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WHANGANUI COMMUNITY FOUNDATION INCORPORATED

FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE
COMMUNITY TRUSTS ACT 1999

WHANGANUI COMMUNITY FOUNDATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2012

<u>Chairperson</u>	Prue Anderson
<u>Trustees</u>	G Adams P Baker-Hogan C. Blomkvist Deputy Chair J. Duncan P Erni Retired June 2011 D McKinnon R Millward S Sisson A Teki Clark R Thompson Retired June 2011 G Wood
<u>Chief Executive</u>	Judith Timpany P O Box 365 WHANGANUI Telephone (06) 348 8300 www.whanganuicommunityfoundation.org.nz
<u>Bankers</u>	Westpac P O Box 638 WHANGANUI
<u>Auditors</u>	Deloitte PO Box 1990 WELLINGTON
<u>Solicitors</u>	Ian Burgess Robert Handley & Co Wicksteed Street WHANGANUI

Annual Report 2012

It has been another positive year at the Whanganui Community Foundation and we are proud to continue to work in such a rich and diverse community. On behalf of the Trustees, I am pleased to present the annual report for the year ended 31 March 2012. At the Whanganui Community Foundation, we believe that our purpose is to promote community well-being and connectedness, and this means providing assistance through good times and bad. Throughout the financial crisis the Foundation has maintained its support to a large number of community organisations. Grants and community support approved during the year amounted to slightly over \$830,000.

The financial markets have been volatile and the Foundation has sustained a loss of \$1.36 million this financial year. On-going financial uncertainty means that the Trustees are likely to continue to take a more conservative approach to grant-making. Our programme of capacity building for community organisations continues. In the past year we have held workshops focusing on the areas of governance and social media. These have been well received and positive feedback indicates that they are contributing to the effectiveness of community organisations.

We have also held community convening events. The events covered a range of topics including 'the Whanganui community – looking to our future', 'what it means to be family friendly' –held in conjunction with the Wanganui District Council, 'climate change' held in conjunction with Horizons Regional Council and 'community resilience' again with the Wanganui District Council.

During the year we were sorry to see Trustees Richard Thompson and Pam Erni retire from the Board. Both brought a level of knowledge and understanding of the community as well as their own judgment and commitment to social improvement. Richard served the Board for four years as Chair and was a thoughtful and conscientious leader. His negotiation and leadership skills are recognised both locally and nationally, and his contribution to the Board of the Foundation was very much appreciated. Judith and Jane continue to work hard in keeping the Foundation functioning effectively. They consistently perform their duties in a dedicated and professional manner, and for this we are very grateful.

The Foundation remains committed to improving the quality of life and social well being in our communities. It is a privilege and responsibility we take very seriously. The Foundation welcomes any feedback or suggestions that could help us to do our work more effectively.

Prue Anderson
Chair

Whanganui Community Foundation Incorporated

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2012

Revenue	Note	2012	2011
		\$	\$
Investment Administration Fees		(39,474)	(39,540)
Rent Received		32,000	31,391
Other Income		1,478	2,487
		<u>(267,275)</u>	<u>2,694,689</u>
Less Expenses			
Accident Compensation Levy		512	493
Advertising		5,750	5,589
Audit Fees		12,535	8,017
Communication		3,211	4,133
Consulting Fees		9,562	3,036
Computer Expenses		2,915	3,184
Grants Management System		7,527	9,694
General Expenses		2,215	944
Insurance		3,510	3,650
Occupancy Costs		8,966	11,662
Printing and Stationery		4,310	3,637
Professional Development		9,765	4,892
Promoting Generosity		4,387	5,199
Subscriptions		3,273	3,000
Travelling Expenses		1,383	4,805
Trustees' Fees and Expenses	11	63,432	52,183
Wages and Salaries	11	<u>135,317</u>	<u>131,364</u>
Total Expenses		<u>278,570</u>	<u>255,482</u>
(Deficit)/Surplus Before Depreciation and Community Distributions		(545,845)	2,439,207
Depreciation	7	16,685	5,077
Community Distributions	3	<u>796,513</u>	<u>922,964</u>
Net (Deficit)/Surplus for the Year	4	<u>(1,359,043)</u>	<u>1,511,166</u>
Other Comprehensive Income – Building Revaluation	7	<u>(27,983)</u>	-
Total Comprehensive (Loss) / Income		<u>(1,387,026)</u>	<u>1,511,166</u>

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2012

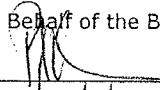
2012	Original Capital	Revaluation Reserves	Retained Earnings	Total Equity
	\$	\$	\$	\$
Total Comprehensive (loss)/ Income	-	-	(1,359,043)	(1,359,043)
Change in Property Revaluation Reserve	-	(27,983)	-	(27,983)
Total Comprehensive (Loss)/ Income	-	(27,983)	(1,359,043)	(1,387,026)
Equity at Beginning of Year	4,400,000	396,796	29,512,516	34,309,312
Equity at End of Year	<u>4,400,000</u>	<u>368,813</u>	<u>28,153,473</u>	<u>32,922,286</u>

2011	Original Capital \$	Revaluation Reserves \$	Retained Earnings \$	Total Equity \$
Total Comprehensive Income	-	-	1,511,166	1,511,166
	-	-	1,511,166	1,511,166
Equity at Beginning of year	4,400,000	396,796	28,001,350	32,798,146
Equity at End of year	4,400,000	396,796	29,512,516	34,309,312


Consolidated Statement of Financial Position as at 31 March 2012

Assets	Note	2012 \$	2011 \$
<u>Current Assets</u>			
Cash and Cash Equivalents			
- Cash at Bank - Westpac		95,714	126,620
- On Call Account		551,187	1,001,838
- Term Deposits	5	3,620,000	3,280,000
Bonds	5	3,980,011	250,000
Accrued Income		15,561	20,267
GST Refund Due		5,347	4,864
WRPHO Loan – current portion	12	50,000	50,000
Grants Management System Loan	6	25,000	25,000
Total Current Assets		8,342,820	4,758,589
<u>Non Current Assets</u>			
Property Plant and Equipment	7	548,660	588,876
<u>Investments</u>			
State Street Global Assets	5	22,659,281	23,556,052
Bonds	5	1,440,200	5,445,191
WRPHO Loan – non current portion	12	308,334	375,000
Total Non Current Assets		24,956,475	29,965,119
Total Assets		33,299,295	34,723,708
Liabilities			
<u>Non-Current Liabilities</u>			
Trust Funds held	8	67,310	71,102
<u>Current Liabilities</u>			
Accounts Payable		38,795	26,740
Grants Approved But Not Paid		256,497	305,915
Accrued Employee Entitlements		14,407	10,639
Total Current Liabilities		309,699	343,294
Total Liabilities		377,009	414,396
Net Assets		32,922,286	34,309,312
Represented by Equity:			
Original Capital		4,400,000	4,400,000
Retained Earnings		28,153,473	29,512,516
Property Revaluation Reserve		368,813	396,796
Total Equity	9	32,922,286	34,309,312

Signed on Behalf of the Board

Trustee 

Date 25/6/12

Trustee 

Date 25/6/12

Whanganui Community Foundation Incorporated**Consolidated Statement of Cashflows for the Year Ended 31 March 2012**

	Note	2012	2011
		\$	\$
Cashflows from Operating Activities			
Cash was provided from:			
Drawings from Term deposits		-	500,000
Rent Received		32,000	31,391
Other Income		1,478	2,487
Interest Received		641,553	715,684
Loan Advances Repaid		66,666	36,913
Bond Falling due		250,000	-
		<u>991,697</u>	<u>1,286,475</u>
This cash was used to:			
Provide Grants and Community Support		822,306	1,020,679
Purchase goods and services		239,273	244,780
Pay Trustees Honoraria		63,432	52,183
Trust Funds Paid		3,791	3,379
Increase Term Deposits		250,000	-
		<u>1,378,802</u>	<u>1,321,021</u>
Net Cashflows from Operating Activities	4	(387,105)	(34,546)
Cashflows from Investing Activities			
Purchase Fixed Assets		4,452	7,838
		<u>(4,452)</u>	<u>(7,838)</u>
Net Cashflows from Investing Activities		(4,452)	(7,838)
Net Decrease in Cash		<u>(391,557)</u>	<u>(42,384)</u>
Opening Cash at 1 April 2011		<u>2,908,458</u>	<u>2,950,842</u>
Closing cash at 31 March 2012		<u>2,516,901</u>	<u>2,908,458</u>
Represented by:			
Cash and Cash Equivalents			
Cash at Bank - Westpac		95,714	126,620
On Call Account		551,187	1,001,838
Term Deposits		1,870,000	1,780,000
		<u>2,516,901</u>	<u>2,908,458</u>

**Notes to the Financial Statements for the
Year Ended 31 March 2012****1. Summary of Significant Accounting Policies****Reporting Entity**

The Whanganui Community Foundation Incorporated (the "Foundation"), is a Trust established pursuant to section 14(1) of the Trustee Banks Restructuring Act 1988. This Act has since been repealed and replaced by the Community Trusts Act 1999

(the "Act"). Pursuant to the Act the Whanganui Community Foundation is incorporated under the Charitable Trusts Act 1957.

The Group consists of the Foundation and its subsidiary Whanganui Charitable Foundation Limited (the "Company"). The Foundation is a tax exempt entity pursuant to CW42 of the Income Tax Act 2007.

The Company is a limited liability company registered as a charitable entity under the Charities Act 2005 (CC21727).

The Foundation is a Public Benefit Entity which makes grants to qualifying not for profit entities in the Whanganui, Rangitikei, Wairarapa and Southern Taranaki regions.

Accounting Policies

The measurement basis adopted is that of historical cost except for land and buildings which are revalued every 3 years and financial assets and liabilities which are recorded at fair value.

Statement of Compliance: The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as represented by the New Zealand Equivalents to the International Financial Reporting Standards (NZ IFRS). For this purpose the Foundation has designated itself a public benefit entity. The financial statements comply with International Financial Reporting Standards issued by the International Accounting Standards Board.

Reliance is placed on the fact that the Foundation is a going concern. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

The Foundation's functional currency is New Zealand Dollars.

Basis of Preparation

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of NZ IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 13: Financial Assets and Liabilities.

Consolidated financial statements

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line by line basis. All balances and transactions between the Foundation and the Company are eliminated on consolidation.

Statement of Cashflows

The business of the Foundation is the distribution of funds for community benefit. This is supported by the investment portfolio function. Therefore operating activities includes all community distribution and investment functions and the administration that supports these functions.

Cash comprises cash at bank and call deposits but does not include cash or deposits held by the Fund Managers. Therefore the Statement of Cashflows does not reflect the cash flows within the Fund Managers' investment portfolios.

Revenue - Dividends, Pooled Funds and Interest

Income from Pooled Funds is recognised on declaration date. Interest income is recognised on an accrual basis using the effective interest method.

Grants

Approval of a grant by Trustees results in the recognition of that grant within the Foundation's financial statements whether or not payment has been made.

Approved grants are payable on the satisfaction of any conditions placed on the recipients. Grants no longer required or not fully utilised by grant recipients are shown separately in the Statement of Comprehensive Income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturities of twelve months or less, which are held to meet short term cash requirements.

Property, Plant & Equipment

Property, plant and equipment are valued at cost, less accumulated depreciation and impairment losses except for freehold land and buildings which are subsequently revalued on a cyclical basis. Land and Buildings are revalued every 3 years.

Valuations are at net current value, as determined by an independent valuer. Any revaluation surplus arising on the revaluation of land and buildings is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the land and buildings is recognised in the Statement of Comprehensive Income in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recorded in the Statement of Comprehensive Income are recognised as revenue in the Statement of Comprehensive Income.

Property, plant and equipment is reviewed annually to determine any impairment losses. Impairment losses are recognised in the Statement of Comprehensive Income.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Statement of Comprehensive Income and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation

Depreciation is provided over the useful life of the assets. Land is not depreciated. Buildings are depreciated at 2% per annum on straight line basis. Office equipment and furniture are depreciated on a diminishing value basis. The rates used are those approved by Trustees as follows:

Land	Nil	
Buildings	2% to 4%	SL
Office Equipment & Furniture	15% to 48%	DV

Impairment

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the Statement of Comprehensive Income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the Statement of Comprehensive Income.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in the Statement of Comprehensive Income; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation in the Statement of Comprehensive Income.

Foreign Currency Transactions and Balances

Foreign currency transactions are translated to New Zealand dollars at the spot exchange rate applying at the date of the transaction.

All amounts denominated in foreign currencies at balance date are translated to New Zealand dollars at the balance date closing exchange rate.

All realised and unrealised gains and losses on foreign currency transactions are recognised in the Statement of Comprehensive Income.

Financial Assets

Financial assets are recognised in the Statement of Financial Position when the Foundation becomes party to a financial contract. They include cash balances, investments, term deposits, accrued income and intercompany balances.

All assets that are financial instruments are recognised in the Statement of Financial Position.

All financial assets are initially recognised at fair value, being the fair value of consideration paid. After initial recognition, financial assets designated at fair value through profit or loss are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date. Investments in pooled funds are valued at the unit exit price ("bid price") determined by the Fund Manager at the close of business on the reporting date.

All realised and unrealised gains or losses on investments are recognised in the Statement of Comprehensive Income.

Investment transactions are recorded by Fund Managers on a transaction date basis.

Financial assets are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Foundation, as disclosed in Note 13.

The Foundation ceases to recognise a financial asset when and only when the contractual rights to cash flows from the financial asset expire.

Taxation

The Income Tax Act 2007 provides exemption from income tax for Community Trusts established under the Trustee Banks Restructuring Act 1988. The amendment applied from the 2005 income year, and consequently no taxation has been provided for in these financial statements. The Company is registered as a charitable entity under the Charities Act 2005 (CC21727) and is therefore exempt from tax.

Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis except for the amounts included for accounts receivable and accounts payable, which include GST where invoiced.

Accounts Receivable and Payable

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). All accounts receivable are considered to be receivable in full and therefore there has been no requirement to provide a provision for doubtful debts.

Employee benefits

Liabilities for annual leave, sick leave and long-service leave are accrued and recognised in the Statement of Financial Position.

Changes in accounting policies

From 1 April 2011, the building held by the Company has been depreciated at 2% per annum on a straight line basis. This has resulted in a depreciation charge of \$11,590 being recognised in the Group Statement of Comprehensive Income for the year ended 31 March 2012. Previously the building was not depreciated.

There were no other changes in accounting policy during the year.

2 Investment (Loss)/Income

	2012		2011	
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Global equities - unrealised	(895,899)	(895,899)	2,053,071	2,053,071
Bonds	446,828	446,828	444,828	444,828
Bank deposits - interest	164,167	154,064	166,015	155,913
Interest foregone on WRPHO loan	23,625	23,625	36,437	36,437
Investment (Loss)/Income	(261,279)	(271,382)	2,700,351	2,690,249

3 Community Distributions

	2012		2011	
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Community Support	22,960	22,960	5,562	5,562
Grants	808,553	114,091	973,042	16,000
Less Prior Year Grants Cancelled or Returned	(35,000)	(35,000)	(55,640)	(55,640)
Total Community Distributions	796,513	102,051	922,964	(34,078)

4 Reconciliation of Net (Deficit)/Surplus to Net Cashflows from Operating Activities

Group	2012	2011
	\$	\$
Net (Deficit)/Surplus for the Year	(1,359,043)	1,511,166
Add (Less) Non Cash Items		
Depreciation	16,685	5,077
Changes in Investment Values	921,751	(1,499,371)
	(420,607)	16,870
Working Capital Movements		
(Increase) decrease in Accrued Income	4,222	14,681
Increase (decrease) in Accounts Payable	15,823	(1,918)
Increase (decrease) in Grants Approved but Not Paid	(49,418)	(97,715)
Increase (decrease) in Trust Funds Held	(3,791)	(3,379)
Decrease (increase) in WRPHO loan	66,666	36,913
	(99,829)	(51,418)
Net Cash (Outflow) from Operating Activities	(387,105)	(34,546)
Parent	2012	2011
	\$	\$
Net (Deficit)/Surplus for the Year	(703,819)	2,414,482
Add (Less) Non Cash Items		
Depreciation	3,251	2,570
Changes in Investment Values	921,751	(1,999,371)
	221,183	417,681
Working Capital Movements		
(Increase) Decrease in Accrued Income	(1,224)	19,033
Increase (Decrease) in Accounts Payable	15,176	(1,918)
Increase (Decrease) in Grants Approved but Not Paid	(49,418)	(97,715)
(Increase) Decrease in WRPHO Loan	66,666	36,913
(Increase) Decrease in Term Deposits	-	500,000
Increase (Decrease) in Related Party Payable	(692,233)	(957,042)
	(661,033)	(500,730)
Net Cash (Outflow) from Operating Activities	(439,850)	(83,048)

5 Investments

The following were the investment portfolio allocations as at 31 March 2012:

Group	2012	%	2011	%
	\$		\$	
Global Equities	22,659,281	71.5	23,556,052	72.4
Bonds and Term Deposits	9,040,211	28.5	8,975,191	27.6
	31,699,492	100.0	32,531,243	100.0

Parent	2012	%	2011	%
	\$		\$	
Global Equities	22,659,281	72.1	23,556,052	72.4
Bonds and Term Deposits	8,770,211	27.9	8,975,191	27.6
	31,429,492	100.0	32,531,243	100.0

6 Grants Management System Loan

The Foundation has capitalised \$25,000 (2011:\$25,000) as a loan for the development of a grants management system in conjunction with 11 other community trusts. This loan will be converted into shares in a limited partnership upon completion of the system.

7 Property, Plant and Equipment Group

2012	Cost	Depreciation	Revaluation	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$
Land and Building	562,893	11,590	(27,893)	-	535,000
Office Equipment and Furniture	47,768	5,095	-	34,108	13,660
	610,661	16,685	(27,893)	34,108	548,660

2011	Cost	Depreciation	Revaluation	Accumulated Depreciation	Book Value
	\$	\$	\$	\$	\$
Land and Building	173,024	-	396,976	-	570,000
Office Equipment and Furniture	93,026	5,077	-	74,150	18,876
	266,050	5,077	396,976	74,150	588,876

Reconciliation of Carrying Value of Property, Plant and Equipment

	2012	2011
	\$	\$
Book value at 1 April 2011	588,876	586,115
Plus additions	4,452	7,838
Revaluations	(27,983)	-
Less depreciation	(16,685)	(5,077)
Book value at 31 March 2012	548,660	588,876

As at 31 March 2012, had the land and buildings been carried at historical cost less accumulated depreciation their carrying value would have been approximately \$131,704 (2011: \$134,024).

Valuation

The freehold land and buildings was revalued at 31 March 2012 at fair value as determined by an independent registered valuer, K D Pawson (ANZIV, SPINZ, B Com(VPM)), of the firm Morgans Property Advisers. All values were determined directly by reference to observable prices in an active market.

Parent

2012	Cost	Depreciation	Accumulated Depreciation	Book Value
	\$	\$	\$	\$
Office Equipment and Furniture	16,351	3,251	6,267	10,084
Total	16,351	3,251	6,267	10,084

2011	Cost	Depreciation	Accumulated Depreciation	Book Value
	\$	\$	\$	\$
Office Equipment and Furniture	17,279	2,570	8,275	8,882
Total	17,279	2,570	8,275	8,882

8 Trust Funds Held

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Heart Fund	93	1,385	-	-
Youth Fund	15,500	18,000	-	-
Disaster Recovery Fund	51,717	51,717	-	-
Total Trust Funds Held	67,310	71,102	-	-

9 Trust Funds and Reserves**Original Capital**

The Trust Capital of the Foundation arose from the endowment of shares in Trust Bank Limited. The Original Capital, Retained Earnings and Revaluation Reserves form the Trust Capital.

Revaluation Reserves

The Revaluation Reserve of \$368,813 as at 31 March 2012 comprises the cumulative revaluation of a building owned by the Company (2011: \$396,796).

Retained Earnings

Retained earnings is the accumulation of surpluses and losses since inception.

10 Related Party Information

The Trustees are key management personnel of the Foundation as defined by NZ IAS 24: Related Party Disclosures. As the Trustees are not employees of the Foundation, they do not receive short term employee benefits, post employment benefits, other long term benefits, or termination benefits. Trustees are appointed by the New Zealand Government and remunerated at rates set by the Government. These rates were last set in June 2002. During the year Trustees received honoraria and meeting fees of \$63,432 (2011: \$52,183).

The Foundation has paid rent to the Company of \$23,478 (2011: \$23,391).

The Company has paid a management fee to the Foundation of \$5,870 (2011: \$5,935).

The Foundation owed the Company nil at 31 March 2012 (2011: \$692,233).

The Foundation paid \$480 to Claire Timpany M.CGD(H. Dist) for design services during the year ended 31 March 2012.

Claire Timpany is the daughter of Judith Timpany who is Chief Executive of the Foundation.

No related party debts have been written off or provided for as doubtful.

11 Key Personnel Compensation

	Group		Parent	
	2012	2011	2012	2011
	(\$)	(\$)	(\$)	(\$)
Salaries	114,146	114,146	114,146	114,146
Trustee Fees	63,432	52,183	63,432	52,183
Total Compensation	177,578	166,329	177,578	166,329

12 WRPFO Loan

The Foundation has made a loan to the Whanganui Regional Primary Health Organisation ("WRPFO"). The loan is secured and regular monthly repayments are made. The loan is at a concessionary interest rate of 6% which is accounted for as a community distribution grant with interest foregone being added back to income.

13 Financial Instruments**Fair Value Measurement**

Financial instruments are required to be specified in a hierarchy of fair value based on the degree to which fair value is observable.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

All financial instruments held by the Group at fair value are classified as Level 1 and there have been no transfers between levels during the year.

Risks arising from the Group's financial assets and liabilities are inherent in the nature of the Group's activities, and are managed through an ongoing process of risk identification, measurement and monitoring. The Group is exposed to credit risk, liquidity risk, and market risk (including currency, interest rate and pricing risks).

The Group's income is generated from its financial assets. Liabilities which arise from its operations are met from cash flows provided by these assets.

Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to the Foundation's management, the Foundation's Investment Audit and Compliance Committee and ultimately to the Board of Trustees. 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).

The SIPO sets out the Foundation's investment objectives. These can be summarised as:

- to ensure that the investment fund is invested prudently;
- to provide inter-generational equity with regard to distribution levels over time;
- to ensure that money is available for distribution, as required, to meet the needs and distribution policies of the Foundation; and
- to maintain the value of the investment fund's capital base in real terms and to grow such capital value at a level equal to the population base growth of the region. Real in this context relates to the changes in the Consumer Price Index (CPI).

The Investment Portfolio

The Foundation manages its Investment Portfolio in terms of its SIPO. The SIPO is monitored on a regular basis by the Board of Trustees and, as required, amended to reflect international best investment practice. The Portfolio's Strategic Asset Allocation is reviewed at three yearly intervals. The Strategic Asset Allocation was last reviewed in 2012. Michael Chamberlain and Associates assists both management and Trustees with investment advice and portfolio monitoring.

Portfolio Characteristics

The Foundation is not directly involved with the analysis, sale or purchase of individual asset securities other than bonds and term deposits. Investments are made into either pooled funds or segregated accounts with Fund Managers. The

performance of each asset class is measured against an appropriate internationally accepted standard or index for each asset class.

Global Equities:

This portfolio is measured against the MSCI World Indices, and is 50% hedged back to New Zealand Dollars by State Street Global Advisors.

New Zealand Bonds:

The New Zealand Bond Portfolio is managed in-house. The Investment Guidelines provide strict limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX Government Stock Index.

Cash:

The Cash Portfolio is managed in-house. The investment guidelines places limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX 90 day bank bill index.

The SIPO sets out the following risks and mitigations:

Interest rate risk, reinvestment risk, default risk, currency risk, inflation risk, market volatility risk, market downturn risk, manager risk and timing risk. Comprehensive strategies are in place to mitigate each of these risks.

The credit quality of Foundation's New Zealand Bond portfolio is managed by the Foundation using Standard & Poor's rating categories as follows:

Group

	AAA to A	A+to A-	BBB	NR	2012	2011
NZ Corporate Bonds	57.4%	0	21.6%	21%	5,420,211	5,695,191
Term Deposits	100%				3,620,000	3,280,000

Parent

	AAA to A	A+to A-	BBB	NR	2012	2011
NZ Corporate Bonds	57.4%	0	21.6%	21%	5,420,211	5,695,191
Term Deposits	100%				3,350,000	3,100,000

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities. This risk is managed through the Group's investment in a diversified portfolio of financial assets.

The Foundation's investment portfolio consists of only listed securities which under normal market conditions are readily convertible to cash. In addition the Group maintains sufficient cash and cash equivalents to meet normal operating requirements.

Summary of Quantitative Risks relating to Financial Instruments

Global Equities are held in pooled funds on the following basis:

35% North America

35% Europe and the United Kingdom

30% Asia and Japan

Hedging

The fund manager, State Street Global Assets uses financial instruments to reduce exposure to fluctuations in foreign currency denominated assets which indirectly impact the value of the Foundation's pooled funds. Forward exchange contracts are entered into to hedge foreign currency denominated assets. These are converted to the New Zealand dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Financial Performance. The Group does not hold any derivatives.

Financial Liabilities

The Foundation's financial liabilities comprise accounts payable, and grants approved but not yet paid.

At balance date, all accounts other payable were current, and are normally settled on the 20th of the month following invoice date.

Grants approved but not yet paid are held as current liabilities pending the satisfaction of conditions under which the grant was made. At balance date grants approved but not yet paid totalled \$256,497 (2011: \$305,915).

Maturity analysis of Financial Liabilities

Financial liabilities comprise accounts payable, accrued employees entitlements and grants that have been approved but not yet paid. All are considered to be current. No conditions placed on grants to be satisfied before payment would prevent payment within the next 12 months.

14 Capital Commitments and Contingent Liabilities

The Group had no capital commitments or contingent liabilities at balance date.(2011: Nil).

15 Operating Lease Commitments – Lessor

The ground floor of the building is tenanted to a third party. Lease payments due until the first renewal date amount to \$16,000. There is no fixed lease term for the portion of the building tenanted by the Foundation.

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 2012 (2011: Nil).

**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF WHANGANUI COMMUNITY FOUNDATION INCORPORATED**

Report on the Financial Statements

We have audited the financial statements of Whanganui Community Foundation Incorporated (the "Foundation") and Group on pages 5 to 23, which comprise the statements of financial position as at 31 March 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees, as a body, in accordance with Section 16 (e) of the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an 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, for this report, or for the opinions we have formed.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements on pages 5 to 23 present fairly, in all material respects, the financial position of the Foundation and Group as at 31 March 2012, and their financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.



Chartered Accountants

25 June 2012

Wellington, New Zealand