



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 2020**

Contents

	Page
Trust directory	2
Statement of responsibility	3
Financial statements	
Statement of comprehensive revenue and expense	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Auditor's report	13

Trust directory

Trustees	Craig Stevens (Chairperson) Rick Christie Steven Fyfe Professor Grant Guilford Raphael Hilbron Leo Lonergan Brent Manning Neil Paviour-Smith Dame Kerry Prendergast Dr Farib Sos Sir Maarten Wevers Bernadette Courtney (reappointed August 2020) Geo Robrigado (appointed January 2020, resigned June 2020) Ralph Zambrano (appointed July 2020)
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 University 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 2020.

For and on behalf of the Trustees as at 30 March 2021.



Brent Manning
Trustee



Professor Grant Guilford
Trustee

Statement of comprehensive revenue and expense

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Revenue			
Donations – Endowed		1,327,120	2,872,407
Donations – Non-endowed		6,102,391	4,243,493
Interest - Current account		579	864
Fair value gain on investments		<u>5,926,918</u>	<u>9,254,909</u>
Total revenue		13,357,008	16,371,673
Expenses			
Grants awarded		6,492,992	4,722,555
Investment management fees		364,693	318,034
Bank charges		<u>1,045</u>	<u>501</u>
Total expenses		6,858,730	5,041,090
Net surplus		6,498,278	11,330,583
Total comprehensive revenue and expense		6,498,278	11,330,583

The accompanying notes form part of these financial statements.

Victoria University of Wellington Foundation Trust
Statement of financial position

Statement of financial position

As at 31 December 2020

	Note	2020 \$	2019 \$
Current assets			
Cash & cash equivalents	3	32,625,334	24,640,183
Investments	4	48,148,672	45,591,273
Derivative financial instruments	2	641,867	569,468
Total current assets		<u>81,415,873</u>	<u>70,800,924</u>
Non-current assets			
Investment - Peter McIntyre painting		9,500	9,500
Total non-current assets		<u>9,500</u>	<u>9,500</u>
Total assets		<u>81,425,373</u>	<u>70,810,424</u>
Current liabilities			
Accounts payable & accruals	5	2,872,974	380,316
National Music Centre fundraising	8	4,828,274	3,204,261
Total current liabilities		<u>7,701,248</u>	<u>3,584,577</u>
Total liabilities		<u>7,701,248</u>	<u>3,584,577</u>
Net assets		<u>73,724,125</u>	<u>67,225,847</u>
Equity			
Accumulated surplus		73,724,125	67,225,847
Total equity	6	<u>73,724,125</u>	<u>67,225,847</u>

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Balance at 1 January		67,225,847	54,084,984
Total comprehensive revenue & expense for the year		6,498,278	11,330,583
Transfer of endowed funds from the University		-	<u>1,810,280</u>
Balance at 31 December	6	<u>73,724,125</u>	<u>67,225,847</u>

The accompanying notes form part of these financial statements.

Victoria University of Wellington Foundation Trust
Statement of cash flows

Statement of cash flows

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from donations, investment earnings & other		9,823,542	7,110,556
Interest received		579	864
National Music Centre fundraising receipts		1,516,720	1,001,686
Payment of grants & other suppliers		(4,368,510)	(5,980,398)
GST (net)		2,439	(7,989)
Net cash flow from operating activities		<u>6,974,770</u>	<u>2,124,719</u>
Cash flows from investing activities			
Receipts/(payments) applied to investments		<u>1,010,381</u>	<u>(1,246,087)</u>
Net cash flow from/(to) investing activities		<u>1,010,381</u>	<u>(1,246,087)</u>
Cash flows from financing activities			
Transfer of endowed and non-endowed funds from the University		-	1,810,280
Net cash flow from financing activities		-	<u>1,810,280</u>
Net increase in cash & cash equivalents		7,985,151	2,688,912
Cash & cash equivalents at beginning of the year		<u>24,640,183</u>	<u>21,951,271</u>
Cash and cash equivalents at the end of the year	3	<u>32,625,334</u>	<u>24,640,183</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1 Statement of accounting policies for the year ended 31 December 2020

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 Victoria University of Wellington.

The Foundation was established on 1 October 1990 for the purpose of raising funds from external sources for the use by Victoria University of Wellington. 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 2020 were authorised for issue in accordance with the resolution of the Trustees on 30 March 2021.

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

There have been no changes in the accounting policies of the Foundation for the year ended 31 December 2020. All accounting policies and disclosures are consistent with those applied by the Foundation in the previous financial year.

SIGNIFICANT ACCOUNTING POLICIES

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

Effect of COVID-19

On March 11 2020, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) pandemic. New Zealand went into a full lockdown of all non-essential services when the Government raised its Alert Level to 4 on 25 March 2020. This lockdown lasted until the alert level was lowered on 27 April 2020 and alert levels fluctuated through the remainder of 2020.

Early impacts of the global uncertainty caused as a result of COVID-19 were a significant decrease to the market value of the Foundation's investments. During the course of 2020 however, the market value of these investments more than recovered the losses incurred in the first quarter of 2020. The global economic outlook remains uncertain, this could result in ongoing volatility in financial markets and/or negatively impacting philanthropy.

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.

1 Statement of accounting policies for the year ended 31 December 2020 (continued)

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 Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Foundation commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

The Foundation's financial assets are classified into the following categories for the purposes of measurement:

- fair value through surplus or deficit
- loans and receivables

The classification of a financial asset depends on the purpose for which the instrument was acquired.

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

The Foundation's investments are classified as financial assets at fair value through profit or loss upon initial recognition, that are managed and their performance evaluated on a fair value basis in accordance with the Foundation's risk management policies.

The Foundation's derivative financial instruments are classified as financial assets at fair value through profit or loss - held for trading. 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) 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 balance date, which are included in non-current assets.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in surplus or deficit.

The Foundation's cash and cash equivalents are categorised as loans and receivables.

1 Statement of accounting policies for the year ended 31 December 2020 (continued)

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.

1.5 Payables

Accounts payable and National Music Centre fundraising receipts are classified as other financial liabilities and carried at amortised cost recorded at their face value.

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

	2020 \$	2019 \$
Loans & receivables recognised at amortised cost		
Cash & cash equivalents	32,625,334	24,640,183
Financial assets recognised at fair value through surplus or deficit		
Investments	48,148,672	45,591,273
Derivative financial instruments	641,867	569,468
Other financial liabilities recognised at amortised cost		
Accounts payable	2,742,774	306,814
National Music Centre fundraising	4,720,981	3,204,261

3 Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank - ANZ operating	807,926	623,682
Cash at bank - ANZ wholesale fund	31,817,408	24,016,501
Total	<u>32,625,334</u>	<u>24,640,183</u>

4 Investments

	2020 \$	2019 \$
International equity funds	31,786,910	30,276,460
New Zealand equity funds	6,923,085	6,091,885
New Zealand fixed interest funds	2,693,909	2,487,592
International fixed interest funds	<u>6,744,768</u>	<u>6,735,336</u>
Total	<u>48,148,672</u>	<u>45,591,273</u>

5 Accounts payable and accruals

	2020 \$	2019 \$
Accounts payable	2,742,774	306,814
Accruals	<u>130,200</u>	<u>73,502</u>
Total	<u>2,872,974</u>	<u>380,316</u>

6 Equity

Endowed capital	60,841,950	55,560,106
Non-endowed	<u>12,882,175</u>	<u>11,665,741</u>
Balance 31 December	<u>73,724,125</u>	<u>67,225,847</u>

Accumulated funds represents funds which are held in the Foundation in accordance with the 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.

During the 2019 year, the Foundation Trustees accepted the transfer of one fund from Victoria University of Wellington. These funds are in both endowed and non-endowed, with a combined total of \$1,810,280. There were no transfer of funds for 2020.

7 Related party transactions

Donations from Trustees and management were \$140,074 for the year (2019: \$27,465).

Related party disclosures have not been made for transactions with related parties that are within a normal client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect the Foundation would have adopted in dealing with the party at arm's length in the same circumstances.

8 National Music Centre fundraising

During the 2018 financial year, Victoria University of Wellington ('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 2020 of \$4,828,274 (2019: \$3,204,261).

9 Contingencies

There are no contingent liabilities or assets at balance date (2019: 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.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF VICTORIA UNIVERSITY OF WELLINGTON FOUNDATION TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Auditor-General is the auditor of Victoria University of Wellington Foundation Trust (the Trust). The Auditor-General has appointed me, Grant Taylor, 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 12, that comprise the statement of financial position as at 31 December 2020, 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 2020; 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 30 March 2021. 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.

Emphasis of matter – COVID-19

Without modifying our opinion, we draw attention to the disclosures in note 1 on page 8 which outline the impact of COVID-19 on the Foundation.

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 1 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 (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Trust.



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