



Foundation North

PERFORMANCE REPORT
FOR
THE YEAR ENDED
31 MARCH 2020

**Foundation North
Performance Report
For the year ended 31 March 2020**

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Foundation North Performance Report For the year ended 31 March 2020

Foundation Information

1. Foundation Entity

Foundation North (the Foundation) is an “in perpetuity” Trust registered under the Charitable Trusts Act 1957, and operates under the Community Trusts Act 1999.

As a Not for Profit Public Benefit Entity (PBE) domiciled in Auckland New Zealand, the Foundation distributes grants to qualifying organisations in the Auckland and Northland regions. Through its granting programme the Foundation seeks to enhance the lives of people in its region by equitably sharing and managing its resources. As an in perpetuity Trust its resources are held in trust for present and future generations domiciled in the regions.

2. Foundation Structure

The Foundation North Group consists of the Foundation and its subsidiary companies, Foundation North Grants Limited (Grants Limited), Centre for Social Impact New Zealand Limited (CSI), Foundation North Property Holdings Limited and ASB Community Trust Limited.

The Foundation owns the underlying Group's assets which include an investment portfolio and land and buildings.

Grants Limited holds the Foundation's long term reserves for granting in times of low/negative investment returns (Stabilisation Reserve) and current year Grant Reserves. Grants are made from these reserves for approved projects under delegation by, or on recommendation from the Foundation's Board. Grant applications which are received from qualifying organisations are evaluated against the Foundation's funding programme policies.

CSI supports high engagement ventures funded by the Foundation through its Catalysts for Change, Key Community Partnerships, GIFT and Community Support Grants Funding Programmes. CSI also supports catalytic change ventures undertaken by philanthropic and community organisations. During the year, the CSI governing body determined it would best continue this work operating as a division of the Foundation, not as a stand-alone entity. CSI will continue supporting the philanthropic sector in this new way from 01 April 2020.

Foundation North Property Holdings Limited is the vehicle chosen to hold the Group's future investments in NZ direct property, it has not yet commenced trading.

ASB Community Trust Limited is a dormant company.

3. Trustees

The Foundation is governed by a Board consisting of up to fifteen Trustees appointed by the Minister of Finance. Trustees are appointed for a four year term and may, at the conclusion of their term, be appointed for a further four year term. The Governance Charter provides the framework under which the Board and its sub-committees operate.

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Trustees at 31 March 2020 were:

Trustee	Date Appointed
John Slater (Chair)	September 2012
Murray Broadbelt	September 2012
Kim Wright	September 2012
Mel Hewitson (Deputy Chair)	July 2016
Bhav Dhillon	June 2017
Daniel Nakhle	June 2017
Chris Severne	June 2017
Brian Corban	July 2018
Ngaire Rae	July 2018
Michelle Tsui	July 2018
Romy Udanga	July 2018
Naisi Chen	June 2019
Maxine Shortland	June 2019
Vanushi Walters	June 2019
David Whyte	June 2019

Trustee changes during the financial year were:

Lyn Lim (Chair)	June 2010 (Retired May 2019)
Alastair Bell (Deputy Chair)	June 2011 (Retired May 2019)
Toni Millar	June 2011 (Retired May 2019)
Precious Clark	October 2012 (Retired May 2019)

The Board's workload is allocated to the following sub-committees:

- Investment Committee
- Audit, Finance, Risk and Compliance Committee
- Maori and Pacific Committee
- Grants Committees for Community Support, Partnerships, Catalyst for Change
- Innovation Committee
- Gulf Innovation Fund Together (GIFT) Committee
- Appointments and Remuneration Committee

During the year Trustees and staff were required to declare either a direct or indirect conflict of interest in any matters being considered by the Foundation. Conflicts of interest are recorded in a register of interests.

Clause 13 of the Foundation's Trust Deed provides that if a meeting of the Foundation Board would fail for want of a quorum because of the number of Trustees with an interest in the matter under consideration, then those Trustees who vote in favour of the matter must sign a certificate for entry in the minutes certifying that the matter is in the best interests of the Foundation. Details of the matter and the nature of the Trustees' interest are required to be included in the next financial statements of the Foundation, and such an instance is disclosed at Note 13 of the financial statements.

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4. Management

The Leadership Group, led by Peter Tynan Chief Executive Officer *, consists of:

Liam Sheridan	Chief Financial Officer
Nicola Brehaut	Strategic Advisor
Chloe Harwood	Strategy and Innovation Manager
Audry McLaren	Community Funding Manager
Aroha Harris	Pou Arahi
Jade (Poh Gaik) Tang-Taylor	Ethnic Diversity Strategy Activator

*Jennifer Gill retired as CEO in August 2019 and was replaced by Peter Tynan.

5. Auditor

KPMG

6. Legal Counsel

Heimsath Alexander

7. Investment Advisor

Cambridge Associates LLC

8. Main Sources of Cash and Resources

The Foundation's main source of funds is from returns on its diversified investment portfolio. Since inception the portfolio has earned an annual net investment return of 7.3%. The Foundation may also receive grants, donations, and bequests.

9. Contact Details

Physical Address: 50 Ponsonby Road, Grey Lynn, Auckland

Postal Address: PO Box 68 048, Wellesley Street, Auckland 1141

Phone: 09 360 0291
Fax: 09 378 6954
Freephone: 0800 272 878

e-mail: info@foundationnorth.org.nz
website: www.foundationnorth.org.nz

Foundation North Performance Report For the year ended 31 March 2020

Statement of Service Performance

Organisational Background, Governance, Planning, Monitoring and Evaluation

Foundation Governance

Foundation North operates under its Trust Deed (as amended) dated 18 June 2015 and the Community Trusts Act 1999.

Board Membership

The Board of Trustees comprises of up to 15 Trustees appointed by the Minister of Finance for a four year term.

Conflicts of Interest

It is recognised that Trustees will have a wide range of involvement with the community and the potential for conflict of interest will arise from time to time.

To cover this eventuality, any Trustee who has an interest in any matter before the Foundation must record that interest in the Foundation's Register of Interests.

That Trustee is not counted in the quorum present at the meeting. They may not vote in respect of the matter they have an interest in and must absent themselves from any discussion or consideration of it.

Before the conduct of business, the Chair of any meeting of the Trustees asks for the disclosure of any interest in the upcoming business. The minutes of the meeting record any disclosure of interest made, the entry in the Register of Interests of that disclosure and the absence of the Trustee from the meeting while the matter is dealt with.

Board Committees 2019-20 Financial Year

The Board has sub-committees to assist with the operation of the Foundation:

Appointments and Remuneration Committee

This Committee assists the Board in discharging its responsibilities in the employment of a CEO and CFO, other broader human resources issues and the appointment of the directors and chairs of subsidiary companies and members of the Foundation's standing committees.

Grants committee

This Committee review applications which have been assessed by the funding team and make recommendations to the full Board of the Foundation. It also considers policy and strategy development.

Investment committee

This Committee considers the investment policy, objectives, strategies and asset allocations of the Foundation and makes recommendations to the full Board. The committee reviews the portfolio against benchmarks and fund managers' performance against their benchmarks.

Foundation North Performance Report For the year ended 31 March 2020

Audit, Finance, Risk and Compliance committee

This Committee reviews annual budgets and monthly and annual financial statements and information prior to submission to the Board. It is also responsible for identifying, assessing and managing business and organisational risk and assisting the Board in the discharge of financial reporting responsibilities.

Maori and Pacific committee

This Committee assists the Board in developing and implementing the Foundation's Māori and Pacific strategies.

GIFT Committee

The objective of the GIFT Committee is to assist the Foundation in discharging its responsibilities for matters relating specifically to the development and implementation of Foundation's Gulf Innovation Fund Together programme.

Innovation Committee

The objective of the Innovation Committee is to enhance the Foundation's ability to create positive outcomes for our region by exploring new ways of working using experimentation and prototyping to maximise learning. The four areas of focus are:

- South Auckland innovation
- Impact investment
- Innovation for Foundation North Priorities
- Support for innovation in the Pacific, Maori and Ethnic Diversity strategies

Strategic Goals

The Foundation has decided to focus its grant making approach on the achievement of identified outcomes and priorities. The need to report against the new strategic plan is the principal element in our choice of relevant service information.



Foundation North Performance Report For the year ended 31 March 2020

Foundation North Statement of Service Performance

Our theory of change articulates our role in the community and philanthropic sectors, as well as the practices we will undertake to achieve our outcomes and in the long-term, deliver on our vision. It summarises who we are, what we do and what we would like to achieve through our work. It also acknowledges we are a funder in perpetuity and therefore have a unique role in funding and working with communities. We have used our theory of change as the basis for providing our statement of service performance. (2018-19 comparatives in brackets)

Our context	Our opportunity	Our activities																								
<p>Through the Community Trusts Act, Foundation North has an ongoing responsibility to community and will distribute funding in perpetuity.</p> <p>Funding strategies that seek to reduce inequalities will lead to better outcomes for everyone in the region. Our grant-making is focused on funding for Outcomes and across Priorities, selected by evidence-based approaches.</p> <p>To achieve impact, supporting community strengths and aspirations is important.</p> <p>Not working in isolation is essential to achieve our vision, and we can leverage our role to convene and build effective partnerships.</p> <p>Our 15-year strategy provides regular opportunities to review and reflect on our progress, and where needed evolve our work in response to changes in our context.</p> <p>Our work is underpinned by our principles of practice, including respect for the partnership relationship enshrined in the Treaty of Waitangi, to engage and work with Māori and iwi organisations in a manner consistent with a Treaty-based relationship.</p>	<p>We have a responsibility to support the Auckland and Northland communities. To respond effectively to our communities, we utilise our opportunities and assets, which include:</p> <ul style="list-style-type: none"> • Our size and scale, which gives us the ability to take risks with new things whilst maintaining support to a broad range of positive community initiatives. • Our presence in perpetuity, which enables us to take an inter-generational view and systems focus. • Our ability to be responsive, evolving our approach based on evidence, learning and community aspirations. • Our history of innovation, which provides a platform for ongoing efforts to try new things for increased impact. • Our governance, which provides the basis for robust decision-making and evidence-based strategy-setting. <p>The communities we work with guide our grantmaking, and we seek to work with others to achieve our vision.</p>	<p>Funding Approach:</p> <p>Community funding: As a community funder, we support a broad range of positive initiatives that help weave the fabric of our communities.</p> <p>2019-20</p> <table> <tr> <td>Quick response grants</td><td>\$5.1m (\$5.4m)</td><td>346 grants approved (350)</td></tr> <tr> <td>Community grants</td><td>\$32m (\$27.9m)</td><td>269 grants approved (240)</td></tr> <tr> <td>Partnership grants</td><td>\$1.9m (\$3.0m)</td><td>5 grants approved (6)</td></tr> </table> <p>Innovation funding: We fund innovation to identify new solutions with potential to address significant challenges in our communities:</p> <p>2019-20</p> <table> <tr> <td>Gulf Innovation Fund Together</td><td>A total of \$10 million has been allocated as budget over time to support innovation that restores the mauri of the Hauraki Gulf. G.I.F.T focuses on funding seed-scale-system projects.</td><td>\$3.8m of support approved for 6 organisations (\$1.4m 2018-19 (13))</td></tr> <tr> <td>Impact investment</td><td>The Foundation is committed to exploring the potential for impact investment to deliver on the Foundation's strategic priorities. Impact investment widens the set of tools available to the Foundation to use capital for creating positive impact and an additional financing option to advance social and environmental solutions.</td><td>\$367,000 4 organisations funded for impact readiness (\$nil 2018-19)</td></tr> <tr> <td>Catalysts for Change</td><td>A venture philanthropy model, with support provided for organisations implementing innovative projects and practices to create positive outcomes and opportunities for young people. The Fund has closed with two programmes - Te Ira and AKAU - continuing into 2020/21.</td><td>Work undertaken in 2019/20 with Tūlaepa Youth Mentoring, Taihoi Whai Oranga, Te Ira, He Korowai, AKAU</td></tr> <tr> <td>Māori & Pacific Educational Initiative (MPEI)</td><td>This programme, now closed, was based on principles of venture philanthropy. During 2008, \$20 million was committed to improving educational outcomes. We are now studying families impacted through MPEI via a longitudinal study, Nga Tau Tuangahuru, from 2015 to 2025.</td><td>The longitudinal study involving local and University of Otago researchers continued to progress during the year.</td></tr> <tr> <td>Other Innovation funding</td><td>Support for innovative practice funded (Innovation and South Auckland funding).</td><td>\$2.8m 40 grants approved (\$Nil 2018-19)</td></tr> </table>	Quick response grants	\$5.1m (\$5.4m)	346 grants approved (350)	Community grants	\$32m (\$27.9m)	269 grants approved (240)	Partnership grants	\$1.9m (\$3.0m)	5 grants approved (6)	Gulf Innovation Fund Together	A total of \$10 million has been allocated as budget over time to support innovation that restores the mauri of the Hauraki Gulf. 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Our principles of practice also recognise the importance of responding to the needs and aspirations of the Pacific communities of our region.

The diverse needs of our Region's immigrant and refugee populations also guide the way we seek to work.

We apply sustainable investment strategies to preserve capital and maximise funding available for granting.

Ways of Working:

Working in partnership: We seek to build relationships with Iwi and other stakeholders, including other philanthropic funders to achieve a shared, intergenerational vision for our communities. We are collaborating and working with a wide number of stakeholders, including:

- Iwi Māori – 5 – example: supporting an impact investment initiative of the Anokura Iwi Consortium, Te Pai Roa Tikia (Transforming Tuitokerau for Good)
- Central Government – working with 6 Ministries – example: sharing the learnings from GIFT with MPI and DOC
- Local Government – working with 4 local councils – example: joint funding of significant projects such as the Auckland City Mission
- Other Funders – 6 – example: joint funding with The Tindall Foundation for projects in Northland.

Growing capability: We support community capability and potential for impact through capability building and convening. We have funded capability building via the Centre for Social Impact, ACE Aotearoa and LEAD, Centre for Not for Profit Leadership or directly to applicants/grantees. \$1.4 million of support was approved in 2019-20. (\$248,000 2018-19)

Working strategically: We work in ways that are evidence-informed to achieve outcomes aligned with our vision. Our strategies and policies have been developed in evidence-based ways (research, data and stakeholder interviews). We continually build on our practice and improve our processes through monitoring and evaluating our work. Some of our research and resources, such as Good Practice Guidelines can be found here:

<https://www.foundationnorth.org.nz/how-we-work/good-practice-guidelines/>

Working responsively: We prioritise opportunities that align with our Māori, Pacific and Ethnic Diversity strategies. Each strategy's work plan aims to develop new and responsive ways to achieve the goals under each strategy. Highlights include: Participating in Waitangi Commemoration 2020; 10 staff completing their National Certificate in Māori Management; a series of four fono with Ministers and Church leaders from 10 central Auckland Pacific churches, through LEAD facilitating activities to increase participation in governance by Pacific leaders; facilitating CoJam: 48hrs to co-design 'belonging' in our super diverse world; hosting Chinese 'Yun Char' community workshop.

Trying new things: We test new models of investing and working with community to continually strengthen our practice. We have developed new ways of working and funding, for example, a participatory grant making programme led by Pacific young people.

Learning: We are a learning organisation and look to share our insights to support the work of others. A Monitoring, Evaluation and Learning Framework guide our evolving practice. This includes convening internal learning sessions with staff and Trustees; tracking internal and external data; outcomes harvesting to understand the impact of our grants; a biennial applicant survey; sharing grantee digital stories; and ongoing discussions with stakeholders to get external feedback. Our innovation work is informed by a learning framework and in-depth evaluations were conducted for Catalysts for Change, (<https://www.foundationnorth.org.nz/how-we-work/resources/>), MPEL, and GIFT.

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Priorities to achieve our vision	Outcomes to achieve our vision	Signs of progress towards our vision
<p>We recognise the importance of targeting our support to communities of greatest need. To achieve our vision, we will prioritise initiatives that respond to community aspirations and provide strengths-based opportunities to:</p> <p>Address the persistent inequalities affecting:</p> <ul style="list-style-type: none"> Northland and South Auckland communities: 90 grants funded totalling \$5,647,076 (\$4; \$2,700,570) Māori and Pacific communities: 46 grants funded totalling \$4,881,597 (\$43; \$2,690,535) <p>Strengthen social cohesion within and between our diverse communities, particularly for:</p> <ul style="list-style-type: none"> Refugee-background communities: 10 grants funded totalling \$1,304,788 (9; \$559,740) Migrant-background communities: 38 grants funded totalling \$1,734,990 (37; \$393,680) <p>Achieve positive outcomes for children and young people, to disrupt intergenerational disadvantage. 77 grants funded totalling \$5,889,086 (\$97; \$6,452,983)</p> <p>Enable community economic development, particularly for the communities most affected by income inequalities. 13 grants funded totalling \$1,494,839 (14; \$3,247,533)</p>	<p>We recognise the importance of focusing on outcomes to support communities across our region. Community grants must be aligned to at least one of these outcomes:</p> <ul style="list-style-type: none"> Increased participation (funded 164 grants totalling \$9,116,455) (\$13; \$8,659,933) Increased social equity (funded 42 grants totalling \$2,667,937) (\$42; \$3,758,983) Enhanced environmental wellbeing (funded 31 grants totalling \$6,578,902) (\$39; \$2,134,165) Increased family and whānau resilience (funded 141 grants totalling \$9,851,145) (116; \$6,240,123) Increased community capability and self-determination (funded 54 grants totalling \$2,983,944) (\$39; \$8,096,675) Increased inclusion and social cohesion (funded 111 grants totalling \$6,250,427) (74; \$3,954,039) Enhanced cultural vibrancy (funded 66 grants totalling \$5,328,709) (\$1; \$3,375,567) <p>Increased effectiveness of philanthropic practice – an internal outcome for the Foundation. We have strengthened our practice and contributed to the philanthropic sector through a variety of ways such as collecting and sharing evidence, supporting collaborative practices with other funders and sectors, learning sessions, and conducting internal and external surveys.</p>	<p>By funding for Outcomes and across our Priority areas, we seek to achieve our vision to enhance the lives of all people of the Auckland and Northland regions. Two years into our 15-year strategy, we are seeing signs that we are making progress.</p> <p>A few examples of the sources providing our early signs of progress include:</p> <ul style="list-style-type: none"> GIFT Year Three learning: Year 3 report on outcomes and learnings: https://www.gifttogethergulf.org.nz/media Catalysts for Change evaluation: evaluation from 2019 show clear impact for young people not in education, employment and training for the organisation, and for the youth sector: https://www.foundationnorth.org.nz/how-we-work/resources/ MPEI Longitudinal Study: significant insights from this high engagement innovation fund about what works for Māori and Pacific families and understanding what success looks like for whānau. This has informed our grantmaking practice and will continue to do so over the duration of the study. https://www.foundationnorth.org.nz/how-we-work/maori-pacific-education-initiative/ Supporting innovative approaches to enhance social cohesion and diversity in our communities via a 2-day CoJam workshop with young people https://www.foundationnorth.org.nz/news-reports/2020/3/cojam-2020-a-step-towards-inclusive-and-diverse-aotearoa-nz/ Supporting young Pacific leaders to lead grantmaking. Through a Participatory Grantmaking approach, 14 applications were funded through recommendations made by young leaders. https://www.foundationnorth.org.nz/funding/pacific-future-makers/ <p>Internal Foci - There are a number of internal developments which demonstrate our commitment to achieve our goals and vision:</p> <ul style="list-style-type: none"> Our work has shifted more towards addressing systemic issues. We have a greater diversity in staff and have strengthened cultural capability within the organisation. Our practice is driven by evidence and good practice and we are sharing learning with the community. We have run or hosted a range of internal and external learning sessions. We are more focused on working in partnership with community and listening to what their aspirations and needs are We have made changes based on what applicants need and supported applicants in areas that they need help in.

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<p>Conserve and enhance our environment for the benefit of all communities in our region. 48 grants funded totalling \$6,079,682 (\$47,187,085)</p> <p>Note: Not all funding applications require a priority to be selected, therefore the sum in this area may be less than the total for all funding.</p>	<p>Maximise the funding available for granting, through investment - Funding is essential to fulfilling the vision. As a long-term investor, we have managed our investment portfolio in alignment with our Statement of Investment Policies and Objectives</p>	<p>The performance of the funds under management was favourable to the benchmark against which performance is measured for the financial year. This is despite the heavy impact of the ongoing COVID-19 pandemic on the Foundation's investments in the latter part of the final quarter, which pared back financial year gains to date. The investment return for the year was \$19.5 million (2018-19: \$93.5 million) which was \$73.2 million unfavourable to budgeted income of \$92.7 million (2018-19: \$98.7 million). This translated into a return of 0.6% net of fees (2018-19: 6.7%) relative to the benchmark composite index, which returned -2.8% for the financial year (2018-19: 5.3%). With a diversified portfolio designed to weather market volatility, Foundation North's portfolio outperformed its benchmark by 340 basis points over this time period.</p> <p>As a long-term investor, the Foundation also considers long term performance. The trailing ten year performance was 6.5%, favourable to the ten year benchmark of 5.4% (2018-19: 9.1% actual, 7.2% benchmark).</p> <p>Granting was maintained in accordance with the granting policy. Overall, the portfolio remains well-positioned and maintains a large buffer of reserves above its real capital base. The reserves held by the Foundation are \$343.1 million (2018-19: \$404.2 million). Since the global surge of the pandemic, the Foundation North Trustees and management, together with its investment advisors Cambridge Associates have formed an Investment Working Group to meet regularly to closely monitor the impact on global markets and the investment portfolio. Although the Foundation's investment portfolio has recovered somewhat since year end, global market volatility is expected to remain for some time.</p>
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**Foundation North
Performance Report
For the year ended 31 March 2020**

Consolidated Statement of Comprehensive Revenue and Expense

	NOTE	2020 \$000	2019 \$000
Revenue:			
Revenue from Investments	3	19,484	93,465
Grants Written Back during the year		309	627
Grant Refunds Received during the year		41	15
Other Income		475	577
Total Revenue		20,309	94,684
Expenses:			
Grants Committed to Community Groups	6	45,166	37,613
Other Funding Committed		1,458	-
Administration Expenses	4	6,322	5,661
Activity Costs	5	2,009	2,231
Fund Management, Custodian and Advisory Fees		2,622	1,947
Total Expenses		57,577	47,452
REPORTED (DEFICIT) / SURPLUS		(37,268)	47,232

The notes on pages 15 to 27 are an integral part of these consolidated financial statements.

Foundation North Performance Report For the year ended 31 March 2020

Consolidated Statement of Changes in Equity

	Original Capital \$000	Capital Maintenance Reserve \$000	Real Capital \$000	General Reserve \$000	Reserve for Grants \$000	Asset Revaluation Reserve \$000	Retained Surplus \$000	Total Reserves \$000	Equity \$000
Opening Balance 1 April 2019	579,106	376,524	955,630	22	105,570	939	297,695	404,226	1,359,856
Total Comprehensive Revenue and Expenses	-	-	-	-	-	-	(37,268)	(37,268)	(37,268)
Transfer to Capital Maintenance Reserve	-	23,891	23,891	-	-	-	(23,891)	(23,891)	-
Net transfer (from) to Reserves	-	-	-	-	(2,462)	-	2,462	-	-
Closing Balance 31 March 2020	579,106	400,415	979,521	22	103,108	939	238,998	343,067	1,322,588
Opening Balance 1 April 2018	579,106	362,402	941,508	22	100,051	939	270,104	371,116	1,312,624
Total Comprehensive Revenue and Expenses	-	-	-	-	-	-	47,232	47,232	47,232
Transfer to Capital Maintenance Reserve	-	14,122	14,122	-	-	-	(14,122)	(14,122)	-
Net transfer to (from) Reserves	-	-	-	-	5,519	-	(5,519)	-	-
Closing Balance 31 March 2019	579,106	376,524	955,630	22	105,570	939	297,695	404,226	1,359,856

The notes on pages 15 to 27 are an integral part of these consolidated financial statements.

**Foundation North
Performance Report
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Consolidated Statement of Financial Position

	NOTE	2020 \$000	2019 \$000
ASSETS			
Cash at Bank		1,103	3,903
Investments	7	1,346,495	1,393,230
Fixed Assets	9	8,263	8,516
Other Assets		346	507
TOTAL ASSETS		1,356,207	1,406,156
LIABILITIES			
Sundry Accounts Payable		2,361	1,676
Outstanding Grants Payable	10	31,258	44,624
TOTAL LIABILITIES		33,619	46,300
NET ASSETS AT 31 MARCH		1,322,588	1,359,856
Represented by:			
Equity			
Real (Inflation Adjusted) Capital	11	979,521	955,630
Reserves		343,067	404,226
EQUITY AT 31 MARCH		1,322,588	1,359,856

Approved on behalf of the Board:


Board Chair 03/08/2020 12:29 pm

Date _____


**Audit, Finance, Risk and
Compliance Committee Chair**

Date _____

The notes on pages 15 to 27 are an integral part of these consolidated financial statements.

**Foundation North
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For the year ended 31 March 2020**

Consolidated Statement of Cash Flows

	2020 \$000	2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from:		
Fund managers	285,769	217,111
Interest	45	50
Other Income	1,268	1,066
Total cash inflows from operating activities	287,082	218,227
Payments to:		
Fund managers	(219,551)	(165,818)
Grants to community organisations	(58,223)	(42,614)
Suppliers, trustees and staff	(9,560)	(8,093)
Fund management and advisory fees	(2,486)	(1,800)
Total cash outflows from operating activities	(289,820)	(218,325)
Net cash outflow from operating activities	(2,738)	(98)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from:		
Sale of Assets	1	-
Payments to:		
Purchase of Assets	(63)	(175)
Net cash outflow from investing activities	(62)	(175)
Net cash outflow from activities	(2,800)	(273)
Add: Cash at Bank at 1 April	3,903	4,176
Cash at Bank at 31 March	1,103	3,903

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Notes to the Consolidated Statement of Cash Flows

1. Cash at Bank

Cash at bank consists of cash balances held with ASB Bank, and does not include cash or deposits held by Fund Managers.

The Consolidated Statement of Cash Flows does not reflect the cash flows within Fund Managers' portfolios.

2. Reconciliation of Reported Surplus to Net Cash Flows from Operating Activities

	2020 \$000	2019 \$000
Reported (Deficit)/Surplus	(37,268)	47,232
Add: Non-cash Items		
Amortisation, Depreciation, Impairment and Disposal of Fixed Assets	4	381
Investment income reinvested	(19,484)	(93,465)
Movements in working capital items:		
Decrease/(Increase) in Other Assets	161	(60)
Increase in Sundry Accounts Payable	686	149
Decrease in Outstanding Grants Payable	(13,366)	(5,628)
Net Cash Inflows from Fund Managers	66,218	51,293
	53,699	45,754
Net Cash Outflow from operating activities	(2,738)	(98)

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1. Reporting Entity

The Foundation is an “in perpetuity” charitable trust domiciled in New Zealand and incorporated under the Charitable Trusts Act 1957 and operates under the Community Trusts Act 1999.

The Foundation comprises the Foundation and its subsidiary companies, Grants Limited, CSI, Foundation North Property Holdings Limited (not yet trading) and ASB Community Trust Limited.

2. Basis of Preparation

The Foundation’s financial statements have been prepared on the following basis:

Statement of Compliance:

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Tier 1 PBE Accounting Standards (Not-for-Profit) and with the provisions of the Community Trusts Act 1999 and the Financial Reporting Act 2013.

Functional and Presentation Currency:

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

Basis of Measurement:

Except for financial assets and liabilities (designated at fair value through revenue or expense) and land and buildings (which are revalued at five yearly intervals) historical cost is the basis of measurement.

The financial statements have been prepared on a going concern basis.

Estimates and Judgements:

Information about estimates and judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 7: Investments

Note 9: Fixed Assets

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3. Revenue from Investments

Revenue from investments includes interest, dividends, and realised and unrealised gains and losses related to investments classified as fair value through revenue and expense. Interest received is recognised on an accrual basis applying the effective interest rate method. The impact of COVID-19 on the Foundations revenue from investments is discussed in Note 8.

Revenue received from investments for the year is summarised as follows:

	2020	2019
	\$000	\$000
Investment Revenue		
Distributions and other Investment Income	32,386	33,875
Net Unrealised (Losses)/Gains	(18,784)	37,754
Net Realised Gains	48,380	28,021
Net (Losses) from Foreign Exchange Contracts	(42,498)	(6,185)
Total Investment Revenue	19,484	93,465

All financial assets are designated at fair value through Revenue or Expense upon initial recognition.

4. Administration Expenses

	2020	2019
	\$000	\$000
Audit fees	81	80
Consulting and Tax advice (paid to KPMG - Auditors) *	11	17
Amortisation, Depreciation and Loss on Disposal	315	381
Employee Costs and Benefits	4,122	3,719
Other costs	1,793	1,464
Total Administration Expenses	6,322	5,661

* During 2019 the \$17,000 of non-audit work is the Foundation's portion of a total of \$32,000 of shared consultancy advice between several other community trusts.

5. Activity Costs

Activity costs relate to third party operating costs incurred by subsidiary companies for client service delivery and support services.

6. Grants Expense

Grants to eligible organisations are accounted for when they are approved by the Board. Payments to grant recipients are made on the satisfaction of any restrictions or conditions which may have been placed on the grant.

Grants that are no longer required or not fully utilised by grant recipients are disclosed separately in the Consolidated Statement of Revenue and Expense as either Grants Written Back or Grant Refunds Received.

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	2020	2019
	\$000	\$000
Grants Approved		
Grants Committed and disbursed	28,389	22,721
Grants Committed but unpaid	16,777	14,892
Total Grants approved and committed to Community Groups	45,166	37,613

7. Investments

Investments meet the definition of financial instruments and are classified at fair value through Profit and Loss upon initial recognition resulting in these assets being measured at fair value through revenue or expense.

Transactions are recorded by Fund Managers on a trade date basis and are initially recognised at the fair value of the consideration paid. After initial recognition investments are managed at their fair value through revenue or expense. Revaluations are undertaken at each reporting date based on the methodologies outlined in *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. All realised and unrealised gains and losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense. Associated transaction costs are recognised in revenue or expense as incurred.

Investments are derecognised only when the contractual rights to the cash flows arising from the asset expires or are transferred and the transfer qualifies for derecognition.

Details of portfolio liquidity and COVID-19 are disclosed in note 8.

Investment Portfolio Construction:

The portfolio is invested in pooled and segregated funds managed by 29 investment managers (2019: 30) recommended by the Foundation's Investment Adviser Cambridge Associates LLC and approved by the Investment Committee. The Foundation is not involved with the analysis, sale or purchase of individual asset securities. Each asset grouping and the portfolio as a whole is measured against an appropriate internationally accepted standard benchmark or index.

The portfolio is made up of four asset groupings:

- **Growth Assets** include both global listed equities (including New Zealand/Trans-Tasman equities) and private equity.
- **Diversification Assets** are included to reduce the volatility inherent in an equity-biased portfolio. The returns from this asset class are not highly correlated to equity and fixed income markets, thereby reducing the variability of returns without sacrificing performance. This asset class consists of Hedge Funds and Absolute Return Funds.
- **Inflation Hedging Assets** are included to provide insurance from an unexpected spike in inflation. This asset class consists of listed and unlisted real assets which are sensitive to inflation.
- **Deflation Hedging Assets** are included to provide insurance against a prolonged economic contraction. In order to fulfil its deflation hedging role, a significant proportion of the allocation to Global (including New Zealand) Fixed Interest will be in Sovereign Securities. Cash is also included in this asset grouping.

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Transactions through the portfolio are summarised as follows:

	2020	2019
	\$000	\$000
Portfolio Transactions		
Balance as at 1 April	1,393,230	1,351,058
Movement in market value and investment income	19,484	93,465
Net withdrawals	(66,219)	(51,293)
Total Portfolio	1,346,495	1,393,230

At balance date the portfolio was made up of:

	2020	2019
	\$000	\$000
Portfolio Composition		
Growth Assets	706,219	697,337
Diversification Assets	197,424	255,640
Inflation Hedging Assets	143,451	144,990
Deflation Hedging Assets	299,401	295,263
Total Portfolio	1,346,495	1,393,230

Foreign Currency:

Foreign currency transactions are recorded in New Zealand dollars at the spot rate applying at the time of the transaction. All outstanding foreign currency balances at balance date are translated to New Zealand dollars at the closing exchange rate for that day. The value of the investment portfolio with currency exposure amounted to \$1,031.2 million (2019: \$1,068.7 million).

All realised and unrealised foreign currency gains and losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

Fair Value Hierarchy:

PBE IPSAS 30 Financial Instruments: Disclosures requires the disclosure of financial assets according to the Fair Value Hierarchy. There are three levels in the hierarchy:

- Level 1: quoted prices (unadjusted) which are regularly available to market participants in active markets for identical assets and prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

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The Fair Value Hierarchy for the Investment Portfolio is:

Fair Value Hierarchy	2020 \$000	2019 \$000
Level 1	486,910	586,880
Level 2	553,088	624,207
Level 3	306,497	182,143
Total Portfolio	1,346,495	1,393,230

Movements in Level 3 Assets:

Level 3	2020 \$000	2019 \$000
Opening Balance	182,143	109,328
Drawdowns (i.e. advances of capital to managers)	97,704	53,934
Return of Capital from managers	(17,187)	(6,898)
Changes in Fair Value recognised in the Consolidated Statement of Revenue and Expense	43,837	25,779
Closing Balance at 31 March	306,497	182,143

8. Risk Management and COVID-19 Commentary

Foundation North has an investment portfolio with well diversified geographic and industry sector exposure. The current and ongoing COVID-19 pandemic has disrupted, and will continue to disrupt, numerous industries and global supply chains to which the portfolio has an exposure. Measures to mitigate the severity of the pandemic, such as restrictions on businesses, venues, transport, movement and public gatherings of people, workplace closures, and the closure of public institutions such as schools and universities will negatively affect economic activity world-wide. These negative impacts to the portfolio are reflected in the investment valuations reported at 31 March 2020. We currently expect the COVID-19 pandemic to continue to have an impact on the Foundation's financial performance.

The COVID-19 pandemic has also heightened various financial risks, on an ongoing basis, particularly with credit risk, liquidity risk and market risk, underlying the valuation of the Foundation's investments. The Foundation has assessed the fair value of its investment in Private Equity Funds after taking advice from their investment advisor and the private equity fund managers. Private Equity Fund investments, categorised as Level 3 investments in the Fair Value Hierarchy above on this page, are typically valued based on valuation models which use a combination of observable and unobservable market data. Valuation models that employ significant unobservable inputs require a higher degree of judgement and estimation in the determination of fair value. This includes the selection of the appropriate valuation model to be used, determination of expected future cash flows of the underlying private equity investment being valued, and selection of appropriate discount rates.

Although the Foundation uses its best judgement, there are inherent limitations in any estimation techniques. The Foundation regularly monitors the performance of its Private Equity Funds investments, including an assessment of the historical accuracy of estimates against audited financial results. The COVID-19 pandemic has introduced greater uncertainty around the valuation of investments, and the fair value estimates presented are not necessarily indicative of an amount the Foundation could realise in a current transaction. Future events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

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The extent to which the COVID-19 pandemic impacts the Foundation's financial performance and financial position will depend on future developments which are still evolving and highly uncertain. At this time, therefore, it is not possible to estimate the longer-term effects that the COVID-19 pandemic could have on the Foundation's portfolio and financial performance.

The Foundation's income is generated from its investments which are used to fund its operations and grant funding programmes. In response to the current COVID-19 pandemic, the Foundation has provided support to its grantees and community by implementing a range of granting initiatives, using greater delegations to staff to enhance responsiveness to our community. These initiatives have been funded from within existing granting budgets and will not impact financial stability.

Inherent risks arising from the Foundation's financial assets and liabilities are managed through an ongoing process of identification, measurement and monitoring. Through its investing activities the Foundation is exposed to credit risk, liquidity risk, and market risk (including currency, interest rate and pricing risks).

Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to the management, the Audit, Finance, Risk and Compliance Committee, Investment Committee and ultimately to the Foundation Board. Under normal circumstances the Investment Portfolio is regularly rebalanced to ensure that asset classes remain within the Strategic Asset Allocation set out in the Foundation's Statement of Investment Policy and Objectives (SIPO).

Credit Risk:

Credit Risk arises where a counterparty fails to discharge an obligation which will result in a financial loss to the Foundation.

The Foundation manages credit risks through:

- a diversified and non-correlated basket of investments across traditional and alternative assets classes
- the use of a multi-fund manager approach to portfolio investments
- compliance with mandate requirements of each investment
- Standard & Poor's rating categories are used to manage the credit quality of the Foundation's Bond portfolios. At balance date the credit risk ratings of the Bond and Cash portfolios were:

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	AAA to AA-	A+ to A-	BBB+ to B	CCC, NR Other	2020 \$000
New Zealand Bonds	93.7%	4.2%	2.1%	0.0%	207,633
Global Bonds	52.1%	29.5%	18.4%	0.0%	36,915
Cash	64.8%	25.0%	10.2%	0.0%	60,512
Total					305,060
					2019 \$000
New Zealand Bonds	92.5%	4.9%	2.6%	0.0%	218,649
Global Bonds	55.1%	34.9%	10.0%	0.0%	34,318
Cash	64.5%	22.6%	12.9%	0.0%	55,683
Total					308,650

Liquidity Risk and Capital Maintenance:

The Foundation is an “in perpetuity” Trust. As such it protects its capital base by ensuring that provision is made to counteract the effects of inflation erosion. This is explained further in Note 11.

The Foundation manages its ability to meet current obligations through ensuring it maintains liquidity within the portfolio. The portfolio maintains a minimum allocation to cash of 3%. At balance date liquid assets (either cash or investments which could be realised in cash within twelve months) totalled 70.9% (2019: 72.2%).

Market Risk:

Market Risk arises from fluctuations in the future value of cash flows from financial assets due to changes in market variables such as interest rates, foreign currency exchange rates, and market prices.

The exposure to market risk is managed through the policies set out in the Foundation’s SIPO.

In order to understand the sensitivity to all market risks, the Foundation performs a value at risk sensitivity analysis. This analysis combines interest, foreign currency and pricing risks to determine the impact of volatility across each asset class in the investment portfolio and for the portfolio as a whole. In applying this methodology there is a 68% probability (i.e. one standard deviation either side of the mean) that the expected investment return from the portfolio is within the range of:

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	2020	2019
Volatility	minus 3.4% to plus 21.9%	minus 1.5% to plus 19.7%
Value Impact	minus \$45.8 Million to plus \$295.0 million	minus \$21.0 Million to plus \$275.2 million

The overall effect of the Foundation's uncorrelated portfolio of investments is to reduce the overall volatility and stabilise investment returns over time.

- **Interest Rate Risk** relates primarily to the Foundation's investment in bonds which are held in both pooled and segregated accounts.
- **Currency Risk** arises when the Foundation is exposed to foreign currency risk both directly through investments denominated in a foreign currency, and also indirectly where fund managers invest in foreign currency securities.

The following are all hedged back to the New Zealand Dollar. Growth Assets (except for Emerging Market and Private Equity Funds which are unhedged) are 81.1% and Inflation Hedging Assets are 37.6% hedged respectively. Diversification Assets are 96.6% hedged. Global Fixed Interest investments are 100% hedged.

At balance date the exposure to currency risk was:

	2020	2019
	\$000	\$000
Financial assets with currency exposure	1,031,222	1,068,716
Hedged currency exposure as at 31 March	(532,056)	(558,550)
Unhedged currency exposure at 31 March	<u>499,166</u>	<u>510,166</u>
North America	284,674	313,439
Europe	31,116	29,498
Asia	94,394	98,868
Oceania	68,950	42,352
Latin America	8,451	13,172
Africa & Middle East	8,138	8,595
Russia	3,443	4,242
Unhedged currency exposure at 31 March	<u>499,166</u>	<u>510,166</u>

- **Pricing Risk** arises from an increase or decrease in the fair value of the Foundation's financial assets as a result of changes in market prices. The SIPO sets out the asset allocation policy. The portfolio is rebalanced to align with these policies. The composition of the investment portfolio is set out in Note 7.

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9. Fixed Assets

Land (50 – 52 Ponsonby Road) and buildings (Allendale House and Annexe 2013) are measured at fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses.

Valuations are performed at five yearly intervals. The last valuation was undertaken at 31 March 2018. This revaluation was based on the then current market value assessed by Seagar and Partners (Auckland) Limited taking account of estimated market rentals and capitalisation rates. The valuation took account of observable prices in active markets. Where estimates were used, they were made on the basis of appropriate valuation techniques. Key assumptions included the Category 1 New Zealand Historic Places Heritage rating on Allendale House, and occupancy and rental rates.

An increase in valuation is recorded in Other Comprehensive Revenue and credited to the Asset Revaluation Reserve Account in Foundation Equity. However, to the extent that the revaluation increase reverses a revaluation decrease in the same class of asset previously recognised in revenue or expense, the increase in valuation is recognised in revenue or expense. A decrease in a valuation is recognised in revenue or expense, except to the extent that it offsets an existing credit balance on the same asset class in the Asset Revaluation Reserve Account. Land and Buildings were valued at \$7.28 million (2019: \$7.28 million) being fair market value at 31 March 2019, as determined by the market valuation undertaken by registered property valuers.

Annexe 2013 is depreciated on a straight line basis over its useful life which is determined to be 50 years (2019: 50 years). Allendale House, which has a Category 1 New Zealand Historic Places Heritage Rating, has not been depreciated since 31 March 2008 as the useful life of the asset is considered indefinite.

Fixed Assets other than land and buildings are measured at cost, less accumulated depreciation on a diminishing value basis over their expected useful life and impairment losses.

10. Grants Payable

Outstanding Grants are classified as other liabilities and are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Committed but unpaid Grants are recognised as liabilities once approved and communicated to recipients. At balance date committed but unpaid grants totalled \$31.3 million (2019: \$44.6 million). The timing for the payment of these grants is uncertain and is considered current.

Outstanding Grants Payable	2020	2019
	\$000	\$000
Grants Committed in previous years but unpaid (2020: 44, 2019: 62)	14,481	29,732
Grants Committed but unpaid this year (2020: 113, 2019: 81)	16,777	14,892
Total Grants outstanding as at 31 March	31,258	44,624

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11. Foundation Equity

Foundation Equity consists of:

- **Real (Inflation Adjusted) Capital** – the “in perpetuity” nature of the Foundation requires Trustees to preserve Real Capital for the benefit of current and future generations. The original capital arose from the sale of shares settled on the Foundation in terms of the Trustee Banks Restructuring Act 1988. Each year sufficient funds are set aside from Reserves to increase Real Capital by the annual rate of inflation as measured by the Consumer Price Index.

The Real Inflation Proofed Capital and Reserves form the Foundation’s Equity and maintain its capital base. The Foundation is not permitted to make grants from its Real (Inflation Proofed) Capital. Grants cannot therefore be committed at any time when the Reserves are in deficit.

- **Asset Revaluation Reserve** – any movement in this Reserve measures the difference between the market value of land and buildings and their pre-valuation carrying value.
- **Reserve for Grants** – this Reserve is held for the purpose of providing a stable flow of grants to the Foundation’s communities during times of adverse investment returns.
- **General Reserve** – this Reserve is held to provide funds for future developments.
- **Retained Surplus** – this Reserve is the accumulation of the Foundation’s comprehensive revenue and expense. It is used to provide a stable flow of grants to the Foundation’s communities and to fund other reserves and capital.

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12. Subsidiaries

Subsidiaries are entities controlled by the Foundation. Financial statements of the subsidiaries are included in the financial statements from the date of control until the date that control ceases. Uniform accounting policies have been used for like transactions. Intra-group balances and revenue and expenses arising from intra-group activities are eliminated on consolidation. From 1 April 2020, the Centre For Social Impact New Zealand Ltd will not operate as a stand-alone subsidiary, but as a division of the Foundation.

The following entities form part of the Foundation group:

Name	Interest Held	Incorporated Date	Principal Purpose	Charity Registration
ASB Community Trust Limited	100%	29 March 2001	Dormant company	
Foundation North Grants Limited	100%	29 March 2001	Grants for specific charitable purposes	CC38999
Centre For Social Impact New Zealand Limited	100%	30 September 2013	Assistance to community organisations at both governance and management levels	CC50226
Foundation North Property Holdings Limited	100%	26 April 2016	Support the Foundation's granting through investment in real property	CC53445

13. Related Parties

Trustees and Key Management Personnel (Leadership Group) are related parties.

Trustees are not employees of the Foundation. They are remunerated at rates set by the New Zealand Government. Honoraria payments during the year to Board and Committee Chairs totalled \$111,350 (2019: \$130,052). Honoraria payment during the year to other Trustees totalled \$174,817 (2019: \$152,150).

Members of the Leadership Group only receive short term employment benefits. During the year short term employment benefit payments to the Leadership Group totalled \$1,166,857 (2019: \$1,005,052).

During the year ended March 2020, a piece of IT Equipment was sold to a member of key management for \$1,000.

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Trustee Liability Insurance:

At their meeting on 25 November 2019 the Trustees resolved to effect Trustee Liability Insurance for the sum of \$10 million at a premium cost of \$27,945 (2019: \$24,950).

After due consideration of a report from the Foundation's insurance brokers and other relevant information, all of the Trustees approved the purchase of the Trustee Liability Insurance by resolution to that effect, along with signing a certificate, certifying that the transaction was in the best interests of the Foundation.

14. Taxation

The Foundation is exempt from income tax and therefore no provision has been made in these financial statements.

15. Capital Commitments and Contingent Liabilities

At balance date the Foundation had committed a total of \$40 million to New Zealand private equity funds. Of this sum a net \$17.5 million has been drawn down to date (2019: \$13.4 million). The Foundation has a contingent liability for the remaining \$22.5 million (2019: \$6.6 million).

At balance date the Foundation had committed a total of A\$89.0 million (NZ\$91.9 million) to Australian private equity/venture capital funds. (2019: A\$78.0 (NZ\$81.2 million). Of this sum A\$59.5 million (NZ\$61.4 million) has been drawn down at balance date. (2019: A\$39.6 million (NZ\$41.2 million). The Foundation has a contingent liability for the remaining A\$29.5 million (NZ\$30.5 million). (2019: A\$38.4 million (NZ\$40.0 million).

At balance date the Foundation had committed a total of US\$211.0 million (NZ\$355.9 million) to US private equity/venture capital funds (2019: US\$211.0 million (NZ\$309.4 million)). A net cumulative amount of US\$117.2 million (NZ\$197.7 million) has been drawn down at balance date (2019: US\$79.9 million (NZ\$117.1 million)). The Foundation has a contingent liability for the remaining US\$93.8 million (NZ\$158.2 million) (2019: US\$131.1 million (NZ\$192.3 million)).

At balance date the Foundation had committed a total of E20.0 million (NZ\$37.0 million) (2019: E20.0 million (NZ\$32.9 million)) to Euro denominated private equity funds. Of this sum E9.5 million (NZ\$17.6 million) (2019: nil) has been drawn down at balance date. The Foundation has a contingent liability for the remaining E10.5 million (NZ\$19.4 million) (2019: E20.0 million (NZ\$32.9 million)).

Calls on the Foundation's commitments are contingent on calls made by Fund Managers as further investments are made. The timing of these calls is uncertain.

16. Material Events after Balance Date

There were no material events after balance date which required adjustment to the Financial Statements for the year ended 31 March 2020 (2019: nil).

17. Applicable Accounting Standards Issued but not yet Effective

The following Standards are issued but not yet effective at balance date:

- PBE IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2021. The amendment is not expected to have a significant impact on the Foundation's consolidated results, but will be reviewed again next financial year.

Independent auditor's report

To the Trustees of Foundation North

Report on the audit of the consolidated performance report

Opinion

We have audited the accompanying consolidated performance report which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the consolidated statement of service performance and entity information on pages 5 to 10.

In our opinion, the accompanying consolidated performance report of Foundation North (the "Foundation") and its subsidiaries (the "Group") on pages 5 to 27:

- i. present fairly in all material respects the Group's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date;
- ii. comply with Public Benefit Entity Standards (Not For Profit); and
- iii. suitably report the service performance information required by Public Benefit Entity Financial Reporting Standard 48 ("PBE FRS 48") in the statement of service performance.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"), and the audit of information PBE FRS 48 requires to be included in the statement of service performance, in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE (NZ) 3000"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) and ISAE (NZ) 3000 are further described in the 'Auditor's responsibilities for the audit of the consolidated performance report' section of our report. Our firm has also provided other services to the Group in relation to taxation advisory services during the year ended 31 March 2020. In addition to these services, during 2014, the Foundation 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 the Foundation 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.



Emphasis of matter

We draw attention to Note 8 to the consolidated performance report which describes that there is significant uncertainty regarding the determination of fair values for the Foundation's private equity investments and heightened financial risks due to the impacts of COVID-19. Our opinion is not modified in respect of this matter.



Other information

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



Use of this independent auditor's report

This independent auditor's report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the consolidated performance report

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

- the preparation and fair presentation of the consolidated performance report in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a consolidated performance report that is fairly presented and free from material misstatement, whether due to fraud or error;
- the preparation of a statement of service performance that complies with the requirements of PBE FRS 48; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated performance report

Our objective is:

- to obtain reasonable assurance about whether the consolidated performance report as a whole is free from material misstatement, whether due to fraud or error;
- perform procedures to determine whether the service performance information required by PBE FRS 48 has been suitably reported in the statement of service performance; and
- to issue an independent auditor's report that includes our opinion.



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

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

A further description of our responsibilities for the audit of this consolidated performance report is located at the External Reporting Board website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

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

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, slightly slanted font.

KPMG
Auckland

5 August 2020