenses			
Portfolio management and advisory fees		387	341
Other expenses	5	1,124	1,144
Total Expenses		1,511	1,485
Grants Expenditure	6, 15	7,000	5,855
Surplus/(Deficit) for the year		(865)	8,557
Total comprehensive revenue and expense for the period		(865)	8,557

Statement of changes in equity

For the year ended 31 March 2019

in New Zealand Dollars (\$000's)

	Trust capital	Retained earnings	Population reserve	Grants maintenance reserve	Inflation reserve	Total
Balance at 1 April 2017	89,308	-	10,560	59,615	45,458	204,941
Total comprehensive revenue and expense for the period	-	8,557	-	-	-	8,557
Reserves transfers	-	(8,557)	-	7,039	1,518	-
Balance at 31 March 2018	89,308	-	10,560	66,654	46,976	213,498
Balance at 1 April 2018	89,308	-	10,560	66,654	46,976	213,498
Total comprehensive revenue and expense for the period	-	(865)	-	-	-	(865)
Reserves transfers	-	865	-	(2,919)	2,054	-
Balance at 31 March 2019	89,308	-	10,560	63,735	49,030	212,633

The notes on pages 10 to 18 are an integral part of these financial statements.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Statement of financial position

As at 31 March 2019

in New Zealand Dollars (\$000's)

	Note	2019	2018
Assets			
Property, plant and equipment		44	20
Loans	8	1,234	2,385
Investments	10	213,759	208,110
Total non-current assets		215,037	210,515
Loans	8	508	64
Prepayments		220	289
Cash and cash equivalents		2,038	4,654
Total current assets		2,766	5,007
Total assets		217,803	215,522
Trust equity			
Trust capital		89,308	89,308
Retained earnings		-	-
Population reserve	9	10,560	10,560
Grants maintenance reserve	9	63,735	66,654
Inflation reserve	9	49,030	46,976
Total equity		212,633	213,498
Liabilities			
Grants Payable		3,382	1,309
Trade and other payables		197	205
Total current liabilities		3,579	1,514
Grants Payable		1,591	510
Total non-current liabilities		1,591	510
Total liabilities		5,170	2,024
Total equity and liabilities		217,803	215,522

The notes on pages 10 to 18 are an integral part of these financial statements.

Signed on behalf of the Board of Trustees;



Chair:.....

Trustee:.....

Date:..... 15/08/2019

Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Statement of cashflows

For the year ended 31 March 2019

in New Zealand Dollars (\$000's)

	2019	2018
Cashflows from operating activities		
Investment income	148	104
Cash paid to suppliers, trustees and staff	(1,509)	(1,478)
Proceeds from realisation of investments	48,735	13,243
Funds Invested	(47,112)	(1,915)
Grants paid to the community	(3,845)	(5,668)
Net cash flows from operating activities	(3,583)	4,286
Cashflows from investing activities		
Acquisition of property, plant and equipment	(34)	-
Loans (Issued) / Repaid	1,001	(51)
Net cash flows from investing activities	967	(51)
Net increase/(decrease) in cash and cash equivalents	(2,616)	4,235
Cash and cash equivalents at 1 April	4,654	419
Cash and cash equivalents at 31 March	2,038	4,654

The notes on pages 10 to 18 are an integral part of these financial statements.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements

1 Reporting entity

The Bay of Plenty Community Trust is a Charitable Trust, incorporated in accordance with the provisions of The Community Trusts Act 1999.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the Public Benefit Entity Accounting Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted. The Trust qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure and is not publicly accountable.

The Board of Trustees approved the financial statements on 15 August 2019.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

(c) Functional and presentation currency

These financial statements are presented in thousands of New Zealand dollars and rounded to the nearest thousand dollars (\$000's) which is the functional currency of the Trust.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In the process of applying the Trust's accounting policies management have made judgements regarding whether or not discretionary grants are payable at year end or if discretionary grants are contingent liabilities at year end. This potentially has a significant effect on the amounts recognised in the financial statements. Grants payable are discretionary grants where there are no significant conditions attached to the grant at balance date or where the significant conditions attached to the grant have been met at balance date. Grants that are classified as contingent liabilities at year end are discretionary grant obligations at balance date that are reliant on additional funding or have other significant conditions attached to them to go ahead with a specified project. Refer to note 7 for the grants payable at 31 March 2019 and note 8 for contingent liabilities.

(e) Taxation

Bay of Plenty Community Trust is exempt from income tax with effect 1 April 2008, under section CW 52 of the Income Tax Act 2007.

3 Significant accounting policies

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and any differences are recognised in profit or loss. Classification is also reassessed by management at each reporting date.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(b) Financial assets at fair value through profit or loss

The Trust classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by management at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's Statement of Investment Policies and Objectives and information is provided internally to key management personnel on that basis.

Regular-way purchases and sales of investments are recognised on the trade date, being the date on which the Trust commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investment have expired or the Trust has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are initially recognised at fair value. Separately identifiable transaction costs (including management, advisory, custodian and direct private equity fees) are expensed as incurred. Where transaction costs are not separately identifiable (i.e. fees deducted at source) these are offset against revenue from investments. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Trust's loans and receivables comprise 'loans'.

Loans and receivables are initially recognised at fair value plus transaction costs. The fair value of long term receivables or loans that are interest free or have interest rates below market values are estimated using the present value of all future cash flow receipts discounted using the prevailing market rate of interest for similar instruments with a similar credit rating. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period, to the net carrying amount of the financial asset.

The Trust assesses at each balance sheet date whether there is objective evidence that a loan or receivable is impaired.

Short term deposits

Short term deposits are short term investments with an original maturity of between 3-12 months.

Trade and other payables

Trade and other payables are stated at cost and are classified as other liabilities.

c) Grants expenditure and grants payable

The Trust makes discretionary grants. The grants are recognised as an expense at the point at which the payment of the grant has been approved by the Trustees and the recipient of the grant does not have any further obligations to meet in order to receive the grant.

Grants payable are those grants which have been approved, there are no significant obligations to be met, and the grant has not been paid by the reporting date.

Where grants have been approved in the current or previous years but are subject to the fulfilment of further conditions in future years, they are treated as contingent liabilities (note 7).



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Depreciation

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation rates for the current and comparative periods are :

Furniture & fittings	8.5% to 40%
Office equipment	30% to 50%
Motor vehicle	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Impairment

The carrying amounts of the Trust's assets are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised costs, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Non-financial assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

(f) Employee benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Sick leave is recognised when the leave is taken and measured at the rates paid.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

3 Significant accounting policies (continued)

(g) Investment Income

(i) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Investment Income

Refer to note 3(b) 'Financial Assets at fair value through profit or loss'.

4 Investment Income

	2019	2018
Interest received	123	104
Fair Value Investment gains and losses	7,228	15,836
Net changes in fair value movement on loans and receivables / other investments	295	(43)
Total Investment Income	<u>7,646</u>	<u>15,897</u>

As per Policy 3(b) Financial Assets at Fair Value through Profit and Loss the entity have changed the way they report Investment fees. These are now netted off income and accordingly last years comparative have been updated.

5 Other expenses

	2019	2018
Accountancy fees	14	15
Depreciation	10	10
Office operating costs	77	69
Office lease expenses	78	64
Trust administration	200	319
Employer kiwisaver contribution	20	14
Wages and salaries	496	419
Trustees' Remuneration (note 13)	160	155
Trustee expenses and professional development	40	51
Vehicle expenses	13	13
	<u>1,108</u>	<u>1,129</u>
Auditor's remuneration to KPMG		
- audit of financial statements	16	15
Total auditor's remuneration	<u>16</u>	<u>15</u>
Total other expenses	<u>1,124</u>	<u>1,144</u>

6 Grants expenditure

The Trust's principal activity is to distribute income from its investments to the Community. The following table summarises the grants made to the Community.

	2019	2018
Grants paid	6,931	5,809
Dillon Scholarship	98	94
Grants refunded or cancelled	(29)	(48)
Total Grants	<u>7,000</u>	<u>5,855</u>

A full list of the grants expenditure can be found in note 15. The Trust provides an additional benefit to the Community by providing low interest rate loans, the value of the interest saved by the organisation over the term of the loan is effectively a grant to the organisation when the loan is approved.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

7 Contingent liabilities

The following conditional future grants have been approved but are subject to the applicants satisfying specific criteria in each case:

Grants recipients	2019	2018
Opotiki District Council (2016 Strategic Fund)	-	300
Sport BOP Bump Club	-	75
Whakaatu Whanaunga	-	200
Total	-	575

8 Loans

From time to time the Trust advances funds to organisations at low interest rates or interest free. The loans are classified as loans receivable and, after initial recognition, are measured at amortised cost using effective interest rate method less any impairment loss. The difference between the interest charged and market rates equates to a community benefit provided by the Trust. The actual value of the loans outstanding is \$1,939,988 however due to the below market interest rates that have been charged the carrying value of these loans is actually \$1,742,642. The variance of \$197,345 is essentially a benefit provided to the community over the remaining loan terms.

The loan balance is made up as follows:

Organisation	Maturity Date	Interest rate %	2019	2018
Habitat for Humanity (Tauranga) Ltd	Repaid	2.75%	-	933
Tauranga Squash Racquets Club Inc	31/07/2025	3%	132	152
Theatre Whakatane Inc	19/11/2025	3%	140	158
Tauranga Community Housing Trust	17/10/2019	2.75%	760	760
Tauranga Community Housing Trust	1/10/2040	2.75%	907	938
Imputed Interest on low interest loans			(197)	(492)
Total			1,742	2,449
			2019	2018
Classified as:				
Current			508	64
Non-current			1,234	2,385
Total			1,742	2,449

For the purposes of calculating amortised cost and interest, the rate applying to the Reserve Bank swap rate at inception date of each advance is used.

9 Reserves

Grants maintenance reserve

The grants maintenance reserve relates to a capital maintenance reserve established and maintained at the Trustees' discretion.

Inflation reserve

As an "enduring" (everlasting) Trust, BayTrust has a responsibility to ensure it treats all classes of beneficiaries equitably and this includes future potential beneficiaries. For this reason the Trust maintains its "real" capital by adjusting its initial capital for both inflation and, to some extent, population movements. Inflation adjustments are made as at 31 March each year to reflect changes in the Statistics New Zealand All Groups CPI with an adjustment required of \$2.05m in the March 2019 year.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

9 Reserves (continued)

Population Reserve

To date, population adjustments have reflected a portion of the rate of growth in the Bay of Plenty region, with population reserves of \$10.56m being currently set aside which equates to 57% of the BOP population growth from inception of the Trust through to the 2013 census. Future population adjustments will be considered by the Trustees in the year following a New Zealand Census subject to funds being available.

10 Investments

	2019	2018
<i>Investments</i>		
NZ fixed interest debt securities - unit trusts	5,790	6,153
Emerging Market Equity	5,272	-
Global bonds - unit trusts	82,885	88,943
Global equities - unit trusts	79,279	90,813
Global Infrastructure - unit trusts	18,352	15,578
Growth Alternatives	12,731	-
Impact Investment - Growth	48	-
Private Equity Investments	9,402	6,623
Total investments designated at fair value through profit or loss	213,759	208,110

Management of the interest rate risk is performed by the fund managers by use of interest rate swaps.

11 Operating leases

Leases as lessee

Non-cancellable operating lease in relation to the Trust's administrative office rentals are payable as follows:

	2019	2018
Less than one year	-	45
Between one and five years	-	-
Total	-	45

Lease is currently operating on a month-by-month basis and no commitment made to new premises.

12 Related parties

The Trust held seven Board meetings during the year with Trustees also attending numerous other committee meetings and events representing the Trust. The table below records each Trustee's attendance at Board meetings and the remuneration paid as fixed by the Minister of Finance:

	Meeting Attendance	Remuneration \$
Brown, Kenneth (Chair until 28 February 2019)	6	23
Marriott, Wayne (retired 30 June 2018)	1	5
Bentley, Maggie (appointed Deputy Chair 1 March 2019)	6	13
Christensen, Michael	7	12
Clarke, Simon	5	12
Cleghorn, Bill (Deputy Chair until 28 February 2019)	7	14
Hawker-Green, Kylie	6	13
McAdie, Nigel (Audit & Risk Chair)	7	15
Mihinui, Roku (retired June 2018)	0	4
Morris, Steve (retired June 2018)	1	4
Nabney, Rita (appointed Trust Chair 1 March 2019)	7	13
Northey, Stephanie (appointed 1 July 2018)	6	8
Napier, Steve (appointed 1 July 2018)	5	8
Karetai, Mawera (appointed 1 July 2018)	6	8
Taylor, Roger (appointed 1 July 2018)	6	8
		160

There are fees payable to 12 Trustees at balance date of \$13,660 gross (2018:11 Trustees at \$12,660).

Trustees and the Chief Executive Officer are considered part of the key management personnel of the Trust. Remuneration paid during the year to the key management personnel totalled \$340,337.



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

13 Subsequent events

There have been no subsequent events since reporting date.

14 Commitments

Prior to balance date the Board moved that they would invest in three bonds with Ruapehu Alpine Lifts Ltd, totalling \$1,500,000.

The following is a schedule of committed capital for private equity investments which were uncalled during the financial period, as per the table below:

Vantage Asset Management (AUD 225,000)	234,570
Continuity Capital Partners	625,000
Waterman Capital Ltd	540,000
Pencarrow Private Equity	1,780,000
Oriens Capital	550,000
H.R.L Morrison & Co Ltd	83,514
WNT Ventures Fund 2 Limited Partnership	410,000
ICG (AUD 14,000,000)	14,581,980
Generation Sustainable Fund 1 (USD 3,500,000)	5,131,980
Accolade Growth Fund (USD 3,940,000)	5,777,143
Total	<u><u>29,714,187</u></u>



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$'000's)

15 Grants expenditure for the year ended 31 March 2019

Active Communities			
Bike Taupo Advocacy Group Inc	16	House of Science Tauranga Charitable Trust	30
Sport Bay of Plenty	2284	Kai Pai Kai Rotorua Charitable Trust	13
Whakatane District Council	200	Kawerau & Districts Ageing In Place Inc	20
		Mokioia Community Assoc	30
	2,500	Macular Degeneration NZ	25
Healthy Sustainable Housing		Mangakino Family Services Inc	8
Baywide Community Law Charitable Trust	30	Maori Girls Charitable Trust	10
Curtainbank Rotorua	10	Merivale Community Inc	80
He Kaupapa Kotahitanga Trust Tauranga, Awhina House	60	Mockingbird Inc	30
Pou Whakaaro	7	Mt Maunganui Community Menz Shed Trust	8
Visions of a Helping Hand Charitable Trust	50	Muscular Dystrophy Northern	10
Whakaatu Whanaunga Trust	200	NZ Centre for Gifted Education	10
	357	Ora Charitable Trust	5
Improved Natural Environment		People First NZ Inc Nga Tangata Tuatahi	8
Bay Conservation Inc	15	Recreate NZ	20
Boomeranga Bags Taupo Inc Soc	2	Rotorua Multicultural council	5
Central North Island Kindergarten Trust	3	Rotorua Riding for the Disabled Assoc Inc	25
EBAT Charitable Trust (t/a CREW)	10	Shakti Ethnic Women's Support Group Central Region Inc	30
Environmental Education for Resource Sustainability Trust	10	SociaLink	5
EVelocity Ltd	8	Society of St Vincent de Paul (Thermal Lands)	5
Garden to Table Trust	5	Society of St Vincent de Paul (Whakatane conference)	5
HALO Whakatane	19	St Chads Communication Centre Trust	222
Maketu Ongatoro Wetland Soc Inc	15	Starjam Charitable Trust	5
Manawahe Eco Trust	23	SuperGrans WBoP Charitable Trust	7
Otanewainuku Kiwi Trust	10	Talklink Trust	15
Para Kore Marae Inc	5	Tauranga Women's Collective Inc Soc	35
PIPS Inc	7	Tauranga Youth Development Team Inc	25
Project Litefoot Trust	5	Te Ala Toitu	15
Taupo Community Gardens Trust	5	Te Puke Community Menz Shed Trust	3
Tauranga Envirohub Centre Charitable Trust	65	Te Whare O Manaaki Trust	90
Te Runanga o Ngai Te Rangī Iwi Trust	20	Te Whare Wananga O Awanuiarangi	25
WBOPDC/Pirirakau Inc Soc	250	The Events Network Trust	1
Whakatane Kiwi Trust	17	The Parkinson's NZ Charitable Trust	8
	494	The Salvation Army (Whakatane Corps)	3
Inclusive Communities		The Spirit of Excellence Education Trust	10
Age Concern Rotorua District Inc	17	Tuhoe Manawaru Tribal Authority Charitable Co Ltd	5
Age Concern Taupo Inc	7	Turangī Foodbank Inc	4
Age Concern Tauranga Inc	15	Walapu Anglican Social Services Trust (Papamoa Family Services)	35
Alzheimers Soc Rotorua Inc	10	Walapu Anglican Social Services Trust (The Kauri Centre)	25
Alzheimers Soc Taupo Inc	10	Walanki Women's Refuge	35
Alzheimers Soc Tauranga/WBOP Inc	25	Welcome Bay Presbyterian Church	7
Aphasia NZ Charitable Trust	7	Western BoP Disability Support Trust	10
Araika Cancer Trust	5	Whakaatu Whanaunga Trust	3
Asthma NZ Inc (Lakes Region)	7	Whakatane Baptist Community Charitable Trust	11
Atua Awhi Community Charitable Trust	20	Whare Ora 111	10
Auckland District Kidney Soc Inc	18		1,421
Autism NZ Inc	7	Prosperous Communities	
BOP Therapy Foundation Inc	10	Citizens Advice Bureau Taupo Inc	10
Beachaven Family Services	90	Enterprise Angels Inc	25
Bethlehem Baptist Church	10	Family & Financial Solutions Trust	7
Books Before Boxing NZ	2	Good Neighbour Aotearoa Trust	105
Brave Hearts NZ	15	Katch Katikati Inc	15
Breast Cancer Support Service Tauranga Trust	20	Kawerau Life Konnect Charitable Trust	20
C3 Church Tauranga	5	Linton Park Community Trust	25
Catholic Family Support Services	10	Priority One	25
Complex Chronic Illness Support Inc	8	Progress Ngongotaha - Kokiri Ngongotaha Inc	8
Christians Against Poverty NZ	5	Te Puke Baptist Church	5
Disabilities Resource Centre	2	The Akina Foundation	28
Dress for Success Rotorua Charitable Trust	15	Toi EDA	30
Eastern Bay Villages	35	Whakatane Citizens Advice Bureau Inc	10
EmpowermentNZ Charitable Trust	25		313
Epilepsy Assoc of NZ Inc	10		
Halberg Disability Sport Foundation	5		
Have a Heart Charitable Trust	15		



Bay of Plenty Community Trust Incorporated – 2019 Annual Report

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

15 Grants expenditure for the year ended 31 March 2019 (continued)

Safe Communities		Strong Community Organisations	
BoP Neighbourhood Support Soc Inc	2	Socia.Link	90
Coastguard Eastern Region Assoc Inc	180	Tangata Whenua Community & Volunteer Sector	3
Kawerau Neighbourhood Support Inc Soc	5	Volunteer Bay of Plenty	35
Opotiki Surf Lifesaving Club Inc	5		128
Papamoa Community Surf Rescue Base Trust	400	Vibrant & Fun Communities	
Rotorua Mountain Bike Club Inc	20	AMS Games Trust	10
Safe Surfer	25	Easterfest (NZ) Trust	7
Surf Lifesaving NZ Inc	6	Greerton Village Community Assoc Inc	5
Taupo Neighbourhood Support Soc Inc	5	Katch Katikati Inc	10
Tauranga Community Patrols Assoc	4	Life Link Community Trust	2
Turangi Neighbourhood Support	5	NZ Garden & Art Festival Trust	
Western BOP Neighbourhood Support	5	Rockquest Charitable Trust	8
Whakatane District Neighbourhood Support Trust	5	Rotorua Bike Festival Charitable Trust	10
YSAR Trust	25	Rotorua Lakeside Concert Charitable Trust	10
	692	Royal NZ Plunket Trust	3
Strengthened Whanau		Safe Turangi	10
Barnardos NZ	10	Taki Rua Productions Soc Inc	8
Big Brothers Big Sisters of Rotorua	10	Te Puna Quarry Park Soc Inc	15
Child Matters	7	The Incubator Creative Hub	32
Families Achieving Balance Charitable Trust	15	The Mt Maunganui RSA Welfare Trust	5
Grief Support Services	20	The National Woodskills Trust	5
Growing Through Grief (Te Puke)	5	The Rotorua Touch Assoc Inc	6
Growing through Grief (Opotiki)	5	The Tauranga Community Trust	10
Inspiring Stories	15	Waterwheel Historic Trust	2
Katikati Community Resource Centre Inc	20	Western Bay Heritage Trust Board	5
Kawerau Blue Light Ventures Inc	30	Whakatane District Council	8
Kimiora Community Trust	28		176
Matata Blue Light Ventures Inc	25	Toolbox funding	
Parenting for Men Charitable Trust	5	Central Plateau REAP	7
Parenting Place Charitable Trust	10	EBOP Economic Development Agency	8
Pregnancy Help Inc Taupo	12	Envirohub BOP	9
Priority One	35	Habitat for Humanity (Tauranga) Ltd	24
Rotorua Community Youth Centre Trust	30	HALO Whakatane	3
Rotorua Lakes Council	20	He Kaupapa Kotahitanga Trust Tauranga	6
Rotorua Youth Development Trust	20	Lakeswater Quality Soc	6
Sir Edmund Hillary Outdoors Education Trust	10	Mokioia Community Assoc	4
Sport BoP	50	Safe Turangi	7
Storytime Foundation	5	Social Service Providers Aotearoa	10
Tarawera High School	5	Socia.Link	5
Taupo Pathways for Youth Employment Trust	65	Tauranga Community Housing Trust	1
Te Runanga o Ngai Te Rangī iwi Trust	45	Taupo District Council	3
The Salvation Army (Tauranga)	15	The Gift Trust	2
The Scout Assoc of NZ	5	The Inspiring Communities Trust	15
Tipu Skills for Life Charitable Trust	25	The Salvation Army Tauranga	9
Turangi Blue Light Ventures	75	WBOP District Council	5
Waiapu Anglican Social Services Trust (Growing through Grief Tauranga)	10		124
Waiapu Anglican Social Services Trust (Merivale Whanau Aroha Centre)	15	Scholarships	
Whakatane Blue Light Ventures	25		98
Whakatane District Community Arts Council	13	Grants refunded	
Youth Encounter Ministries Trust	30	Arts Kitchen Charitable Trust	-5
Youthline Auckland Charitable Trust	10	Maketu Health & Social Services	-24
	725		-29
		Grand Total - Grants Expenditure	
			7,000

(Refer Note 6)



Independent Auditor's Report

To the beneficiaries of Bay of Plenty Community Services Trust

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Bay of Plenty Community Services Trust (the Trust) on pages 7 to 18:

- i. Present fairly in all material respects the Trust's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit).

We have audited the accompanying financial statements which comprise:

- The statement of financial position as at 31 March 2019;
- The 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 Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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



Other information

The Trustees, on behalf of the Trust, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's 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 independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the financial statements

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

- The preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit));
- Implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Tauranga

15 August 2019