VICTORIA UNIVERSITY OF
WELLINGTON
TE HERENGA WAKA

Foundation

FOUNDATION
TE HERENGA WAKA—VICTORIA UNIVERSITY OF WELLINGTON
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Victoria University of Wellington Foundation Trust
Financial statements
For the year ended 31 December 2022

Contents

Trust directory

Registered office	Kelburn Parade, Wellington
Auditors	Ernst & Young, Wellington on behalf of the Controller and Auditor-General
Bankers	ANZ Bank New Zealand Ltd
Solicitors	Chapman Tripp Greenwood Roche
Other Party to Deed of Trust	Victoria University of Wellington (VUW)

Statement of responsibility

We are responsible for the preparation of the Victoria Univeristy of Wellington Foundation Trust (the "Foundation") financial statements, and for the judgements made in them.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements fairly reflect the financial position and operations of the Foundation for the year ended 31 December 2022.

For and on behalf of the Trustees as at 21 March 2023.

Dame Kerry Prendergast
Trustee

Steven Fyfe
Trustee

Statement of comprehensive revenue and expense

For the year ended 31 December 2022

	Note	2022 $	2021 $
Revenue			
Donations – Endowed		**1,798,626**	4,131,149
Donations – Non-endowed		**3,452,298**	4,226,440
Interest - Current account		**3,793**	773
Fair value (loss)/gain on investments		**(7,593,645)**	6,851,738
Total revenue		**(2,338,928)**	15,210,100
Expenses			
Grants awarded		**6,200,791**	4,950,312
Investment management fees		**414,699**	411,225
Bank charges		**1,290**	1,080
Total expenses		**6,616,780**	5,362,617
Net (deficit)/surplus		**(8,955,708)**	9,847,483
Total comprehensive revenue/(expense)		**(8,955,708)**	9,847,483

The accompanying notes form part of these financial statements.

EY

Statement of financial position

As at 31 December 2022

	Note	2022 $	2021 $
Current assets			
Cash & cash equivalents	3	**22,829,525**	28,470,009
Investments	4	**60,101,273**	61,761,079
Derivative financial instruments	2	**716,541**	-
Total current assets		**83,647,339**	90,231,088
Non-current assets			
Investment - Peter McIntyre painting		**9,500**	9,500
Total non-current assets		**9,500**	9,500
Total assets		**83,656,839**	90,240,588
Current liabilities			
Accounts payable & accruals	5	**1,294,480**	383,008
Derivative financial instruments	2	**-**	293,034
National Music Centre fundraising	8	**7,746,459**	5,992,938
Total current liabilities		**9,040,939**	6,668,980
Total liabilities		**9,040,939**	6,668,980
Net assets		**74,615,900**	83,571,608
Equity			
Accumulated funds		**74,615,900**	83,571,608
Total equity	6	**74,615,900**	83,571,608

The accompanying notes form part of these financial statements.

EY

Statement of changes in equity

For the year ended 31 December 2022

	Note	2022 $	2021 $
Balance at 1 January		**83,571,608**	73,724,125
Total comprehensive revenue & expense for the year		**(8,955,708)**	9,847,483
Balance at 31 December	6	**74,615,900**	83,571,608

The accompanying notes form part of these financial statements.

EY

Statement of cash flows

For the year ended 31 December 2022

	Note	**2022** $	2021 $
Cash flows from operating activities			
Receipts from donations, investment earnings & other		**5,257,031**	14,470,958
Interest received		**3,793**	773
National Music Centre fundraising receipts		**1,753,521**	1,164,665
Payment of grants & other suppliers		**(5,711,343)**	(7,847,423)
GST (net)		**6,035**	(3,660)
Net cash flow from operating activities		**1,309,037**	7,785,313
Cash flows from investing activities			
Contribution to investments		**(6,949,521)**	(11,940,638)
Net cash flow from investing activities		**(6,949,521)**	(11,940,638)
Net (decrease) in cash & cash equivalents		**(5,640,484)**	(4,155,325)
Cash & cash equivalents at beginning of the year		**28,470,009**	32,625,334
Cash, cash equivalents, and bank overdrafts at the end of the year	3	**22,829,525**	28,470,009

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1 Statement of accounting policies for the year ended 31 December 2022

REPORTING ENTITY

The Foundation is an independent Charitable Trust registered under the Charities Act 2005. The Foundation is deemed solely for accounting purposes to be controlled by Te Herenga Waka Victoria University of Wellington (VUW).

The Foundation was established on 1 October 1990 for the purpose of raising funds from external sources for the use by VUW. The Foundation is domiciled in New Zealand and its registered office and principal place of business is in Wellington.

The Foundation has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Foundation for the year ended 31 December 2022 were authorised for issue in accordance with the resolution of the Trustees on 21 March 2023.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The accompanying financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with PBE standards Reduced Disclosure Regime (RDR).

Measurement base

The financial statements have been prepared on a historical cost basis, except for investments and derivative financial instruments, which have been recognised at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar ($).

Changes in accounting policies and disclosures

Other than the adoption of new PBE Standards and amendments to PBE standards as discused below, there have been no changes in the accounting policies of the Foundation for the year ended 31 December 2022. All accounting policies and disclosures are consistent with those applied by the Foundation in the previous financial year.

CHANGES IN ACCOUNTING POLICY

New or amended financial reporting standards and interpretation adopted during the period

The Foundation applied for the first time certain standards and amendments which were effective for the year ending 31 December 2022.

PBE IPSAS 1 Going Concern Disclosures

Changes to PBE IPSAS 1 in relation to Going Concern disclosures came into effect on 1 January 2022. The Foundation has assessed these changes and there are no impacts on the financial statements as the Foundation remains a Going Concern.

EY

1 Statement of accounting policies for the year ended 31 December 2022 (continued)

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments replaces parts of IPSAS 29 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Foundation has applied PBE IPSAS 41 prospectively, with an initial application date of 1 January 2022.

As a result of adopting PBE IPSAS 41 as at 1 January 2022 there were no changes to the value of assets or liabilities, rather a change in the measurement category of the assets.

The nature of these presentation changés are described below:

(i) Classification and Measurement of financial assets and liabilities

Under PBE IPSAS 41, financial assets are subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost or fair value through other comprehensive revenue and expense (FVOCRE). Financial liabilities are subsequently measured at fair value through surplus or deficit (FVTSD) or amortised cost. Financial instuments measured at amortised cost replaces the previous measurement category: loans and receivables, the change in category is outlined in the below table. The classification is based on two criteria: (1) the Foundation's business model for managing the assets: and (2) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Foundation's business model was made as at date of initial application namely 1 January 2022. The assessment of whether contractual cash flows on debt instruments are solely compromised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Receivables from exchange and non-exchange transactions, term deposits and loans to related parties were classified as Loans and Receivables as at 31 December 2021 and are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning on 1 January 2022.

	Measurement Category		**Entity**	
	PBE IPSAS 29	PBE IPSAS 41	PBE IPSAS 29 $	PBE IPSAS 41 $
Financial Assets				
Cash & cash equivalents	Loans & receivables	Amortised Cost	28,470,009	28,470,009
Investments	FVTSD	FVTSD	61,761,079	61,761,079
Derivative financial instruments	FVTSD	FVTSD	(293,034)	(293,034)
Financial Liabilities				
Accounts payable	Amortised Cost	Amortised Cost	299,403	299,403
National Music Centre fundraising	Amortised Cost	Amortised Cost	5,992,938	5,992,938

(ii) Impairment

The adoption of PBE IPSAS 41 has changed the Foundation's accounting for impairment losses for financial assets by replacing PBE IPSAS 29's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PBE IPSAS 41 requires the Foundation to recognise an allowance for ECL's for all debt instruments not held at fair value through surplus and deficit.

Upon the adoption of IPSAS 41 on 1 January 2022, the Foundation did not recognise any additional impairment.

EY

1 Statement of accounting policies for the year ended 31 December 2022 (continued)

GLOBAL CONTEXT

The global economic outlook remains uncertain and this will likely result in ongoing volatility in financial markets and/or negatively impact philanthrophy.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

1.1 Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Donations, bequest, and pledges

Donations and bequests are recognised as revenue when the right to receive the funds or asset has been established. Pledges are not recognised as assets or revenue until the pledged item is received.

Revenue from providing services is recognised when the services are delivered and the right to receive payment is established.

Interest and dividends

Interest revenue is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established.

Investment revenue

Investments held by the Foundation include investments in fixed interest funds and equity funds. These investments are managed by both ANZ Bank New Zealand Limited and Nikko Asset Management Limited, and revalued to fair value at balance date. A portion of these investments are exposed to foreign exchange risk. The fair value is based on independently sourced market parameters, apart from forward foreign exchange contracts which are based on quoted market prices.

Fair value movements are recognised through the surplus in the statement of comprehensive revenue and expense.

1.2 Expenses

The specific accounting policies for significant expense items are explained below:

Grants

Grants expenditure is recognised when an obligation arises to pay funds for the purpose in which the funds were intended.

1.3 Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, and FVTSD.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flowcharacteristics and the Foundation's business model for managing them. With the exception of short-term receivables and payables that do not contain a significant financing component or for which the Foundation has applied the practical expedient, the Foundation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through surplus or deficit, irrespective of the business model.

The Foundation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

1 Statement of accounting policies for the year ended 31 December 2022 (continued)

(i) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of financial performance.

This category includes derivative instruments and managed funds which the Foundation had not irrevocably elected to classify at FVOCRE.

The Foundation's derivative financial instruments are classified as financial assets at fair value through profit or loss. These instruments are used with the ANZ managed fund to manage exposure to foreign exchange risks arising from the Foundation's investing activities. The Foundation has not elected to apply hedge accounting.

After initial recognition the financial assets in this category are measured at fair value with gains or loss on re-measurement recognised in surplus or deficit.

(ii) Debt instuments at amortised cost

Debt instruments at amortised cost 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 balance date, which are included in non-current assets.

After initial recognition, are subsequently measured at amortised cost using the effective interest method (EIR), and are subject to impairment. Gains and losses are recognised in surplus or deficit when the asset is derecognised, modified or impaired.

The Foundation's cash and cash equivalents are categorised as debt instruments at amortised cost.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Foundation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Foundation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Foundation has transferred substantially all the risks and rewards of the asset, or (b) the Foundation has neither transferred not retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged, waived, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of financial performance.

Derivative financial instruments
The Foundation uses derivative financial instruments, such as forward currency, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives not designated as hedging instruments reflect the positive or negative change in fair value of those foreign exchange forward contracts which are not designated in hedge relationships, but are nevertheless intended to reduce the level of foreign currency risk for expected sales and purchases.

The Foundation uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposures of the underlying transactions, generally from one to 24 months.

1.4 Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

The Foundation considers writing off a financial asset primarily when the debt is older than a year and there has been no response after 6 months of being sent to the debt collectors, however this is treated on a case by case basis.

1 Statement of accounting policies for the year ended 31 December 2022 (continued)

Financial assets at fair value through surplus or deficit include investments in managed funds. Fair values of these equity shares are determined by reference to published price quotations in an active market or prices made available by the investment manager.

1.5 Financial Liabilities

Financial liabilities at amortised cost are classified, at initial recognition and include payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Foundation's financial liabilities include payables under exchange transactions and National Music Centre fundraising receipts.

Subsequent measurement

After initial recognition, payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of financial performance.

1.6 Other investments

Investment in paintings is recognised at market value at the time of the ownership transfer in the statement of financial position.

1.7 Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

1.8 Income tax

The Foundation is exempt from income tax.

2 Financial instruments

	2022	2021
	$	$
FINANCIAL ASSETS		
Debt instruments at amortised cost		
Cash & cash equivalents	**22,829,525**	28,470,009
Financial assets at fair value through surplus or deficit		
Investments	**60,101,273**	61,761,079
Derivative financial instruments	**716,541**	(293,034)
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Accounts payable	**1,190,480**	229,403
National Music Centre fundraising	**7,746,459**	5,992,938

3 Cash and cash equivalents

	2022 $	2021 $
Cash at bank - ANZ operating	**153,440**	232,330
Cash at bank - ANZ wholesale fund	**22,676,085**	28,237,679
Total	**22,829,525**	28,470,009

4 Investments

	Entity Actual 2022 $	 Actual 2021 $
New Zealand and Australian equity funds	**5,874,086**	5,740,612
New Zealand fixed interest funds	**11,145,508**	11,166,966
International equity funds	**28,272,437**	29,378,015
International fixed interest funds	**8,596,637**	8,837,360
International infrastructure funds	**3,112,332**	3,312,436
International property funds	**3,100,273**	3,325,690
Total	**60,101,273**	61,761,079

EY

5 Accounts payable and accruals

	2022 $	2021 $
Accounts payable	**1,190,480**	229,403
Accruals	**104,000**	153,605
Total	**1,294,480**	383,008

6 Equity

Endowed capital	**62,301,833**	70,044,733
Non-endowed	**12,314,067**	13,526,875
Balance 31 December	**74,615,900**	83,571,608

Equity represents funds which are held in the Foundation in accordance with donor requirements. Endowed capital are those funds which are held as capital sum, the annual revenue from which is to be applied as directed by the donor or trustees. Non-endowed are those funds which are held but not yet applied in accordance with donor or trustees requirements due to the timing of the projects.

7 Related party transactions

Donations from Trustees and management were $77,814 for the year (2021: $27,825).

VUW provides all the management and administration support to the Foundation at no cost.

8 National Music Centre fundraising

During the 2018 financial year, VUW entered into an arrangement with the New Zealand Symphony Orchestra ('NZSO') to raise funds for the National Music Centre. The Foundation is acting as an agent for the administration of the funds and has recognised receipts held on behalf of VUW and NZSO as at 31 December 2022 of $7,746,459 (2021: $5,992,938).

9 Contingencies

There are no contingent liabilities or assets at balance date (2021: nil).

10 Capital management policy

The Foundation actively manages its capital position. The Trustees' objective is to ensure that the Foundation is a going concern and has adequate funds for projects funded by private parties that promote academic excellence at the University.

11 Events after balance date

There were no events subsequent to balance date requiring disclosure in the financial statements.

EY

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF VICTORIA UNIVERSITY OF WELLINGTON FOUNDATION TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Auditor-General is the auditor of Victoria University of Wellington Foundation Trust (the Trust). The Auditor-General has appointed me, David Borrie, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Trust on his behalf.

Opinion

We have audited the financial statements of the Trust on pages 4 to 14, that comprise the statement of financial position as at 31 December 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust:

- present fairly, in all material respects:
  - its financial position as at 31 December 2022; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 31 March 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 2 to 3, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Trust. Partners and employees of our firm may deal with the Trust on normal terms within the ordinary course of trading activities of the business of the Trust.

David Borrie
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand