

MASSEY UNIVERSITY FOUNDATION TRUST

Annual Report

For the Year Ended 31 December 2016

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Statement of Trustees Responsibility

For the Year Ended 31 December 2016

The Trustees of Massey University Foundation Trust (the 'Trust') accept responsibility for the preparation of the annual report and the judgments used in these statements.

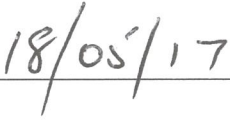
The Trustees accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Trust's financial reporting.

In the opinion of the Trustees the annual report for the financial year ended 31 December 2016 fairly reflects the financial position and operations of the Trust.

The Trust's annual report was adopted by the Trustees on 18 May 2017.




(Trustee)





(Trustee)



Massey University Foundation Trust

Trust Directory

As at 31 December 2016

Registered Office

Massey University
Tiritea Campus
Tennant Drive
Palmerston North

Trustees

Russ Ballard (Chair)

Paul Bayly until 1 February 2016

John Harrison until 1 December 2016

Dianne Kidd from 28 September 2016

Steve Maharey until 31 December 2016

Cathy Magiannis from 8 December 2016

Bryan Mogridge from 19 May 2016

Tony Ryall from 15 April 2016

Jan Thomas from 21 February 2017

Brian Ward until 1 December 2016

Auditors

Audit New Zealand

On behalf of the Auditor-General

Bankers

Bank of New Zealand

Westpac

Nature of Business

Charitable Trust

Location of Business

Tiritea House

Palmerston North

Solicitor

Buddle Finlay, Auckland

Massey University Foundation Trust

Statement of Comprehensive Revenue and Expense For the Year Ended 31 December 2016

	<i>Note</i>	<i>2016</i>	<i>2015</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue			
Gifts	3	2,226	1,855
Legacies	3	10	5
Grants	3	266	448
Distributions from Managed Funds	3, 6	679	685
Net gains from Managed Funds at fair value through surplus or deficit	3, 6	585	1,418
Interest	3, 6	81	87
Other Revenue	3	19	18
<i>Total Revenue</i>		<i>3,866</i>	<i>4,516</i>
EXPENSES			
Audit Fees		12	8
Distributions and Grants	4	3,343	1,236
Investment Management Fees		110	124
Bank Fees		1	0
<i>Total Expenses</i>		<i>3,467</i>	<i>1,369</i>
Total Comprehensive Revenue and Expense	2	399	3,148



The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Massey University Foundation Trust

Statement of Changes in Equity For the Year Ended 31 December 2016

	<i>Note</i>	<i>2016</i> \$ '000	<i>2015</i> \$ '000
Balance at 1 January		26,591	23,443
Total Comprehensive Revenue		399	3,148
Balance at 31 December	2	26,990	26,591




The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Massey University Foundation Trust

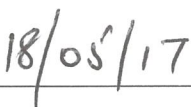
Statement of Financial Position
As At 31 December 2016

	<i>Note</i>	<i>2016</i> \$ '000	<i>2015</i> \$ '000
CURRENT ASSETS			
Cash and Cash Equivalents	5, 9	1,111	2,406
Debtors and Other Receivables	7, 9	201	69
Other Financial Assets	6, 9	26,060	24,272
<i>Total Current Assets</i>		<i>27,372</i>	<i>26,747</i>
CURRENT LIABILITIES			
Creditors and Other Payables	8, 9	382	156
<i>Total Current Liabilities</i>		<i>382</i>	<i>156</i>
NET ASSETS		26,990	26,591
Represented by:			
FOUNDATION EQUITY			
Foundation Equity	2	26,990	26,591
TOTAL EQUITY		26,990	26,591

For and on behalf of the Foundation:



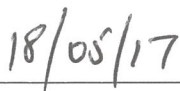
(Trustee)



(Date)



(Trustee)



(Date)

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Massey University Foundation Trust

Statement of Cash Flows

For the Year Ended 31 December 2016

	<i>Note</i>	2016	2015
		\$ '000	\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Gifts, Legacies & Grants		2,378	2,267
Interest		80	90
Distribution from Managed Funds		679	685
Other Revenue		12	18
		3,150	3,060
Cash was applied to			
Distributions and Grants		3,135	1,268
Net GST movement		(12)	20
Payments to suppliers		119	146
<i>Net Cash Flows from/ (to) Operating Activities</i>		(92)	1,626
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Withdrawal of Investment		670	456
Withdrawal of Term Deposit		489	1,430
Cash was applied to			
Purchase of Term Deposit		883	757
Purchase of Investments		1,479	1,295
<i>Net Cash Flows from / (to) Investing Activities</i>		(1,203)	(166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Capital Injection		-	-
Cash was applied to			
Distribution of Retained Revenue		-	-
<i>Net Cash Flows from/ (to) Financing Activities</i>		-	-
Net Increase/(Decrease) in cash and cash equivalents		(1,295)	1,460
Cash and Cash Equivalents at the beginning of the year		2,406	946
Cash and Cash Equivalents at the end of the year	5	1,111	2,406

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.



NOTES TO THE FINANCIAL STATEMENTS

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Massey University Foundation Trust

1. Statement of Accounting Policies

Reporting entity

Massey University Foundation Trust (the 'Foundation') is domiciled in New Zealand and is a charitable trust for the benefit of Massey University. It has held charitable status since 2004. The Foundation has designated itself as a public benefit entity with all applicable public benefit entity exemptions being adopted.

The financial statements of the Foundation are for the year ended 31 December 2016. The financial statements were authorised for issue by the Trustees on 18 May 2017.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of Compliance

The financial statements are prepared in accordance with the trust deed, the Charities Act 2005, the Education Act 1989 – TEI Subsidiaries and New Zealand Generally Accepted Accounting Practice (NZ GAAP) where defined. The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards as appropriate for Tier 2 PBE entities. The Foundation qualifies as a Tier 2 reporting entity as it does not have public accountability and is not 'large' as defined by XRB A1.

Measurement Base

The financial statements have been prepared on an historical cost basis except for Managed Funds which have been measured at fair value.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Foundation is New Zealand dollars (NZ\$).

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Non-exchange Gift Revenue – refer to Note 3.



Massey University Foundation Trust

1 Statement of Accounting Policies (continued)

Goods and Services Tax

The Foundation is GST registered. All of the amounts included in the Statement of Comprehensive Revenue and Expense and Statement of Financial Position are stated on a GST exclusive basis except debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Foundation has received confirmation from the Commissioner of Inland Revenue for Exemption from Income Tax and Resident Withholding Tax by way of Charitable Status. The Foundation is registered with the Charities Commission as a charitable organisation. Accordingly no charge for income tax has been provided for.

Statement of Trust Relationship

The Foundation Trust Deed sets out the specific powers of the board in the First Schedule. Under the First Schedule of the Trust Deed the board’s powers may only be exercised to further the charitable purposes of the Trust or to further purposes which are incidental or ancillary to the charitable purposes of the Trust.

2. Equity

Accounting policy
Equity is measured as the difference between total assets and total liabilities.

FOUNDATION EQUITY	01/01/16			31/12/16	
	Opening	Transfers	Surplus	Funds	Closing
	Balance			Movement	Balance
	\$000			\$000	\$000
Retained Earnings	26,591	-	399	-	26,990
TOTAL FUNDS EMPLOYED	26,591	-	399	-	26,990

FOUNDATION EQUITY	01/01/15			31/12/15	
	Opening	Transfers	Surplus	Funds	Closing
	Balance			Movements	Balance
	\$000			\$000	\$000
Retained Earnings	23,443	-	3,148	-	26,591
TOTAL FUNDS EMPLOYED	23,443	-	3,148	-	26,591



Massey University Foundation Trust

2. Equity (continued)

Section 8.2 of the trust deed states: If the Board accepts a Designated Gift it must keep that Designated Gift and any income derived from it separate from the general assets of the Trust Fund, and administer (or appoint a committee in accordance with rule 15 of the Second Schedule to administer) it as a separate specific trust in terms of the trust under which it was given.

	2016	2015
	\$000	\$000
Total amount of Trust funds held for specific purpose	26,772	26,301
Total amount of Trust funds held for general purpose	<u>218</u>	<u>290</u>
	26,990	26,591

Trust funds have been categorised by distribution type.

Trust Categories

	1/01/2016				31/12/2016
	Opening Balance	Income	Expenditure	Capital Transfers	Closing Balance
	\$000	\$000	\$000	\$	\$000
Scholarships	10,972	1,290	573	86	11,775
Research	9,529	735	432	(25)	9,807
Other	4,775	1,110	963	(2)	4,919
Prizes	28	45	2	0	71
Capital	1,287	687	1,497	(58)	419
Total	<u>26,591</u>	<u>3,866</u>	<u>3,467</u>	<u>0</u>	<u>26,990</u>

3. Revenue

Accounting Policy

Revenue is measured at the fair value of consideration received or receivable.

The specific accounting policies for significant revenue items are explained below:

Revenue from Exchange Transactions

Exchange transactions are those where there has been an exchange of resources of approximately equal value between the Foundation and another party.

Distributions and gains and losses from financial instruments are recognised at fair value through surplus or deficit.

Interest income is recognised at the maturation of investments with an accrual made for the portion that relates to the period between maturation date and balance date.

Revenue from Non-Exchange Transactions

Non-exchange transactions are those where the Foundation receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

Donations and bequests are recognised as income when the right to receive the fund or asset has been established. For grants, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied.

Pledges are not recognised as assets or revenue until the pledged item is received.

3. Revenue (continued)

Critical judgements in applying accounting policies

Non-Exchange Gift Revenue

Judgement is often required in determining the timing of revenue recognition for arrangements that span a balance date and multi-year arrangements. In this case consideration is given to the nature of the arrangement, any conditions attached, past practice of the parties and enforceability of the arrangement.

Breakdown of Exchange and Non-Exchange Revenue

	2016	2015
	\$ '000	\$ '000
Revenue from Non-Exchange Transactions		
Gifts	2,226	1,855
Legacies	10	5
Grants	266	448
Other Revenue	12	16
<i>Total Revenue from non-exchange transactions</i>	2,515	2,324
Revenue from Exchange Transactions		
Distributions from Managed Funds	679	685
Net gains from Managed Funds at fair value through surplus of deficit	585	1,418
Interest	81	87
Other Revenue	6	2
<i>Total Revenue from exchange transactions</i>	1,352	2,192
Total Revenue	3,866	4,516

The following organisations made significant contributions to the Massey University Foundation during 2016:

	<u>Organisation</u>	<u>Amount</u>	<u>Fund</u>
<i>Gifts</i>	The Warehouse Group Limited	\$250,000	Tindall Chair in Retail Management
	Central Energy Trust	\$200,000	Restoration of Refectory
	MSA Charitable Trust	\$150,000	MSA Charitable Trust Chair in Finance and Chair in Marketing
	Peter & Doris Macdonald	\$103,000	Peter & Doris Macdonald Scholarship
	Brian & Alison Wickham	\$50,000	Violet Wickham Memorial Scholarship
<i>Legacies</i>	George Mason Charitable Trust	\$50,000	George Mason Doctoral Scholarship
	Bernard Jervis	\$10,000	Unrestricted Fund
<i>Grants</i>	Lotteries Commission	\$88,000	Wildbase Hospital
	Lotteries Commission	\$121,845	Centenary History Project
	Palmerston North City Council	\$50,000	Restoration of Refectory

4. Distributions and Grants

The 2016 distributions and grants total includes payments for the Wildbase Hospital project, some of these funds were held over from previous years.

5. Cash and Cash Equivalents

Accounting Policy
 Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

	2016 \$ '000	2015 \$ '000
Cash at Bank	112	250
Call Deposits	511	782
Term Deposits with maturity less than 3 months	487	1,374
Total	1,111	2,406

6. Other Financial Assets

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purposes of measurement:

- fair value through surplus or deficit; and
- loans and receivables

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset.

After initial recognition financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. Fair values are determined by market prices.



6 Other Financial Assets (continued)

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.

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

Impairment of financial assets

At each balance date, the Foundation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in surplus or deficit.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Impairment of a loan or a receivable is established when there is objective evidence that Foundation will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). For other financial assets, impairment losses are recognised directly against the instruments carrying amount.

Investment in Managed Funds

The Foundation invests its portfolio of assets with Nikko Asset Management Limited (formerly Tyndall Investment Management Limited). As part of the regular meeting schedule the trustees discuss the asset mix and weighting of the portfolio making recommendations on a best endeavours approach based on the current investment environment and likely future. Any adjustments that are recommended are discussed with Nikko Asset Management Limited before being enacted. The fair value of investments traded in an active market is based on quoted market prices as at balance date. The quoted market price used is the current bid price.

Massey University Foundation Trust

6 Other Financial Assets (continued)

	<u>2016</u>	<u>2015</u>
	\$ '000	\$ '000
<u>Short-term deposits with maturities of 4-12 months</u>		
Opening Balance	757	1,431
Capital		
New Funds	<u>872</u>	<u>209</u>
Investment Activity		
Interest Earned	11	13
Funds Withdrawn	<u>(489)</u>	<u>(896)</u>
	<u>394</u>	<u>(674)</u>
Closing Balance	<u><u>1,151</u></u>	<u><u>757</u></u>
<u>Managed Funds at Fair Value through Surplus or Deficit</u>		
Opening Balance	23,515	21,260
Capital		
New Funds	800	610
Funds withdrawn	<u>(670)</u>	<u>(458)</u>
	130	152
Investment Activity		
Distributions from Managed Funds - Dividends	679	685
Net gains/(losses) of Managed Fund at fair value through surplus or deficit	<u>585</u>	<u>1,418</u>
	<u>1,264</u>	<u>2,103</u>
Closing Balance	<u><u>24,909</u></u>	<u><u>23,515</u></u>
Represented by:		
Capital Stable Assets		
Cash New Zealand	1,203	1,168
Fixed Interest New Zealand	8,602	8,134
Fixed Interest Off Shore	<u>3,712</u>	<u>3,489</u>
	13,516	12,791
Equities		
Equities New Zealand	3,703	3,675
Equities Off Shore	<u>6,464</u>	<u>5,892</u>
	10,167	9,566
Alternatives		
Multi Strategy	<u>1,225</u>	<u>1,158</u>
	<u>1,225</u>	<u>1,158</u>
	<u><u>24,909</u></u>	<u><u>23,515</u></u>
Total Other Financial Assets	<u><u>26,060</u></u>	<u><u>24,272</u></u>

Massey University Foundation Trust

7. Debtors and Other Receivables

Accounting Policy

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

2016 Debtors and Other Receivables were made up of Trust revenue (including related party revenue).

2015 Debtors and Other Receivables were made up of Trust revenue (including related party revenue).

At balance date there were no debtors past due.

	2016 \$ '000	2015 \$ '000
Debtors from Non-Exchange Transactions	49	54
Other Receivables from Non-Exchange Transactions	144	8
<i>Total Receivables from Non-Exchange Transactions</i>	<u>193</u>	<u>62</u>
Other Receivables from Exchange Transactions	8	7
<i>Total Receivables from Exchange Transactions</i>	<u>8</u>	<u>7</u>
Total Debtors and Other Receivables	<u><u>201</u></u>	<u><u>69</u></u>

8. Creditors and Other Payables

Accounting Policy

Short-term creditors and other short-term payables are recorded at their face value.

2016 Creditors and other Payables was made up of research grants, scholarships and donations. They are non-interest bearing and are normally settled on 30-day terms.

2015 Creditors and Other Payables was made up of research grants, scholarships and donations. They are non-interest bearing and are normally settled on 30-day terms.

	\$ '000	\$ '000
Creditors and Other Payables from Non-Exchange Transactions	341	118
<i>Total Creditors and Other Payables from Non-Exchange Transactions</i>	<u>341</u>	<u>118</u>
Creditors and Other Payables from Exchange Transactions	41	38
<i>Total Creditors and Other Payables from Exchange Transactions</i>	<u>41</u>	<u>38</u>
Total Creditors and Other Payables	<u><u>382</u></u>	<u><u>156</u></u>

9. Financial Instrument categories

	2016	2015
	\$ '000	\$ '000
FINANCIAL ASSETS		
Fair Value through Surplus or deficit - held for trading		
Managed Funds *	24,909	23,515
<hr/>		
Total held for trading	24,909	23,515
*The fund manager's credit rating is A+ with S&P		
 Loans and Receivables		
Cash and Cash Equivalents	1,111	2,406
Short-term deposits with maturities of 4-12 months	1,151	757
Debtors and Other Receivables	201	69
<hr/>		
<i>Total Loans and Receivables</i>	2,463	3,232
 FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost		
Creditors and Other Payables	382	156
<hr/>		
<i>Total Financial Liabilities at Amortised Cost</i>	382	156
 Maturity analysis and effective interest rate		
Short-term deposits with maturities of 4-12 months	1,151	757
Weighted average interest rate	3.39%	3.62%
 The fair value of Term Deposits are as follows:		
Short-term deposits with maturities of 4-12 months	1,151	757

Massey University Foundation Trust

10. Related Parties

The Foundation is a controlled entity of Massey University, as the Trustees of the Foundation are appointed by the Vice Chancellor of the University. All transactions between entities were conducted on an arm's length basis using commercial terms.

Massey University paid and provided staffing, provision of buildings and equipment to the value of \$665,971 (2015 \$556,695).

There were no other transactions between the Foundation and other related parties.

Key Management Personnel

The Foundation's key management personnel includes the director and the board members.

The director is a full time equivalent of 0.8 and remuneration is paid by Massey University.

The full-time equivalent for board members has been determined based on the frequency and length of board meetings and the estimated time for members to prepare for meetings. This has been calculated as 0.01 for all board members combined. None of the board members are remunerated. Total remuneration paid by the Foundation for KMP is therefore zero.



Report of the Auditor General