

**Financials**  
**2016**

behind  
every grant  
there is a  
story



**FOUNDATION  
NORTH**  
*Te Kaitiaki Pūtea o  
Tāmaki o Tai Tokerau*



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there is a  
story



# Chair's Foreword

## Ken Whitney



### Kia ora tātou and welcome to Foundation North's annual report.

Over the year 1 April 2015 to 31 March 2016, Foundation North approved 785 grants totalling \$40,884,644 to not-for-profit organisations and community initiatives. Our five year strategy for investment in Auckland and Northland communities, which began in 2013, will see us invest around \$200 million in total in our region over that period.

Our grants over the last year have balanced meeting the immediate funding needs of local groups with more substantial and longer-term grants to support the work of major not-for-profit organisations investing in social innovation in our community.

The return on our endowment for the year reflected the volatility of markets internationally over the past year to 18 months. The income from the Foundation's diversified investment portfolio in the year to 31 March 2016 was \$18.4 million, resulting in a net loss of \$(28.6)m. This compares to income in the 2015 year of \$137.6 million which resulted in a surplus of \$95.5 million. This turnaround reflects the current uncertainty in the international financial markets.

Despite this disappointing result, the Foundation's return on its portfolio in the last year exceeded its benchmarks. Over the last five years, our return has averaged 5.7% against a composite market benchmark of 4.9%.

Over time we have continued to build our reserves to ensure that the ups and downs of the investment markets do not have a marked impact on our grants programme in years when our portfolio performance is less than anticipated. We invest for the long term and we take a long term view of our role as guardians of the funds entrusted to us. We have recently implemented a periodic review of the extent to which our funds are keeping pace with the growth in the population we serve and it is pleasing to note that the amount of our endowment per head has kept pace with population growth since the Foundation was established in 1988.

Our total net assets as at 31 March 2016 were \$1.19 billion, down slightly from the previous year's total of \$1.22 billion.

From a governance perspective, two important issues focused on by the Board this year were the new Health and Safety legislation and a review of the Foundation's risk management strategies. This work complements the measures already taken to build our reserves and develop a spending policy to meet the inevitable market swings in our investment portfolio.

The Foundation makes a significant contribution to the Auckland and Northland regions through our strategic grantmaking. We continue to look for new ways to address important issues in our region, and concluded the year with a decision to establish a \$5 million initiative called the Gulf Innovation Fund Together (G.I.F.T) to address a major regional environmental challenge. This fund will provide up to a million dollars annually over five years to support collaboration and innovation aimed at turning back the tide on the degradation of the Hauraki Gulf. Our intention is that what is learnt through this process may be applicable in the future to other regional environmental and social challenges.

A highlight of the year for trustees and staff, past and present, was the recognition of Matua Kevin Prime in the Queen's Birthday Honours list. Kevin was appointed an Officer of the New Zealand Order of Merit for his services to conservation and Māori. I would like to acknowledge Kevin's contribution to Foundation North, as a trustee, and as chair of what was then the ASB Community Trust from 2003 to 2009. Today Kevin continues to support both Foundation North, and the Centre for Social Impact, as kaumātua. His wise counsel continues to be greatly appreciated by our trustees and staff.

I would like again to express my thanks to the Foundation's trustees for their constructive and positive contribution and to our CEO, Jennifer Gill, for her unwavering diligence and inspiring leadership both to the Foundation and to the philanthropic sector at large. Finally, as this will be my last report as Chair of the Foundation, I want to acknowledge the tremendous support and commitment of successive trustees and staff during a period of great change over the last six years. The Foundation strives to provide innovative leadership, professionalism, responsiveness and high governance standards across all its activities and is well placed to meet the challenges and opportunities which the future may bring.



# Summary Statement of Service Performance

The summary statement of service performance seeks to provide an overview of Foundation performance – inputs, outputs and the developing area of outcomes achieved.



## Strategic Goal 1: Effective Grantmaking

The Foundation is interested in learning about the impact that funding for communities is having but also understands that many outcomes may take longer than the twelve month life of the grant.

### Strategic Goal

#### Strategic Goal 1: Effective Grantmaking

To enrich our communities by encouraging the participation of all peoples in our region to achieve their aspirations.

785 grants approved with a total value of **\$40,884,644**.

### Strategic Objective

#### People

We aim to support communities through funding for positive outcomes for all people of our region

*387 community organisations received  
392 grants totalling \$17,143,958*

#### Places

We aim to fund projects that conserve, preserve and develop our region's natural and physical environment, and cultural heritage

*110 community organisations received  
110 grants totalling \$11,673,600*

#### Participation

Recognising the diversity of our communities, we aim to encourage and support people to be engaged in their communities through participation in artistic, cultural, recreational and sporting activities

*278 community organisations received  
283 grants totalling \$12,067,086*

### Commentary

- **\$11,188,586** (250 grants) is helping communities to work towards achieving improved outcomes for high-need communities in our region.
- **\$5,955,372** (142 grants) is helping communities to work towards achieving strength-based programme that focuses on positive outcomes for children, young people and their families.
- **\$1,301,200** (24 grants) is helping communities to work to conserve and preserve the significant history of our region.
- **\$7,350,900** (39 grants) is helping communities to work towards achieving community cohesion, enhance community participation, or is of regional significance.
- **\$1,075,800** (29 grants) is helping communities to work towards protecting and enhancing the environment in which we live.
- **\$1,945,700** (18 grants) is helping communities to work towards supporting marae
- **\$5,370,186** (114 grants) is helping communities to work to foster access to the arts and support engagement and experience with the arts.
- **\$6,434,100** (156 grants) is helping communities to work towards achieving increased participation and engagement at a community, regional and club level.
- **\$262,800** (13 grants) is helping communities to work towards recognising and celebrating the diverse cultures of our region.



## Strategic Goal 2: Investment

### Strategic Goal

#### Strategic Goal 2: Investment

To apply investment strategies to preserve capital and maximise the funding available for granting, with flexibility to respond to opportunities.

### Strategic Objective

Maximise the funding available for granting

Respond to new opportunities

Preserve Foundation capital

### Commentary

The funds under management performed better than the benchmarks against which performance is measured. The return net of fees was \$18.4 million or 1.2% (compared to \$137.6 million and 12.3% for 14/15). The benchmark composite index returned 1.1% for the financial year (10.8% 14/15).

Despite the lower returns, granting was maintained, because of the significant reserves held by the Foundation - \$275.9 million (14/15 \$308.1 million).

The Foundation undertook the Triennial review of the Foundation Investment Advisor, re-appointing Cambridge Associates for a further five years.

Following a review of the impact of population growth on the spending power of the Foundation's funds, the Foundation has agreed to a periodic review after each census, next due after the 2018 census.

In addition the Foundation sets aside an amount each financial year to allow for the impact of inflation in that year. For 2015/16 inflation for the 12 months to March 2016 was 0.4% and the amount set aside for the year was \$3.630 million, based on 0.4% cpi.



## Strategic Goal 3: Effective Delivery

### Strategic Goal

#### Strategic Goal 3: Effective Delivery

To monitor, review and improve our governance and management practices. We will use best practice principles to ensure effective delivery of our vision and mission.

### Strategic Objective

To ensure the Board adopts efficient governance processes, supports trustees and staff with professional development and makes good use of the skills and community connections trustees bring

To ensure the Foundation is informed by research, evaluation and develops an outcomes focused approach to grantmaking

To adopt sound and cost effective management practices and planning to support the achievement of strategic outcomes

To adopt appropriate risk management strategies to manage and minimise risk to the organisation

### Commentary

Staff and trustees undertake professional development.

Skills matrix developed to help identify training needs and areas for development.

Community Engagement strategy developed.

This is about finding better ways to engage with our communities.

*In 2015/16 the Foundation hosted:*

- four Walk ins (pop-up sessions where our advisors are available to answer questions and help with the application process)
- four “Are you ready for funding” workshops ( funding workshops targeted for Pacific communities )
- five Funding seminars (Foundation North Funding Presentation) – Northland seminar was well received with good community feedback and a request for further training; one of the funding seminars was specifically targeted at the Asian community. The final round of Quick Response Grants for 2015/16 saw the largest number of applications ever received for a single grant round - 205.
- one Annual Public Meeting - live streamed  
Over 100 views of the recording of the meeting have been viewed.

The Foundation undertakes research where necessary to help inform and guide the development of robust policy and criteria.

In 2015/16 the Foundation undertook a collaborative research project with the NEXT Foundation and commissioned CSI to complete research into the Early Years. This included a literature review, a policy scan and an ecosystem map.

It outlined effective principles of practice for investing in good outcomes in the Early Years.

This research is available on our website.

The Foundation has an evaluation and monitoring framework that helps guide and inform the continued development of the funding programmes.

Foundation North has an integrated budget and planning process.

The Foundation’s financial performance for 2015/16 was a deficit of \$(28.6) million. The single most significant component of this result was investment income falling to \$18.4 million, this was adverse to budget by \$56.7 million due to market volatility. Core controllable costs were approximately \$4.3 million and were within budget for the year.

The five year strategy is supported by the development of annual business and operational plans.

The Foundation “refreshed” its risk management approach during the year with a view to strengthening the link between the identified risk and the Foundation’s review and subsequent response.

- A clearer distinction between strategic and operational risk has been agreed.
- Responsibilities for strategic and operational risks have been assigned.
- A clearer linkage between risk and planned internal audit work has been established.

The risk management matrix has been simplified.

Trustee Meeting Attendance

Name	Date Appointed	Total Board Meetings Available to Attend	Board Meetings Attended	Committee Meetings Available to Attend	Committee Meetings Attended	Other Meetings Available to Attend	Other Meetings Attended
E Auva'a	Jun 2010	9	3	14	10	4	2
A Bell	Jun 2011	9	9	11	11	10	10
M Brickell	Jun 2010	9	9	8	7	4	3
M Broadbelt	Sept 2012	9	9	13	11	4	3
P Clark	Oct 2012	9	9	7	7	10	8
V Garg	Jun 2013	9	8	11	8	4	3
B Leveloff	Dec 2009	9	7	13	13	4	2
L Lim	Jun 2010	9	8	8	6	12	9
I McDougall	Jun 2010	9	8	8	8	5	4
T Millar	Jun 2011	9	8	4	3	10	10
M Milne	Jun 2010	9	7	11	10	4	3
B Plunkett	Jun 2011	9	8	14	9	4	2
J Slater	Sept 2012	9	9	16	15	4	3
K Whitney	Oct 2009	9	9	20	15	4	3
K Wright	Sept 2012	9	8	12	11	10	10
<b>TOTAL</b>		<b>135</b>	<b>119</b>	<b>170</b>	<b>144</b>	<b>93</b>	<b>75</b>

Trustee Remuneration

Name	2016 \$	2015 \$
E Auva'a	17,000	17,000
A Bell	18,700	18,700
M Brickell	18,700	18,700
M Broadbelt	18,700	18,700
P Clark	17,000	17,000
V Garg	17,000	17,000
B Leveloff	18,700	18,700
L Lim	21,250	21,250
I McDougall	17,000	17,000
T Millar	17,000	17,000
M Milne	18,700	18,700
B Plunkett	17,000	17,000
J Slater	17,000	17,000
K Whitney	34,000	34,000
K Wright	18,700	18,700
<b>TOTAL</b>	<b>\$286,450</b>	<b>\$286,450</b>

Consolidated summary statement of comprehensive revenue and expense for the year ended 31 March 2016

	2016 \$000	2015 \$000
<b>Revenue</b>		
Revenue from Investments	18,415	137,579
Grants Written Back during the year	1,290	735
Grant Refunds Received during the year	22	253
Other Income	443	591
<b>TOTAL REVENUE</b>	<b>20,170</b>	<b>139,158</b>
<b>Expenses</b>		
Grants Committed to Community Groups	40,885	36,823
Administration Expenses	4,868	4,340
Activity Costs	1,774	1,298
Fund Management, Custodian and Advisory Fees	1,255	1,189
<b>TOTAL EXPENSES</b>	<b>48,782</b>	<b>43,650</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	<b>(28,612)</b>	<b>95,508</b>
Other Comprehensive Income	-	-
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR</b>	<b>(28,612)</b>	<b>95,508</b>

Consolidated summary statement of financial position at 31 March 2016

	2016 \$000	2015 \$000
<b>Assets</b>		
Cash at Bank	5,042	4,387
Investments	1,209,809	1,235,226
Fixed Assets	8,194	8,452
Other Assets	906	769
<b>TOTAL ASSETS</b>	<b>1,223,951</b>	<b>1,248,834</b>
Less:		
Liabilities (including Outstanding Grants Payable \$35.54 million (2015: \$32.25 million))	36,842	33,113
<b>NET ASSETS AT 31 MARCH</b>	<b>1,187,109</b>	<b>1,215,721</b>
Represented by:		
<b>EQUITY</b>		
Real (Inflation Proofed) Capital	911,217	907,587
Reserves	275,892	308,134
<b>EQUITY AT 31 MARCH</b>	<b>1,187,109</b>	<b>1,215,721</b>

Consolidated summary statement of changes in Foundation equity for the year ended 31 March 2016

	Original Capital	Capital	Real Capital	General Reserve	Reserve for Grants	Asset	Retained Surplus	Total Reserves	Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening Balance at 1 April 2015	579,106	328,481	907,587	22	100,515	359	207,238	308,134	1,215,721
Total Comprehensive Revenue and Expenses	-	-	-	-	-	-	(28,612)	(28,612)	(28,612)
Transfer to Capital Maintenance Reserve	-	3,630	3,630	-	-	-	(3,630)	(3,630)	-
Net transfer to/(from) Reserves	-	-	-	-	120	-	(120)	-	-
<b>CLOSING BALANCE AT 31 MARCH 2016</b>	<b>579,106</b>	<b>332,111</b>	<b>911,217</b>	<b>22</b>	<b>100,635</b>	<b>359</b>	<b>174,876</b>	<b>275,892</b>	<b>1,187,109</b>
Opening Balance at 1 April 2014	579,106	327,574	906,680	-	72,804	359	140,370	213,533	1,120,213
Total Comprehensive Revenue and Expenses	-	-	-	-	-	-	95,508	95,508	95,508
Transfer to Capital Maintenance Reserve	-	907	907	-	-	-	(907)	(907)	-
Net transfer to/(from) Reserves	-	-	-	22	27,711	-	(27,733)	-	-
<b>CLOSING BALANCE AT 31 MARCH 2015</b>	<b>579,106</b>	<b>328,481</b>	<b>907,587</b>	<b>22</b>	<b>100,515</b>	<b>359</b>	<b>207,238</b>	<b>308,134</b>	<b>1,215,721</b>

Consolidated summary statement of cash flows for the year ended 31 March 2016

	2016 \$000	2015 \$000
Net cash inflow from operating activities	815	2,617
Net cash outflow from investing activities	(160)	(141)
Net cash inflow from activities	655	2,476
Add: Cash at Bank at 1 April	4,387	1,911
<b>CASH AT BANK AT 31 MARCH</b>	<b>5,042</b>	<b>4,387</b>

## Notes

1. The information set out in these Summary Consolidated Financial Statements has been prepared in compliance with PBE FRS 43: Summary Financial Statements. It has been extracted from Foundation North's (the Foundation) Consolidated Financial Statements, which have been prepared in accordance with the Tier 1 Accounting Standards (Not-For-Profit) as appropriate for Public Benefit Entities, and authorised by the Foundation Trustees dated 4 August 2016. These are the Foundation's first financial statements prepared in accordance with Tier 1 PBE Standards. PBE FRS46: First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS has been applied. There have been no material adjustments as a result of converting to Tier 1 PBE Accounting Standards.

The Foundation is a Public Benefit Entity, an "in perpetuity" Community Trust operating under the Community Trusts Act 1999, and is a corporate body registered under the Charitable Trusts Act 1957. It seeks to enhance the lives of the people of Auckland and Northland by wisely allocating, equitably sharing, and responsibly managing the resources that are held in trust for the present and future generations of the Auckland and Northland region.

## Independent auditor's report on the summary consolidated performance report

### To the Trustees of Foundation North

The accompanying summary consolidated performance report comprises the summary consolidated statement of service performance on pages 6-9 and the consolidated summary financial statements on pages 11-14 which comprise the summary consolidated statement of financial position as at 31 March 2016 and the summary consolidated statement of comprehensive revenue and expense, summary consolidated statement of changes in Foundation equity, summary consolidated statement of cash flows for the year then ended and related notes.

These statements are derived from the audited consolidated performance report of Foundation North and its subsidiaries ("the group") for the year ended 31 March 2016. We expressed an unmodified audit opinion on the consolidated statement of service performance and the consolidated financial statements in our audit report dated 5 August 2016.

2. The Foundation makes grants to qualifying organisations resident in its region, and is domiciled in Auckland, New Zealand. Its registered office is Allendale House, 50 Ponsonby Road, Auckland. The Summary Consolidated Financial Statements comprise the Foundation and its subsidiaries Foundation North Grants Limited, Centre for Social Impact New Zealand Limited and ASB Community Trust Limited. Collectively these entities, referred to as the Group, make up the reporting entity.

3. Because of their summary nature, these Summary Consolidated Financial Statements cannot provide a full understanding of the financial performance, financial position and cash flows of the Group. This understanding can only be obtained by reference to the Group's Financial Statements. A copy of the Group's Financial Statements may be obtained on request from the Group's office (telephone 09 360 0291, mail PO Box 68048, Newton, Auckland) or downloaded from the Group's website, [www.foundationnorth.org.nz](http://www.foundationnorth.org.nz).

4. Subsidiaries are entities controlled by the Foundation. The financial statements of the subsidiaries are included in the Group's financial statements from the date control commences until the date control ceases.

The summary consolidated performance report does not contain all the disclosures required for a full consolidated performance report under generally accepted accounting practice in New Zealand. Reading the summary consolidated performance report, therefore, is not a substitute for reading the audited consolidated performance report of the group.

This report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Foundation's Trustees those matters we are required to state to them in the 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 Foundation's Trustees as a body, for our audit work, this report or any of the opinions we have formed.

### Trustees' responsibility for the consolidated financial statements

The Trustees are responsible for the preparation of a summary of the audited consolidated performance report, in accordance with PBE FRS-43 Summary Financial Statements.

The Group financial statements have been prepared using uniform accounting policies for like transactions. Intragroup balances and income and expenses arising from intragroup transactions are eliminated in preparing Group financial statements. The Foundation's subsidiary company, ASB Community Trust Limited has not operated since incorporation. Foundation North Grants Limited commenced operating during the 2009/10 financial year, and is a charity registered under the Charities Act 2005 (registration # CC38999). Centre for Social Impact New Zealand Limited a charity registered under the Charities Act 2005 (registration # CC50226) commenced operating on 1 April 2014.

5. Committed Grants are recognised as an expense and Grants Written Back and Grant Refunds Received are recognised as income in the Statement of Comprehensive Income. Grants to community organisations are classified in the Statement of Cash Flows as cash outflows from operating activities.

6. These Group summary statements are prepared in New Zealand Dollars which is the presentation and functional currency.

7. The Group's Consolidated Financial Statement have been audited by KPMG who has issued an unmodified opinion in respect of them.

8. The trustees authorised the publication of the Group's Summary Consolidated Financial Statements on 4 August 2016.

### Approved on behalf of the Board:



Chair

Date: 4 August 2016



Audit, Finance, Risk and Compliance Committee Chair

Date: 4 August 2016

### Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated performance report based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements. Our firm has also provided other services to the Group in relation to taxation during the year ended 31 March 2016. In addition to these services, during 2014, Foundation North and our firm entered into a memorandum of understanding ("the Agreement"). Under this Agreement, the firm may provide professional advice, pro bono, to selected beneficiaries as identified by Foundation North should these beneficiaries align with the objectives of the firm's national communities programme. This Agreement does not represent a business relationship between the firm and the Group, nor does it create any obligation upon either party, however, it may result in our firm providing service, pro bono, to a grantee of the Group.

Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

### Opinion

In our opinion, the summary consolidated performance report, derived from the audited consolidated performance report of Foundation North and its subsidiaries ("the group") for the year ended 31 March 2016, is a fair summary of the consolidated performance report, in accordance with PBE FRS-43 Summary Financial Statements.



5 August 2016  
Auckland



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**Foundation North** The community trust for Auckland and Northland has over a billion dollars invested to support our region's not-for-profit sector today, and in the future.

Grants for the special organisations, events and places that make this such a great place to live.