

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

**Annual Report
For the year ended 30 June, 2017**

THE INVERCARGILL CITY CHARITABLE TRUST BOARD
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THE INVERCARGILL CITY CHARITABLE TRUST BOARD

ENTITY INFORMATION

For the year ended 30 June, 2017

Legal name

The Invercargill City Charitable Trust (the Trust).

Type of entity and legal basis

The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The ultimate parent of the Trust is the Invercargill City Council which has exempted the Trust from being a council-controlled organisation as defined in section 6 (4) (i) of the Local Government Act 2002.

The Trust's purpose or mission

The primary objective of the Trust is to fund both capital and income for charitable purposes within the Invercargill District.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of three Trustees who oversee the governance of the Trust. The Trustee positions are held by the Mayor, Deputy Mayor and Chief Executive of the Invercargill City Council. Day-to-day operations of the Trust and reporting to the Board is administered by staff provided by Invercargill City Council.

Trustees

T R Shadbolt (ICC Mayor)
D Ludlow (ICC Councillor)
R J King (ICC CEO)

Main sources of the Trust's cash and resources

Operating grants and donations received from the Invercargill City Council and other community funders are the primary sources of funding to the Trust.

Outputs

The main outputs of the Trust are for costs incurred in the management, staging and promotion of the Southland Buskers Festival and cost relating to the ownership and maintenance of Rugby Park stadium.

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June, 2017

	Note	2017 \$	2016 \$
		<u> </u>	<u> </u>
Revenue			
Council funding	1	558,825	31,217
Subsidies and grants		78,674	31,000
Donations		-	50,296
Finance income		2,793	2,021
Recoveries		1,655	-
Initial gain on acquisition of property, plant and equipment		16,722,871	-
Total revenue		<u>17,364,818</u>	<u>114,534</u>
Expenditure			
Administration expenses		3,200	3,200
Audit fees		6,265	2,717
Bank charges		1	28
Commissions and levies		44	89
Depreciation		429,135	-
General expenses		2,140	300
Grants paid		518,555	29,600
Hire charges		1,177	630
Management fees		20,000	20,000
Marketing and advertising		13,268	13,713
Performers, travel and accommodation expenses		19,980	18,220
Production and technical services		5,829	9,895
Rates		3,082	-
Valuation fees		3,350	-
Total expenditure		<u>1,026,026</u>	<u>98,392</u>
Net surplus for the year		<u><u>16,338,792</u></u>	<u><u>16,142</u></u>

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

STATEMENT OF FINANCIAL POSITION

As at 30 June, 2017

	Note	2017 \$	2016 \$
Current assets			
Bank accounts and cash	3	182,652	453,529
Debtors		20,465	6,217
Total current assets		203,117	459,746
Non-current assets			
Property, plant and equipment	4	16,315,865	99,055
Total non-current assets		16,315,865	99,055
Total assets		16,518,982	558,801
Current liabilities			
Accrued expenditure		17,518	6,217
Income in advance	9	-	400,000
Goods and services tax		399	(108)
Borrowings	5	19,500	9,919
Total current liabilities		37,417	416,028
Total liabilities		37,417	416,028
Equity			
Accumulated funds	6	16,481,565	142,773
Total equity		16,481,565	142,773
Total liabilities and equity		16,518,982	558,801

Trustee
28 September 2017

Trustee

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

STATEMENT OF CASH FLOWS For the year ended 30 June, 2017

	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts of council funding	158,825	33,928
Receipts of subsidies, grants and donations	64,426	488,796
Receipts of recoveries and other revenue	1,655	-
Interest received	2,793	2,021
Payments to donees and suppliers	(486,535)	(117,145)
Goods and services tax (net)	507	(2,920)
Net cash flows from operating activities	(258,329)	404,680
Cash flows from investing activities		
Purchases of property, plant and equipment	(22,129)	(87,555)
Net cash flows from investing activities	(22,129)	(87,555)
Cash flows from financing activities		
Proceeds from borrowing	19,500	-
Repayment of borrowings	(9,919)	-
Net cash flows from investing activities	9,581	-
Net (decrease) increase in cash	(270,877)	317,125
Add: Opening cash	453,529	136,404
Closing cash balance	182,652	453,529

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June, 2017

1 Council funding	2017 \$	2016 \$
Grants	534,919	25,000
Rent, fees and recoveries	23,906	6,217
Total council funding	558,825	31,217

2 Operating leases as lessor

When the Trust assumed ownership of Rugby Park stadium it took over the existing lease that was in place with Rugby Southland Incorporated for use of the administration offices. As at 30 June, 2017 the lease has a non-cancellable term of 14 years at \$55,000 per annum. As part of its charitable operations the Trustees have agreed to forego receipt of the lease payments from Rugby Southland Incorporated.

3 Bank accounts and cash	2017 \$	2016 \$
Cash at bank	182,652	53,529
Cash at solicitor's trust account	-	400,000
Total bank accounts and cash	182,652	453,529

4 Property, plant and equipment

	Land \$	Buildings \$	Property improvements \$	Total \$
Cost				
Balance at 1 July, 2016	-	-	99,055	99,055
Additions	985,000	13,776,346	1,983,654	16,745,000
Disposals	-	-	(99,055)	(99,055)
Balance at 30 June, 2017	985,000	13,776,346	1,983,654	16,745,000
Balance at 1 July, 2015	-	-	-	-
Additions	-	-	99,055	99,055
Disposals	-	-	-	-
Balance at 30 June, 2016	-	-	99,055	99,055

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June, 2017

4 Property, plant and equipment (continued)	Land \$	Buildings \$	Property improvements \$	Total \$
Accumulated depreciation				
Balance at 1 July, 2016	-	-	-	-
Depreciation expense	-	(308,492)	(120,643)	(429,135)
Balance at 30 June, 2017	-	(308,492)	(120,643)	(429,135)
Balance at 1 July, 2015	-	-	-	-
Depreciation expense	-	-	-	-
Balance at 30 June, 2016	-	-	-	-
Carrying amounts				
Balance at 30 June, 2016	-	-	99,055	99,055
Balance at 30 June, 2017	985,000	13,467,854	1,863,011	16,315,865

The initial valuation of property, plant and equipment was performed by an independent registered valuer, A Ronald of QV Asset & Advisory. The valuation is effective as at 30 June, 2017. The Trust has elected to apply PBE IPSAS 17 Property, Plant and Equipment in measuring the value of Rugby Park Stadium.

5 Borrowings	2017 \$	2016 \$
Advance - Invercargill City Council	-	9,919
Southland Amateur Sports Trust	19,500	-
Total borrowings	19,500	9,919

The Trust assumed an historical mortgage with the Southland Amateur Sports Trust when it took over ownership of Rugby Park stadium. The loan is repayable on demand.

6 Equity	2017 \$	2016 \$
Accumulated funds		
Balance at 1 July	142,773	126,631
Net surplus for the year	16,338,792	16,142
Balance at 30 June	16,481,565	142,773

7 Taxation

The Trust is a charitable organisation registered with the Charities Commission and is exempt from taxation.

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June, 2017

8 Audit fees

Audit fees accrued for the 2017 year are \$6,265 (2016: \$2,717) plus disbursements. Audit fees are paid for by the Invercargill City Council, and recognised as receivable at balance date.

9 Acquisition of Rugby Park Stadium

In 2016 Invercargill City Council paid a grant to the Trust of \$400,000. The Trust was then to pay a grant to Southland Outdoor Stadium Trust (SOST) to enable them to discharge the mortgage that SOST had with Community Trust of Southland (CTOS). At that time ownership of Rugby Park Stadium would pass to the Trust.

At 30 June, 2016 the Trust had made the payment to SOST's lawyer's trust account but ownership of the stadium had not passed to the Trust. The amount was shown on the 2016 Statement of Financial Position as a cash asset and as income received in advance.

In the 2017 year when ownership of the stadium passed to the Trust the \$400,000 has been recognised in the Statement of Financial Performance as a grant received from ICC and as a grant paid to SOST.

10 Related parties

The Trust has transactions with the entities the Trustees' represent as detailed below.

The Invercargill City Council has during the 2017 year granted to the Trust \$25,000 for funding the events operated and managed by the Trust (2016: \$25,000). There is no balance owing at 30 June, 2017 (2016: Nil).

The Invercargill City Council has forgiven the advance to the Trust of \$9,919 by providing to the trust a grant for that amount.

Invercargill City Council has paid a fee of \$3,200 (2016: \$3,200) for services provided by the administrator of the Trust for operating and managing these events on behalf of the Invercargill public. As this is not a purpose of the Council, ICC has delegated the responsibility of running the events to the Trust as this is one of the Trust's purposes. There is a balance owing at 30 June, 2017 of \$3,680 (2016: \$3,200).

The Trust paid Invercargill City Council a reimbursement of costs \$3,200 (2016: \$3,200) for services provided by ICC staff acting for the administrator of the Trust operating and managing these events. There is a balance owing at 30 June, 2017 of \$7,360 (2016: \$3,200).

Invercargill City Council has paid a grant of \$100,000 (2016: Nil) to the Trust for the costs of operations and maintenance of Rugby Park Stadium. There is no balance owing at 30 June, 2017 (2016: Nil).

The Trust has received from Invercargill Venue & Events Management Limited, a subsidiary of Invercargill City Council, \$13,441 in rent and recoveries relating to Rugby Park stadium (2016: Nil). There is a balance owing at 30 June, 2017 of \$11,500 (2016: Nil).

The Trust has paid \$22,216 for reimbursement of capital expenditure for Rugby Park Stadium and for hire of the Scottish Hall, to Invercargill Venue & Events Management Limited, a subsidiary of Invercargill City Council. (2016: Nil). There is no balance owing at 30 June, 2017 (2016: Nil).

The Trust vested a sculpture situated in South City to the Invercargill City Council. The carrying value of the asset at the time was \$99,055.

The Trust received a grant of \$1,000 in 2016 from the Invercargill Community Recreation and Sports Trust being a Trust of the Invercargill City Council. This grant was for funding of the Southland Buskers Festival. There was no balance owing at 30 June, 2016.

The Trust paid a grant of \$29,600 in 2016 to Invercargill City Council for the construction of a "Mouse House" at Queens Park. There was no balance owing at 30 June, 2016.

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June, 2017

11 Events after the balance sheet date

There have been no significant events between year end and the signing of the Financial Statements.

12 Contingencies

There are no contingent assets or liabilities at 30 June, 2017 (2016: Nil).

13 Commitments

There are no commitments contracted for at 30 June, 2017 (2016: Nil).

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June, 2017

GENERAL INFORMATION

The financial statements presented here are for The Invercargill City Charitable Trust Board ("the Trust"), which is a Trust incorporated and domiciled in New Zealand on 16 October, 1984.

The financial statements of the Trust are for the year ended 30 June, 2017. The financial statements were authorised for issue by the Board of Trustees on 28 September, 2017. The Board of Trustees do not have the power to amend these financial statements once issued.

BASIS OF PREPARATION

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

The financial statements are presented in New Zealand Dollars (NZD). All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

SUBSIDIES AND GRANTS REVENUE

Subsidies and grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the subsidy or grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

EXPENDITURE

All expenditure is recognised in the Statement of Financial Performance in the period in which it is incurred.

GRANTS PAID

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the trust's decision.

BANK ACCOUNTS AND CASH

Bank accounts and cash includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at fair value, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June, 2017

PROPERTY, PLANT AND EQUIPMENT (continued)

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Revaluation

Property, plant and equipment are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every three years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

GOODS AND SERVICES TAX

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting policies during the year.

Independent Auditor's Report

To the readers of Invercargill City Charitable Trust's financial statements for the year ended 30 June 2017

The Auditor-General is the auditor of Invercargill City Charitable Trust (the Trust). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, 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 11, that comprise the statement of financial position as at 30 June 2017, the statement of financial performance, 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 30 June 2017; 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 Simple Format Reporting – Accrual (Public Sector) Standard.

Our audit was completed on 28 September 2017. 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, and we explain our independence.

Basis for 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 them to prepare 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 relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed of the Trust.

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 risk 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.

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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand