



**Northland
Foundation**

*forging brighter futures
through giving*



NORTHLAND FOUNDATION ANNUAL REPORT 2017



**Northland
Foundation**

*forging brighter futures
through giving*

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Chairman's Report – Richard Ayton



Another year has passed and I am pleased to report that the Foundation continues to develop its plan to become the primary vehicle for 'giving' in Northland. By their nature Community Foundations take time to develop as the main source of finance is bequests which hopefully have a long lead in time as every donor deserves a long and enjoyable life first. The Foundations role is in planning for the donation to occur at an unknown point in the future. Northlands Foundation is very much in the development phase and the main benefit of its present work will be seen in the future.

2017 has been a year of re-organisation following the departure of our manager Ros Martin and the appointment of Greta Buchanan to replace her. Community Foundations are a unique beast and it always takes time for a new manager to get up to speed. The transition was not helped by the two month gap between managers. I am pleased to report that Greta has picked up the reins and is now in position to take the Foundation forward. The hiring of administrative support (Sophie Lane) has helped. The Trustees thank both Greta & Sophie for their efforts over the year.

There has been one departure from the Foundation. Ken Couper has resigned. Ken was a vital part of the Foundation through the Project Promise years and will be missed. This leaves the Foundation with two trustee vacancies and one of the first actions must be to appoint new Trustees.

The Foundation recently held a Strategic Planning meeting and is due to confirm a new Strategic Plan which will put the emphasis on its core obligation to raise funds to benefit Northland by way of mainly bequests but also giving programs.

Our relationship with The Northland District Health Board continues and we are grateful for the Boards support. The establishment of a Health Fund will now allow us to promote this as a means of contributing to Health in Northland.

Grants Panel Report – Margareth Broodkoorn



Northland Grassroots Grants Panel:

The Northland Grassroots Grants Panel responsibility and aim is twofold, to support our local community to apply for funding as appropriate, and to oversee the submission, assessment and allocation of funding applications. The Northland Foundation Grants Panel acts on behalf of the Tindall Foundation as a Funding Manager where applications can be submitted by members of the public within the criteria set by the Tindall Foundation.

As a Tindall Foundation Funding Manager, we receive the sum of approximately \$90,000.00 per year for three years (from 2018) for allocation to charities, including a 10% contribution to the Northland Foundation for allocation expenses. The Grants Panel met on 9th September 2017 to discuss 21 applications totaling \$164,410. We had \$83,878 to distribute. The panel worked extremely well together to approve 13 organisations who have received \$83,878 in grants.

Applicant	Awarded Amount
Whangarei Budgeting Service	\$10,000
Bay of Islands Community Centre – Youth and Bubs Initiative	\$3,878
Dargaville Early Years' Service HUB	\$15,000
HIPPY Dargaville	\$10,000
KidsCan	\$6,000
Rongopai House Community Trust	\$5,000
Mid North Family Support	\$5,000
WINGS	\$5,000
Multicultural Whangarei (Whangarei Migrant Centre inc)	\$3,000
Kerikeri Foodbank	\$4,000
Far North Community Foodbank Trust	\$5,000
Volunteering Northland	\$10,000
Victim Support	\$2,000
Total awarded	\$83,878

Volunteering Northland was one of the Tindall Grassroots Fund recipients and has recently promoted a new volunteer relationship between the Papermill and the Falls Estate. Ros Martin (previous Manager of the Northland Foundation and new Manager of the Falls Estate) was involved and states:

“Many of our residents have been keen gardeners and love the chance to do something meaningful and special for a group of people in the community who are achieving to their highest ability.”

The Papermill Business Manager, Paula Lang says that they have been thrilled to have the Falls Estate become associated with The Papermill.

“While we would love to tend to the gardens ourselves, it’s just not possible – so we are very grateful to The Falls Estate. What they achieved in a morning is more than we could have ever imagined, and we look forward to keeping in touch in a variety of ways with the staff and residents.”



Figure 1: Photo taken by Bart van der Meer from Volunteering Northland, staff and residents from the Falls Estate at the Papermill volunteering their time to tidy their gardens.

As chair of the Northland Grassroots Grants Panel I would like to thank the panel members for the unwavering commitment and would like to recognise their contribution in assisting the Northland Foundation in maintaining the Tindall Foundation Funding Manager status.

Northland Grassroots Fund GRANTS PANEL MEMBERS

AREA	NAME	PROFILE
Kaipara	Debbie Evans	CEO, Kaipara Community Health Trust
Kaitaia / Far North	Rosemary Archibald	Archibald Motors, Kaitaia and Northland Foundation Trustee
Bay of islands	Mahmood Khan	BDO Spicers, Kerikeri
Waipu/Mangawhai/Maungaturoto	Jo Roberts	ex KDC Councillor, and community representation in Mangawhai
Whangarei/Hikurangi/Tutukaka	Margareth Broodkoorn	Trustee, Northland Foundation



Health Fund Plus Fundraising and Grants Report:

Northland DHB and the Northland Foundation have an established joint Health Fund Plus Committee comprising membership from both organisations that oversees the funds within the Northland DHB Charitable account. The Northland DHB Charitable account contains funds that have been donated to Northland DHB services and are allocated to various units and wards, as well as a miscellaneous fund if the donation was not specific to an area.

The Health Fund Plus Committee determines the priority projects for funding, the annual fundraising campaigns to be undertaken, and how the annual earnings from the Committee will be distributed. Seven applications were approved by the Committee in the last financial year for the Northland DHB and are listed in the table below.

Charitable Accounts Committee Applications 30th of Sept 2016 to 30th of Sept 2017	Requested Amount
Diabetes Fun Run - Promotion	\$751
Kaitaia Renal Unit - Headphones for TV Sets	\$245
TV Sets - Community Dental	\$2,050
Eye masks for patients to improve sleep	\$1,850
Jim Carney Cancer Treatment Centre dishwasher	\$2,030
Petrol Vouchers for Renal	\$200
Snow Planet trip for young diabetes patients	\$677
Sum Total	\$7,803

Dee Telfer, Head Nurse, of the Jim Carney Cancer Treatment Centre was a recipient of the Health Fund Plus grant for a new dishwasher. Staff at the Centre provide patients with hot drinks during their treatment to make their stay more comfortable. These cups need to be hygienically cleaned via the Centre dishwasher. Unfortunately, the Centre's dishwasher broke down and needed to be replaced. Cancer and Blood Service Nurse Manager Dee Telfer said:

"The single use dishwasher was not durable for our service. When it broke down we had the opportunity to assess what kind of dishwasher would better suit our needs given we use it all day every day. Our upmarket dishwasher is a godsend. It's a two-drawer Fisher & Paykel so it enables high use and ensures we have cups available for patients all day long."



Figure 2: Photo taken by Liz Inch of Northland DHB of Dee Telfer, Head Nurse from the Jim Carney Cancer Treatment Centre with the new Dishdrawer.

Caring in Comfort - Recliner Chairs Fundraising for Hospitals

Northland Foundation through Health Fund Plus developed a sponsorship proposal that would help fund the purchase of up to 47 recliner chairs/beds suitable for family members to sleep in beside a patient. The Foundation collected \$30,300 in funding for 21 chairs. Sponsors included: the Tutukaka Coast Lions Clubs, Onerahi Lions Club, Kamo Club, Contractors for Charity, Whangarei Lions Club, and Gallagher. The chairs have been purchased and placed in the Wards with Sponsor's logos on each chair. Members of the hospital team, patients and sponsors turned out to celebrate the arrival of the first set of chairs.



Figure 3: Photo taken by Liz Inch of Northland DHB of staff, fundraisers and patient enjoying the new recliner chairs.

Contact Energy Fund

The Northland Foundation also manages the Contact Energy Fund on behalf of the Northland DHB. The Contact Energy Renal Fund continues to support Northland dialysis patients by funding applications of up to \$1,000 towards items that would improve their quality of life on home dialysis.

The Contact Energy Renal Fund was set up in 2009 with an original endowment of \$28,200 to help renal patients dialysing themselves at home. The Northland Foundation manages the Fund on behalf of Northland DHB. Under prudent investment by the Foundation the Fund had grown to a maximum of \$30,100 by February 2017 (when the last Term Deposits was broken), which would have been over \$38,000 if payments had not already been made to fund a seminar and patient grants. Twenty-two grant applications were approved in the last financial year for renal patients' resources to support their quality of life.

Whangarei man Hank Woelders, 61, received a La-Z-Boy recliner thanks to the Contact Energy Renal Fund and needs to plug into a Homechoice PRO dialyser every night. Hank first went on dialysis following kidney failure in 2006, which is likely connected to his diabetes, which first occurred at age 12. Hank said dialysis isn't too draining, but he has had six heart attacks, been in and out of hospital frequently and needs regular rests on a quality chair.

"It's just right for having a bit of R&R." "[The fund] is a great help, it's really appreciated. I'm sure there are a lot of happy people out there who have had the same thing happen to them."



Figure 4: Photo taken by Liz Inch of Northland DHB of Patient Hank Woelders, centre, with partner, left, and sister, right

Countdown Kids – Hospital Appeal

The Northland Foundation manages the fundraising accounts for the Countdown Kids Hospital Appeal Campaign. Over 7,500 children and babies are admitted to one of the four Northland hospitals each year. Funds raised by the Countdown Kids Hospital Appeal help Northland DHB Maternal and Child Health Services afford much-needed medical equipment. Countdown Kids Hospital Appeal raised \$96,054 in 2016. Since 2007, over \$677,000 has been raised nationally for Northland.



Figure 5: Photo taken by Liz Inch of Countdown Kids Hospital Appeal Cheque Presentation

The balance at end of the 2017 financial year for the Health Fund Plus was **\$250,278** with 28% of funds allocated to Child Health Services.

Manager's Report – Greta Buchanan



The beginning of 2017 was a transitional period for the Foundation with Ros Martin stepping down and the appointment of the new Manager, Greta Buchanan. Sophie Lane was also appointed during this time as the new Accounts Administrator.

The Foundation has made good progress on donations and bequests. Promised funds to the Foundation now stand at an estimated \$12 million. Funds under the management are \$1,100,357.

The Foundation's Endowment Funds are managed and invested by Craig's Investment Partners (Craig's), Whangarei. Craig's portfolio performance since December 2016 was 5.61% per annum. This is in line with the long run expected gross return of the Balanced Income portfolio 5.2% to 6.2%. The Foundation is always looking for better returns and fees for services and will be conducting a review of its investment portfolio performance in 2018.

It was unfortunate to lose Ken Couper one of the founding Trustees of Project Promise. The Foundation will be conducting a Board Skills Matrix Review and appointing two new Trustees in 2018.

The 2017 Community Foundation's NZ Criteria Review highlighted that the Northland Foundation is operating well but still needs to work towards being independent from other organisations, build a discretionary endowment fund, participate in a community initiative or consultation, and communicate regularly with the public.

These issues highlighted the importance of developing and actioning the following strategies in 2018; a new strategic plan, marketing and communication plan, donor acquisition plan, conduct community consultation, and create a funding strategy for the Foundation's operational costs.

The Manager has met with a number of community organisations and funders to discuss partnering on the Vital Signs community research. However, due to the research being identified as too resource intensive at a time of development and growth, for the Foundation, the project was put on hold.

The Foundation's website has been updated and refreshed and a universal Donate button is now on our website with Paypal options and a donate page. Regular ¼ page advertisements are placed in the local newspapers and media releases presented to NZME. The Foundation's social media sites Facebook and Twitter have been updated regularly with newsfeeds. A database of local Northland businesses and professional advisors is being developed and a regular newsletter is planned to be sent to 2,000 people in Northland.

Community Endowment Funds

Interest in the Community Endowment Funds continue to grow with two new community endowment funds established this year: Waitangi National Trust and Puketi Forest Trust. The Foundation also continues to manage and support the development of six funds: the Kauri Club Fund (Sport Northland), CHART Fund, I Have a Dream Charitable Trust (Whangarei), Volunteering Northland, Waipu Surf Lifesaving Club, and Community Self-Help Fund. The Manager has also met with four community organisations this year interested in establishing community endowment funds which included: Whangarei Netball Club, Whangarei Museum, Whangarei Youth Space, Whangarei Hearing Association and Deaf Association NZ.



Figure 6: Photo taken by Puketi Forest Trust

Local Endowment Funds

There are three Local Endowment Funds: The Far North Betterment Fund, Northern Wairoa Fund, and Waipu Fund. All the funds continue to grow with interest and meetings have been held with two of the three committees involved in the funds to establish communication and development plans. The Waipu Fund received a gift of \$5,000 from Sunny Riordan for a sun shade for the local the Waipu playcentre.

Northland Grassroots Fund

The Northland Foundation was once again approved by The Tindall Foundation to be the Funding Manager for Northland for the next three years. The Grants Panel met on 9th September 2017 to discuss 21 applications totaling \$164,410 worth of requests and had \$83,878 to distribute, 13 organisations were approved and funding was distributed.



Figure 7: Photo taken by Victim Support, Northland Grassroots Fund Grant Recipients

Northland District Health Board – Health Fund Plus

The Northland Foundation continues its relationship with Northland District Health Board (DHB) managing its charitable accounts and fundraising campaigns. The Manager reports to the Health Fund Plus Committee which meets bimonthly to approve funding and fundraising applications for the Northland DHB. The Foundation has been reviewing current processes and establishing more effective reporting, granting and financial management processes. The Foundation has also established an online sharing platform with the Northland DHB and all relevant files are now shared with the Northland DHB on Dropbox.

The fundraising campaigns include the Countdown Kids Hospital Appeal, Caring in Comfort – Recliner Chairs for Wards, Cancer Treatment Centre – Buy a Brick Campaign. These campaigns are listed in more detail below:

- The 2016 Countdown Kids Hospital Appeal raised over \$96,054. Funds raised help Northland DHB Maternal and Child Health Services afford much-needed medical equipment. Since 2007, over \$677,000 has been raised nationally for Northland.
- Caring in Comfort: Recliner Chairs for Wards: The Foundation has collected \$30,300 in funding and purchased 21 chairs to date.
- Cancer Treatment Centre – Buy a Brick Campaign: Bricks continue to be purchased for the Donor Wall inside the Jim Carney Cancer Treatment Centre. Staff have requested that the Wall be brightened and the Committee are currently investigating options for this.



Figure 8: Photo taken of the Jim Carney Cancer Treatment Centre

The Foundation also manages and administers applications for funding from the Capital Expenditure Fund and Contact Energy Fund.

- The Health Fund Plus Committee approved 7 applications for funding and granted out a total of \$7,803 from September 2016 to September 2017. Funds were approved for a diabetes fun run, renal unit headphones and TV sets, TV sets for Community Dental Units, eye masks for patients to improve sleep, dishwasher for the Jim Carney Cancer Treatment Centre, petrol vouchers for Renal Unit, and a Snow Planet Trip for young diabetes patients.
- The Contact Energy Fund approved grants for 22 renal unit patients for a total of \$20,135. Grants included funding towards patients' electricity costs, new furniture, household costs, and health costs.

Future plans:

The Foundation strives for enhanced philanthropic giving in Northland for the betterment of its community now and forever. With \$12 million anticipated funds and \$1 million under management the Foundation is well on its way to providing this wonderful community asset for Northland. 2018 will continue to be a year of review and development as strategic plans, and new more effective processes are established.

Looking forward to another exciting, challenging and successful year in 2018.



Figure 6: Photo taken from the Community Foundations New Zealand Workshop

Northland Foundation
Financial Statements
For the Year ended 30th September 2017

Russell Turner
Chartered Accountants

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Northland Foundation
Financial Statements
For the Year Ended 30th September 2017

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Northland Foundation

Trust Directory & Acknowledgements

As at 30th September 2017

Date of Formation	1 March 2004
Trustees	Richard Ayton (chairman) Kenneth Couper Margareth Broodkoorn Gavin Buckingham Brent Eastwood Mike Simm Dr Shane Reti (MP) (resigned October 2017) Season-Mary Downs Richard Alspach
Contact Details	Northland District Health Board, Maunu House PO Box 1844 Whangarei Phone: 09 459 6327
Charities Commission Number	CC21065
Accountants	Russell Turner Chartered Accountants 58 Otaika Road, Whangarei
Solicitors	Richard Ayton Law North, Kerikeri
Auditor	Steve Bennett Associates
Bankers	Bank of New Zealand

Acknowledgements

Northland Foundation is very grateful to the following individuals and organisations who gave their time and resources generously last year.

Russell Turner Chartered Accountants	Pro bono accountancy services
Craigs Investment Partners	Discounted fund management
Northern Advocate	Discounted advertising space
Big Fish Creative	Charitable rates - graphic design and website support
Vince Cocorullo Fix-It Man	Pro bono IT and computer equipment support
Northland Foundation Ambassadors (Stuart Spicer, Richie Guy, Kevin Prime, Dr Shane Reti (MP))	Support and community networking

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Statement of Disclaimer.*

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Russell Turner
Chartered Accountants

Northland Foundation

Entity Information

As at 30 September 2017

Legal Name of Entity	Northland Community Foundation
Type of Entity and Legal Status	Charitable Trust, Registered Charity
Charities Commission Number	CC21065

Northland Foundation's Purpose or Mission

Northland Foundation's purpose is to forge brighter futures through giving. Our mission is to encourage personal generosity in the form of gifts, donations, bequests and endowments which will support and enhance charitable causes and organisations in the region. Gifts made through Northland Foundation are invested, the capital remains intact, annual distributions are made from funds endowed and are made in accordance with the donor's wishes locally.

Northland Foundation supports Northland District Health Board in its charitable purposes by providing marketing and administration assistance to encourage donations and sponsorship which enhance the provision of health related services. We want to see Northland grow and develop to reach its full potential. Everything we do is centred on this concept.

Community Foundations are one of the fastest growing forms of philanthropy internationally and we are encouraged to see growth in this kind of generosity in Northland.

Entity Structure

Northland Foundation's Board of Trustees consists of nine voluntary positions selected by an external panel of the Board from around the Northland region.

Various tasks are allocated to board committees but ultimately the board is responsible for all decisions.

Sub-committees of the board include:

Grants Panel

Donor Panel

Investment Panel

Appointments Panel

Investments are managed by Craigs Investment Partners acting in accordance with a SIPO that has been developed and approved by the Board.

*The accompanying notes form part of these financial statements.
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Northland Foundation

Entity Information As at 30 September 2017

Main Sources of the Entity's Cash and Resources

The main source of revenue is an operational grant from Northland District Health Board which provides funding for staff and administration of the Foundation. The secondary source of revenue is endowment fund donations from local donors to support their community. These donations are pooled and invested. The capital from these donations remains intact and the investment income is used to make annual distributions to the charities and community groups which the donors have nominated.

Donors can:

Leave a gift in their will and/or donate during their lifetime and have the pleasure of seeing their money make a difference (and receive 33.3% tax credit)

Another source of revenue is from investments.

Main methods Used by the Entity to Raise Funds

Other than endowment donations and investment income, other sources of funds come from fundraising and sponsorship (particularly for Northland DHB) and general donations. Northland Foundation works closely with service groups and organisations throughout the region to raise funds.

The Foundation arranges the distribution of net annual income generated by endowed funds. The Foundation receives an administration of 1% of the fund value for this service.

Entity's Reliance on Volunteers and Donated Goods and Services

Northland Foundation is supported by Russell Turner Chartered Accountants through the provision of pro bono accounting services.

Entity's Reliance on Volunteers and Donated Goods and Services

Trustees and committee members are all volunteers.

From time to time we receive other donated or reduced rate services relating to IT support, marketing, media placement, investment management and administration.

Contact details:

Physical Address	Maunu House, Northland Hospital, Maunu Rd, Whangarei
Postal Address	PO Box 10011, Te Mai, Whangarei 0143
Phone	09 459 6327
Email	info@northlandfoundation.org.nz
Website	www.northlandfoundation.org.nz
Facebook	www.facebook.com/NorthlandFoundation
Twitter	www.twitter.com/northfound

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Northland Foundation
Statement of Service Performance
As at 30 September 2017

Description of the Entity's Outcomes

1. To encourage and support personal generosity for the benefit of Northland by enlisting and engaging donors and sponsors in increasing numbers each year
2. To invest funds wisely and prudently to achieve maximum results for minimum risk for the benefit of Northland Foundation, our donors and our communities
3. To distribute grants strategically according to the criteria developed by Northland Foundation or laid down by our granting partners
4. To engage with community groups and organisations to assist them to develop their own bequest and endowment programmes through Northland Foundation
5. Board members, staff and volunteers are professional, personally committed, publically trusted and well supported to achieve Northland Foundation's goals

Description and Quantification (to the extent practicable) of the Entity's Outputs	Actual This year	Actual Last Year
• New funds established	1	3
• Total endowment funds	12	14
• Value of donations/sponsorship to Northland District Health Board	\$185,471	\$99,234
• Number of community groups supported by Northland Foundation	25	23
• Tagged distributions from donor funds	\$25,122	\$59,687

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Northland Foundation
Statement of Financial Performance
For the Year ended 30th September 2017

	Note	2017 \$	2016 \$
Revenue			
Donations, fundraising and other similar revenue	1	475,845	438,636
Revenue from providing goods or services	1	99,056	97,070
Interest, dividends and other investment revenue	1	27,567	17,001
Total Revenue		602,468	552,707
Expenses			
Expenses related to public fundraising	2	9,748	19,788
Volunteer and employee related costs	2	53,848	74,739
Costs related to providing goods or services	2	38,430	52,036
Grants and donations made	2	109,000	142,323
Other expenses	2	90,553	95,050
Total Expenses		301,579	383,936
Surplus for the Period		\$300,889	\$168,771



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Russell Turner
Chartered Accountants

Northland Foundation
Statement of Financial Position
As at 30th September 2017

	Note	2017 \$	2016 \$
Assets			
Current Assets			
Bank accounts and cash	3	783,027	693,057
Debtors and prepayments	3	7,313	9,198
Other current assets	3	5,654	4,800
Total Current Assets		795,994	707,055
Non-Current Assets			
Property, plant and equipment	4	265,960	278,408
Investments	3	438,832	235,219
Total Non-Current Assets		704,792	513,627
Total Assets		1,500,786	1,220,682
Liabilities			
Current Liabilities			
Creditors and accrued expenses	3	5,666	25,822
Unused donations and grants with conditions	3	20,000	20,630
Total Current Liabilities		25,666	46,452
Total Liabilities		25,666	46,452
Total Net Assets		<u>\$1,475,120</u>	<u>\$1,174,230</u>
Accumulated Funds			
Accumulated surpluses	5	357,180	346,092
Reserves	5	1,117,940	828,138
Total Accumulated Funds		<u>\$1,475,120</u>	<u>\$1,174,230</u>

For and on behalf of the Trustees:

Chairperson _____ Trustee _____

Date _____



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Russell Turner
Chartered Accountants

Northland Foundation
Statement of Cash Flows
For the Year ended 30th September 2017

	2017 \$	2016 \$
Cash Flows from Operating Activities		
Cash was received from:		
Donations, fundraising and other similar receipts	475,215	459,266
Receipts from providing goods or services	100,579	94,231
Interest, dividends and other investment receipts	27,754	12,777
Net GST received from IRD	-	6,089
	<u>603,548</u>	<u>572,363</u>
Cash was applied to:		
Expenses related to public fundraising	8,248	19,788
Volunteer and employee related costs	55,324	75,493
Costs related to providing goods or services	38,533	49,583
Grants and donations paid	108,539	142,323
Other expenses	2,223	1,825
Net GST paid to IRD	3,276	-
	<u>216,143</u>	<u>289,012</u>
Net Cash Flows from Operating Activities	<u>387,405</u>	<u>283,351</u>
Cash Flows from Investing and Financing Activities		
Cash was received from:		
Receipts from the sale of investments	-	117,690
	-	117,690
Cash was applied to:		
Payments to acquire property, plant and equipment	93,822	144,499
Payments to purchase investments	203,613	235,219
	<u>297,435</u>	<u>379,718</u>
Net Cash Flows from Investing and Financing Activities	<u>(297,435)</u>	<u>(262,028)</u>
Net Increase / (Decrease) in Cash	<u>89,970</u>	<u>21,323</u>
Plus		
Cash at beginning of the period	693,057	671,734
Cash at the end of the period	<u>783,027</u>	<u>693,057</u>



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Russell Turner
Chartered Accountants

Northland Foundation
Statement of Cash Flows
For the Year ended 30th September 2017

	2017 \$	2016 \$
Made up as follows:		
Turner Centre Term Deposit	210,124	203,695
Cash Float - NCF	21	21
BNZ T/D - Carlos Reed	23,428	22,798
BNZ T/D - NCF	47,082	45,641
Chart Trust Term Deposit	19,266	18,748
Community Self Help Term Deposit	16,894	16,439
Contact Energy Term Deposit	-	37,611
BNZ NCF General Account	46,207	43,280
About Time Bank Account	2,541	6,773
BNZ T/D - Far North Betterment Fund	10,857	10,315
BNZ - Contact Energy	14,339	-
BNZ Account - Tagged Funds	21,390	5,277
BNZ 02 Account - Carlos Reed	131,289	130,912
BNZ 00 Account - NDHB	3,125	24,945
BNZ 25 Account - NDHB Savings	189,392	80,720
BNZ 03 Account - NDHB Scholarship	5,772	5,759
BNZ Term Deposit - NDHB	41,300	40,000
BNZ 00 Account - Project Promise	-	123
	<u>783,027</u>	<u>693,057</u>



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Russell Turner
Chartered Accountants

Northland Foundation
Statement of Accounting Policies
For the Year ended 30th September 2017

(a) **Basis of Preparation**

Northland Foundation has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

(b) **Goods and Services Tax (GST)**

All amounts are recorded exclusive of GST, except for Debtors and Creditors which are stated inclusive of GST.

(c) **Income Tax**

Northland Foundation is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions.

(d) **Bank Accounts and Cash**

Bank Accounts and Cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 365 days or less.

(e) **Revenue**

Grants received but not yet recognised as income are reported as a liability

Interest is accounted for as follows:

- a) In the Statement of Financial Performance on a cash basis.
- b) In an Endowment Reserve - added to Income in Advance until expenditure occurs when the income will be matched to expenditure.
- c) In the Restricted Funds Reserve - brought in the Statement of Financial Performance when received and contemporaneously transferred to the Reserve.

Unconditional donations and grants are recognised when received. Donations of goods are reported at fair value.

(f) **Property, Plant and Equipment**

The entity has the following classes of Property, Plant & Equipment:

<u>Asset Class</u>	<u>Rate</u>	<u>Method</u>
Motor Vehicles	30%	DV
Furniture & Fittings	14 - 18%	DV
Plant & Equipment	30 - 60%	DV
NDHB Asset Purchases	2 - 60%	DV

All property, plant & equipment except for land is stated at cost less depreciation.

Depreciation has been calculated in accordance with rates permitted under the Income Tax Act 2007.



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Northland Foundation
Statement of Accounting Policies
For the Year ended 30th September 2017

(g) Investments

Investments in listed equity and fixed interest securities are stated at fair value. This is an allowable departure from PBE SFR-A (NFP), based on the appropriate standard IPSAS 29 Financial Instruments. Upon initial recognition, attributable transaction costs are recognised in the Statement of Financial Performance when incurred. Subsequent to initial recognition, investments in listed equity and fixed interest securities are measured at fair value, and changes therein are recognised in the Statement of Financial Performance.

Non-quoted or unlisted securities are initially recognised at cost, or donated, at fair value which is deemed as cost. After initial recognition, they are carried at lower of cost or net realisable value.

Purchases and sales of investments are recognised on the trade date or the date on which Northland Foundation commits to purchase or sell the asset.

(h) Endowment Funds Revenue

Endowment funds received are treated as other income and are recognised on the date they are received. Endowment fund balances are maintained as part of equity on the Statement of Financial Position.

(i) Acting as an Agent

Amounts paid on behalf of others (that is, as agent of another entity) are not treated as revenue and expenses of Northland Foundation. Any fee that is earned for acting as the agent is treated as revenue.

(j) Tier 2 PBE Accounting Standards Applied (if any)

Northland Foundation has not chosen to apply any provisions of the Tier 2 PBE Accounting Standards in place of requirements in the Tier 3 Standard.

(k) Changes in Accounting Policies

There have been no changes in accounting policies during the financial year (last year - nil).



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Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

	2017	2016
	\$	\$
1. ANALYSIS OF REVENUE		
Donations, fundraising and other similar revenue		
Donations	536	800
Tindall Foundation Donations	7,993	7,891
Oxford Sports Trust	-	690
Accounting Services	10,000	10,000
NDHB Donations	185,471	99,234
Endowment Funds Received	<u>271,845</u>	<u>320,021</u>
Total	<u>475,845</u>	<u>438,636</u>
Revenue from providing goods or services		
NDHB Contributions	90,898	95,137
NDHB Sales	7,061	-
Administration Fees Received	<u>1,097</u>	<u>1,933</u>
Total	<u>99,056</u>	<u>97,070</u>
Interest, dividends and other investment revenue		
Investment Revaluations	9,149	569
Interest Received	18,403	16,432
Dividends Received	<u>15</u>	<u>-</u>
Total	<u>27,567</u>	<u>17,001</u>



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Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

	2017 \$	2016 \$
2. ANALYSIS OF EXPENSES		
Expenses related to public fundraising		
Advertising and Brochures (NCF)	4,483	7,477
Marketing & Public Relations	<u>5,265</u>	<u>12,311</u>
Total	<u>9,748</u>	<u>19,788</u>
Volunteer and employee related costs		
Accident Compensation Levy	151	470
Staff Training	150	-
Travel & Accommodation	1,584	194
Wages & Salaries	<u>51,963</u>	<u>74,075</u>
Total	<u>53,848</u>	<u>74,739</u>
Costs related to providing goods or services		
NDHB Expenditure	10,112	24,146
Accountancy	10,000	10,000
Administration Fees	1,097	1,932
General	319	567
Insurance & Levies	428	561
Vital Signs Research Project	1,637	-
Printing, Postage & Stationery	912	862
Portfolio Management Fees	1,431	95
Subcontractors	4,990	2,183
Telephone & Tolls	2,171	1,681
Subscriptions	1,458	456
Motor Vehicle	2,036	3,974
Website & Computer Maintenance	<u>1,839</u>	<u>5,579</u>
Total	<u>38,430</u>	<u>52,036</u>
Grants and donations made		
Endowment Funds Distributed	<u>109,000</u>	<u>142,323</u>
Total	<u>109,000</u>	<u>142,323</u>
Other expenses		
Audit Fee	2,200	1,800
Bank Charges	23	25
Depreciation	<u>88,330</u>	<u>93,225</u>
Total	<u>90,553</u>	<u>95,050</u>



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Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

	2017 \$	2016 \$
3. ANALYSIS OF ASSETS AND LIABILITIES		
Bank accounts and cash		
Turner Centre Term Deposit	210,124	203,695
Cash Float - NCF	21	21
BNZ T/D - Carlos Reed	23,428	22,798
BNZ T/D - NCF	47,082	45,641
Chart Trust Term Deposit	19,266	18,748
Community Self Help Term Deposit	16,894	16,439
Contact Energy Term Deposit	-	37,611
BNZ NCF General Account	46,207	43,280
About Time Bank Account	2,541	6,773
BNZ T/D - Far North Betterment Fund	10,857	10,315
BNZ - Contact Energy	14,339	-
BNZ Account - Tagged Funds	21,390	5,277
BNZ 02 Account - Carlos Reed	131,289	130,912
BNZ 00 Account - NDHB	3,125	24,945
BNZ 25 Account - NDHB Savings	189,392	80,720
BNZ 03 Account - NDHB Scholarship	5,772	5,759
BNZ Term Deposit - NDHB	41,300	40,000
BNZ 00 Account - Project Promise	-	123
Total	<u>783,027</u>	<u>693,057</u>
Debtors and prepayments		
Accounts Receivable	3,276	4,975
Accrued Interest	4,037	4,223
Total	<u>7,313</u>	<u>9,198</u>
Other current assets		
Goods & Services Tax	5,654	4,800
Total	<u>5,654</u>	<u>4,800</u>
Investments		
Craigs Investment Partners - Held in Trust	438,832	235,219
Total	<u>438,832</u>	<u>235,219</u>
Creditors and accrued expenses		
Accounts Payable	5,666	25,822
Total	<u>5,666</u>	<u>25,822</u>
Unused donations and grants with conditions		
Oxford Sports Grant	-	630
Tindall Foundation	20,000	20,000
Total	<u>20,000</u>	<u>20,630</u>



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Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

4. FIXED ASSETS

	Cost	2017 Accum Depn	Closing Book Value	Depn Charge
Motor Vehicles	8,444	8,103	341	146
Furniture & Fittings	5,176	4,546	630	123
Plant & Equipment	17,672	17,552	120	129
NDHB Asset Purchases	862,950	598,081	264,869	87,932
	<u>\$894,242</u>	<u>\$628,282</u>	<u>\$265,960</u>	<u>\$88,330</u>
	Cost	2016 Accum Depn	Closing Book Value	Depn Charge
Motor Vehicles	8,444	7,957	487	209
Furniture & Fittings	5,176	4,423	753	149
Plant & Equipment	17,672	17,423	249	251
NDHB Asset Purchases	787,068	510,149	276,919	92,616
	<u>\$818,360</u>	<u>\$539,952</u>	<u>\$278,408</u>	<u>\$93,225</u>

Valuations

No independent valuations have been carried out in relation to assets included in Property, Plant & Equipment.

Significant Donated Assets Recorded

No significant donated assets have been included in Property, Plant & Equipment.

Significant Donated Assets Not Recorded

No significant donated assets have been excluded from Property, Plant & Equipment.



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Northland Foundation

Notes to the Financial Statements

For the Year Ended 30th September 2017

5. ACCUMULATED FUNDS

2017

	Accumulated Surpluses	Reserves	Total
Opening Balance	346,092	828,138	1,174,230
Surplus/(Deficit)	139,141	161,748	300,889
Transfer to Reserves	(128,053)	128,053	-
Closing Balance	\$357,180	\$1,117,939	\$1,475,119

2016

	Accumulated Surpluses	Reserves	Total
Opening Balance	280,992	724,469	1,005,461
Surplus/(Deficit)	(6,995)	175,766	168,771
Transfer to Reserves	(12,680)	12,680	-
Transfer from Reserves	84,775	(84,775)	-
Closing Balance	\$346,092	\$828,140	\$1,174,232

Breakdown of Reserves

Name, Nature & Purpose	2017 \$	2016 \$
<u>Carlos Reed Endowment Reserve</u> Bequeathed by the late Carlos Reed in 2005 and is to be retained in perpetuity. The funds are held in trust and the Foundation has no ownership or entitlement to the Reserve. Income is used for education grants.	154,708	153,784
<u>Northland Health Restricted Reserve</u> Non specified donations to the health sector in Northland are made to the Foundation. Donations are added to the Northland Health Restricted Funds Reserve and are applied as grants, including for the purchase of assets for Northland Health use.	250,396	142,167
<u>Chart Trust Endowment Reserve</u> The Reserve was received prior to the Chart Trust winding up and is to be retained in perpetuity. The funds are held in trust and the Foundation has no ownership or entitlement to the Reserve. Income is to be applied to child and youth health.	19,340	18,809
<u>Community Self Help Fund</u> The Community Self Help Fund was received from the Community Self Help Trust on its dissolution. The funds are available to assist youth into employment, including training and courses that will develop skills and improve employment opportunities.	16,959	16,493

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Northland Foundation

Notes to the Financial Statements

For the Year ended 30th September 2017

Name, Nature & Purpose	2017 \$	2016 \$
<u>Contact Energy Fund</u> The Contact Energy Fund was established to assist low income people in the far north regions needing help to pay for specialist medical care, in particular renal failure and/or dialysis.	14,339	34,123
<u>Turner Centre Fund</u> The Turner Centre fund was established to hold funds on behalf of the Turner Centre. Distributions are made upon request.	211,069	205,534
<u>About Time</u> Volunteers in the About Time project are working to build a large Rolling Ball Clock, which displays time by means of balls and rails, for tourism and educative purposes in the Whangarei Town Basin area.	3,817	6,947
<u>Far North Betterment Fund</u> This fund is proposed to be a collection of funds from various sources but primarily Family Finance Ltd. It is administered by the Foundation and held in perpetuity. Income can be applied for, to benefit those living in the Far North region.	10,871	10,499
<u>Tindall Foundation</u> The Foundation is a Funding Manager for The Tindall Foundation for Northland. The Foundation distributes funds on behalf of The Tindall Foundation annually to a variety of organisations who apply for funds under the Tindall Foundation criteria.	1,337	5,277
<u>Waipu Museum Fund</u> The Waipu Museum Fund has been gifted specifically to support the ongoing operations of Waipu Museum and to encourage further gifts for the same purpose.	33,177	32,038
<u>Northern Wairoa Fund</u> The Northern Wairoa Fund encourages donations, legacies and bequests from individuals, organisations and businesses in the local community who want to contribute towards a permanent legacy for the long term benefit of Northern Wairoa.	12,371	10,012
<u>Kauri Club Fund</u> The Kauri Club was formed in 2000 by Sport Northland, after a donation to by the family of the late Garry Frew. The objective is to support talented sports people in Northland and give them every encouragement to advance their sporting careers.	217,863	192,455



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Russell Turner
Chartered Accountants

Northland Foundation
Notes to the Financial Statements
For the Year ended 30th September 2017

Name, Nature & Purpose	2017	2016
	\$	\$
<u>Puketi Forest Fund</u>	171,693	-
The Puketi Forest Fund was formed to restore the Puketi Forest to a complete, healthy, living forest and to maintain it in perpetuity for future generations		
	<u>1,117,940</u>	<u>828,138</u>



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Russell Turner
Chartered Accountants

Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

6. COMMITMENTS AND CONTINGENCIES

Commitments:

There are no commitments as at balance date (2016: nil).

Contingencies:

There are no contingent liabilities or guarantees as at balance date (2016: nil).

7. OTHER

Significant Conditional Grants and Donations Received

No significant grants and donations with conditions remaining unfulfilled at balance date were excluded from the Statement of Financial Position.

Goods or Services Provided in Kind

During the year Northland Foundation received the following goods or services in kind:

- From time to time the Foundation receives other donated or reduced rate services relating to IT support, marketing, media placement, investment management and administration.
- The Trustees and committee members provide their time and expertise at no charge to the Foundation.
- Pro bono accountancy services were received from Russell Turner Chartered Accountants. The estimated value of the accountancy services received during the year is \$10,000 (2016: \$10,000). These have been included as Donation Revenue and Accountancy Expense in the Statement of Financial Performance.

Assets Used as Security for Liabilities

No assets owned by Northland Foundation were used as security for any liabilities.

8. ASSETS HELD ON BEHALF OF OTHERS

Northland Foundation was not holding any assets on behalf of others as at balance date.

9. RELATED PARTY TRANSACTIONS

- The Trustees regularly provided their time and skills to the oversight and operation of the Foundation at no charge.
- The Manager is a related party as she is involved in the strategic management of the charity.

The Manager is employed and paid a salary. No holiday pay has been shown as owing at balance date as this amount was not material.

Value of transactions: \$51,963 (2016: \$72,684)

Amount outstanding at balance date: \$nil (2016: \$nil)

- Gavin Buckingham is a Trustee of Northland Foundation and a director of GR Buckingham Ltd, a partner in Russell Turner Chartered Accountants.

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Northland Foundation
Notes to the Financial Statements
For the Year Ended 30th September 2017

During the year Russell Turner Chartered Accountants provided accountancy services for free to Northland Foundation. The estimated value of the transactions provided have been shown in the Statement of Financial Performance as both Donations received by the Foundation, and Accountancy cost paid by the Foundation.

Estimated value of transactions: \$10,000 (2016: \$10,000)
Amount outstanding at balance date: \$nil (2016: \$nil)

10. EVENTS AFTER BALANCE DATE

There were no events that have occurred after the balance date that would have a material impact on the Performance Report (2016: nil).

11. ABILITY TO CONTINUE OPERATING

Northland Foundation is able to and intends to continue operating for the foreseeable future.

12. CORRECTION OF ERRORS

There are no significant errors made in previous years' Performance Reports that have been corrected in these reports.



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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Northland Community Foundation.

Report on the Financial Statements

57 Clyde Street
PO Box 627
WHANGAREI 0140
Phone: (09) 438 2312
Fax: (09) 438 2912
info@bennettca.co.nz
www.bennettca.co.nz

Opinion

We have audited the financial statements of Northland Community Foundation on pages 5 to 19, which comprise the statement of financial position as at 30 September 2017, the statement of financial performance and statement of cash flows for the year then ended, and the statement of accounting policies and other explanatory information.

In our opinion, the financial statements on pages 5 to 19 present fairly the financial position of Northland Community Foundation as at 30 September 2017 and its financial performance and cash flows for the year ended on that date in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Northland Community Foundation.

Restriction on responsibility

This report is made solely to the Trustees, as a body, in accordance with the Rules of the Northland Community Foundation. Our audit work 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.

Other Information

The Trustees are responsible for the other information. The other information comprises the entity information and statement of service performance but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the



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other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be 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.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for determining that the Public Benefit Entity framework is acceptable in the Foundation's circumstances, for the preparation of financial statements in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit), 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.

In preparing the financial statements, the Trustees are responsible for assessing the Northland Community Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the Northland Community Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ☐ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ☐ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northland Community Foundation's internal control.
- ☐ conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Northland Community Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such



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disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Northland Community Foundation to cease to continue as a going concern.

- ☐ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bennett & Associates

BENNETT & ASSOCIATES

Chartered Accountants

Whangarei, New Zealand

5 March 2018

Managed Portfolio Service

Personalised Portfolio Review

Northland Foundation

Report for period: 1/07/2017 to 30/09/2017

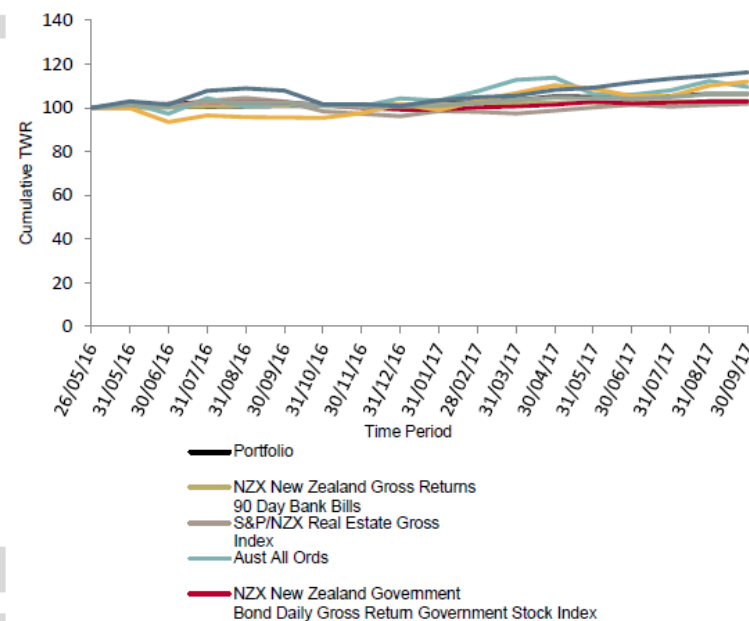
 Firm



Internal Rates of Return

	For Period From 30/06/2017	For Period From 30/09/2016	Since Inception 26/05/2016
PORTFOLIO VALUE ON			
Capital Value	395,250	235,219	191,677
Accrued Interest	665	0	0
Contributions	40,000	190,000	232,000
Withdrawals	0	0	0
Transfers In	0	0	0
Transfers Out	0	0	0
Tax	(318)	(642)	(642)
Fees	(494)	(1,431)	(1,526)
Realized Gains	6	6	6
Realized Price Gains	6	6	6
Realized FX Gains	0	0	0
Unrealized Gains	(196)	6,402	6,402
Unrealized Price Gains	(1,832)	7,028	7,028
Unrealized FX Gains	1,635	(626)	(626)
Income			
Interest	1,164	4,226	5,862
Dividends	1,767	3,397	3,397
Change in Accr Int	989	1,654	1,654
PORTFOLIO VALUE ON 30/09/2017	437,178		
ACCRUED INTEREST	1,654		
TOTAL GAINS BEFORE FEES + TAX	3,730	15,686	17,323
Price IRR	0.49%	5.47%	6.60%
FX IRR	0.38%	(0.21)%	(0.23)%
TOTAL IRR	0.87%	5.26%	6.37%
Annualised Return			
Price IRR			4.87%
FX IRR			(0.17)%
TOTAL IRR			4.70%

Performance Relative To Benchmarks



IRR - Internal Rate of Return, measures the actual performance of your portfolio over the report period taking cash flows into account. TWR - Time Weighted Returns, minimizes the effect of cash flows on a portfolio by giving the same weight to time periods regardless of funds invested. Price Return measures change in market value in the local currency. FX return measures the impact of change in exchange rates on initial market value. The above figures are gross of tax and fees.

Note: Income and Tax figures may include Imputation Credits, Franking Credits and UK-ACT. The extent to which these are able to be utilised by individual clients will depend on their particular circumstances.

NZX Firm



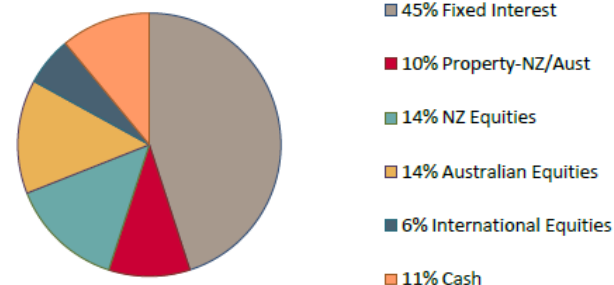
Portfolio Summary

CONTRIBUTION SUMMARY Reporting Currency: NZ Dollar From 26/05/2016 To 30/09/2017

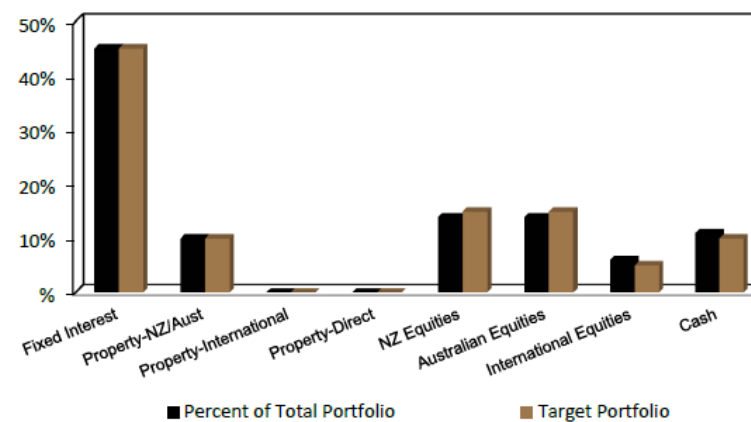
Portfolio Value on 26/05/2016	191,677.00
Contributions	232,000.26
Withdrawals	0.00
Transfers In	0.00
Transfers Out	0.00
Net Contributions	423,677.26

PORTFOLIO VALUE ON 30/09/2017 438,832.20

ASSET ALLOCATION



COMPARISON WITH TARGET



INCOME FORECAST(GROSS) Based On Holdings At: 30/09/2017

Asset Class	Estimate Annual Income \$	Yield
SUPERVISED ASSETS		
Fixed Interest	7,229	3.67
Property	2,065	4.93
Equities	6,428	4.28
Cash	839	1.74
TOTAL SUPERVISED ASSETS	16,561	3.79
TOTAL PORTFOLIO	16,561	3.79

NZ X Firm

CRAIGS
INVESTMENT PARTNERS

Adviser Commentary

Global shares produce strong returns in Q3

The September quarter was a very profitable one for local investors, especially considering it is traditionally the worst quarter of the year for shares. Since 1950, the third quarter has delivered an average performance of just 0.5% for the S&P 500 (the December quarter is historically the strongest with an average return of 4.1%). This time, US shares were up a very strong 4.0%, while most other markets also saw excellent gains.

The local NZX 50 was up 4.2%, a commendable performance given the election uncertainty late in the quarter. On an annual basis, the index is up 7.7%, in line with the long-term average but well below most global markets. World shares were up 18.8% during this period, led by very impressive performances from emerging market and European equities.

A weaker currency has further boosted returns for NZ investors in global shares, with the NZ dollar falling around 4% on average against the Australian dollar, British pound and the euro. The currency also declined to a lesser degree against the US dollar.

While volatile during the quarter, interest rates were little moved from where they finished in June. The US 10-year Treasury yield closed at 2.33%, up marginally from 2.30%, and the NZ five-year swap rate slipped from 2.87% to 2.75%. Fixed interest produced a positive (but modest) 0.9% gain during the September quarter.

Market Returns as at 30 September 2017 (NZD)	NZD Terms		Local Currency Terms	
	3 Mth Ret %	1 Yr Ret % p.a.	3 Mth Ret %	1 Yr Ret % p.a.
Emerging Market Shares: MSCI Emg Markets Gross	9.9	24.2	8.0	22.9
European Shares: MSCI Europe Gross	8.3	24.3	3.0	17.0
World Shares: MSCI World Gross	6.8	20.1	5.0	18.8
US Shares: S&P 500 Index	5.7	17.4	4.0	16.2
UK Shares: FTSE 100 Index	5.5	11.5	0.8	6.9
Australian Shares: Australian All Accum Index	4.8	12.1	1.0	8.5
NZ Shares: NZX50 Gross Index	4.2	7.7	4.2	7.7
Japanese Shares: Nikkei Index	3.2	12.6	1.6	23.7
NZ Invest Grade Bonds: NZX Corp Invest Grade Index	1.2	2.6	1.2	2.6
NZ Fixed Interest: NZ Govt Bond Index	0.9	0.2	0.9	0.2
NZ Cash: NZ 90 Day Bank Bills Index	0.5	2.1	0.5	2.1
NZ Property Shares: NZ Real Estate	0.4	-1.0	0.4	-1.0

Key themes over the quarter

The election takes centre stage locally – The key event in New Zealand during the September quarter was the 2017 election. The outcome was largely as expected, with National winning the largest party vote, yet falling short of enough seats to form a government. The quarter ended with markets speculating on how coalition negotiations might develop, with key issues such as housing and migration in the spotlight for potential policy change. The ANZ survey saw business confidence fall to the lowest levels in two years in September, presumably due to a high degree of political uncertainty. Having said that, the domestic share market saw little downside, and the week following the election (which was the last for the quarter) was actually the strongest since mid-June.

The local reporting season yielded solid results – The local reporting season took place during August and for the most part, it was a fairly good one. Most NZ companies met or exceeded expectations, and average earnings growth forecasts for the coming financial year are now sitting at 8.5% (the median is a little lower at 6.8%). Overall, investors will be comfortable with how the reporting season panned out. Strong share price gains over the first half of the year had set the bar quite high for earnings and in most respects, corporate New Zealand delivered.

Global corporates also posted strong earnings during the quarter – The global reporting season for the June quarter was also another successful one. In the US, more than two thirds of S&P 500 companies beat revenue expectations and almost 80% exceeded earnings forecasts. The earnings growth rate for the overall S&P 500 was 9.4%, relative to the previous year. This was the second strongest quarter in six years, just behind the very impressive 13.1% growth rate from the previous quarter. These were two of the strongest consecutive quarters since 2011, an encouraging result and a likely explanation as to why US shares have been so buoyant in recent months.

Central banks hint at the beginning of the balance sheet unwind – Quantitative easing (QE) has been one of the most influential themes financial markets have seen in the years since the financial crisis. As one of the tools used to tighten or loosen monetary policy, QE has seen central banks purchase assets like government bonds and other securities. During the September quarter, the Federal Reserve in the US confirmed that it will begin to roll off its US\$4.5 trillion balance sheet, essentially reversing the QE process. The European Central Bank has made similar noises, putting investors on alert for changes to the QE programme to be discussed in late October. Given the impact these policies have had on interest rates, currencies and asset prices over the last several years, markets are taking a lot of interest in how this process plays out.

Adviser Commentary

Central banks and earnings in focus this quarter

Markets are heading into the final three months of the year in relatively good health. Economic data is robust in all of the major regions, there are no major political events looming (internationally, that is) and the time of the year that normally heralds some seasonal weakness in share prices has passed.

However, numerous risks remain. Valuations remain high for all asset classes (shares, property and bonds), volatility is very low, and we have the prospect of central banks starting to think about how they unwind some of the stimulus from recent years.

Finally, rising tensions around North Korea have kept markets on edge at times during the last few months. While it is impossible to predict how this situation develops, the brinkmanship we are seeing is unlikely to develop into a full blown military conflict.

The upcoming global reporting season will be in focus over the coming quarter, especially given the recent strong performance from many markets, and the impressive earnings growth we saw during the previous two quarters in the US.

Closer to home, attention will be on the make-up of the next government and what that might mean for policy change in key areas like tax, housing and migration.

Currencies

The New Zealand economy looks solid relative to many others and our cash rate remains higher than most, so the NZ dollar could remain above long-term averages to reflect this. However, as New Zealand enters a phase of slightly more modest growth and other regions continue to improve, the NZ dollar could slip against some trading partners. Consequently, we remain very comfortable with adding to international currency exposures, such as the US dollar. This could mean direct investment in those regions, or a focus on locally listed exporters and companies with globally diverse operations. The US dollar also provides a buffer against any potential volatility, as it tends to act as a safe haven during times of market stress.

Interest rates and fixed income

A stable Official Cash Rate (OCR) will anchor short-term interest rates at their current low levels into 2018, although changes are afoot with the RBNZ set to appoint a new Governor in March 2018. If some politicians had their way, we might also see some fine-tuning of the Policy Targets Agreement at some point. Longer-term rates are influenced more by global events and, while the unwind of central bank balance sheets should see interest rates move higher, significant uncertainties keep us a little cautious. We do not expect to revisit the lows, but expect volatility to return to the market at some point. The lack of new

issuance has seen credit spreads tighten, while the fall in absolute yields has meant buying opportunities are limited.

Listed property

We recommend investors with large positions take some profits and ensure they are also exposed to companies in other sectors with superior dividend growth prospects (even though these may have more modest yields). However, we are conscious the listed property sector has underperformed the broader market for the last two years, by a reasonable margin, and the valuation gap is more balanced at present. While any increase in interest rates could hurt the sector, the risk/return profile for listed property looks reasonable for investors looking for steady income.

Equity markets

Global economic data remains very solid. The ISM manufacturing index in the US recently hit its highest level since 2004, while similar measures in Europe are at a six-and-a-half year high. Japan still looks attractive to us, while India remains a bright spot in an otherwise risky emerging market landscape. Australia remains a challenge, given its high budget deficits, political dysfunction and question marks over dominant sectors like banks and resources. The New Zealand economy is in good shape, with a strong agricultural backdrop offsetting a slower construction sector and a potential peak in migration. We continue to advocate a defensive slant in portfolios, as well as a strong bias to quality. Diversification, active rebalancing and holding a little more cash than usual are the right ways to approach a higher risk environment and the more subdued outlook for investment returns.

Your portfolio

Your portfolio has returned 0.86% for the current period, giving a closing market value of \$438,832.20. Forecast gross income over the next 12 months is \$16,561.19, and your forecast yield is 3.79%.

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NZX Firm



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