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**ARA FOUNDATION**  
**PERFORMANCE REPORT**  
**Year ended 31 December 2017**

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**ARA FOUNDATION**  
**PERFORMANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>ENTITY INFORMATION</b>											
<b>NAME</b>	Ara Foundation										
<b>TYPE OF ENTITY AND LEGAL BASIS</b>	Charitable Trust and Registered Charity										
<b>PURPOSE</b>	<p>The Trust was established with the aim of promoting and supporting the applied vocational, educational and research activities of Ara.</p> <p>Our goal is to mentor, support and offer real world opportunities to students and academics so that they maximise their life experiences.</p>										
<b>ENTITY STRUCTURE</b>	<p>The Trust is governed by a board of trustees with a diverse range of experience and knowledge across a range of sectors.</p> <p>The Board may have between 8 and 12 trustees appointed as below:</p> <ul style="list-style-type: none"> <li>• 3 trustees appointed by the Ara Council plus the Chair of the Ara Council (ex officio) – the Council's current policy is to appoint the CEO and two other Council members to the Board</li> <li>• Up to 8 persons from the general community</li> </ul> <table border="1"> <thead> <tr> <th colspan="2">Ara Foundation Membership</th></tr> </thead> <tbody> <tr> <td>Ara Council</td><td>3 members appointed by Ara Council</td></tr> <tr> <td>Community Representation</td><td>Up to 8 members</td></tr> <tr> <td>Ex Officio</td><td>Chair of the Ara Council</td></tr> <tr> <td>In Attendance</td><td>Patron Minutes Secretary</td></tr> </tbody> </table> <p><b>Board sub-committees:</b></p> <p>There is one standing sub-committee of the Board – Finance, Audit and Risk.</p> <p>In addition the Board from time to time establishes working groups to undertake specific time bound or smaller projects or specialist activities.</p> <p><b>Patron</b></p> <p>The role of patron is to support the aims, objectives and activities of the Ara Foundation at every opportunity.</p> <p>The patron will have attendance and speaking rights but no voting rights at meetings of the Board and its sub-committees. To this end he will receive all notices of meetings, reports and minutes as those provided to trustees.</p>	Ara Foundation Membership		Ara Council	3 members appointed by Ara Council	Community Representation	Up to 8 members	Ex Officio	Chair of the Ara Council	In Attendance	Patron Minutes Secretary
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<b>MAIN SOURCES OF CASH AND RESOURCES</b>	<p>The majority of the Trust's annual cashflow is sourced from revenue from the following investments:</p> <ul style="list-style-type: none"> <li>• Investment property</li> <li>• Term deposits</li> <li>• Portfolio equity investments.</li> </ul>
<b>RESPONSIBILITIES AND OUTPUTS</b>	<p>Our core responsibilities are to:</p> <ul style="list-style-type: none"> <li>• Improve the educational facilities of Ara.</li> <li>• Provide financial assistance (including the provision of scholarships and bursaries) to students of Ara on such conditions (if any) as they deem appropriate.</li> <li>• Support student educational activities of Ara.</li> <li>• Support staff education and development projects of Ara.</li> <li>• Support innovative educational projects undertaken by staff of Ara.</li> <li>• Support any other educational or charitable enterprise.</li> </ul> <p>In order to achieve these aims the Foundation provides grants to Ara students and academics that meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Allow students to become involved with projects that add real value to their CV</li> <li>• Create projects that make Ara an attractive option for potential students</li> <li>• Build relationships between Ara and its community</li> <li>• Foster excellence in research, technology transfer and scholarship.</li> <li>• The development of skills and skilling strategies essential for the rebuild of Christchurch</li> <li>• Promotion of technology transfer between Ara and industry</li> <li>• Creating opportunities for participation and success for those groups currently underrepresented in vocational and applied education</li> <li>• Developing infrastructure at and around Ara campuses which creates an environment where students will be attracted, retained and successful in their studies.</li> </ul>

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 \$	2016 \$
<b>Revenue</b>			
Interest, dividends and other investment revenue	1	474,416	64,286
Rental revenue		154,194	153,641
<i>Total revenue</i>		628,610	217,927
<b>Expenditure</b>			
Grants	2	49,948	76,720
Functions - Awards and Others		-	4,821
Annual Report		615	1,217
Chairs Honararium		5,000	6,000
Accounting		4,100	3,600
Consulting Fees		40,806	50,503
Depreciation		2,522	2,528
Insurance		3,150	3,150
Legal Fees		729	-
Portfolio Monitoring Fees		8,307	21,380
Valuation fees		-	1,950
Demolition Costs		-	974
Other expenses		8,036	5,355
<i>Total expenditure</i>		123,212	178,199
<b>Surplus / (deficit)</b>		<b>505,398</b>	<b>39,728</b>

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

**ARA FOUNDATION**  
**PERFORMANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Notes	2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank	3	212,769	176,087
Accounts Receivable		1,630	1,630
Portfolio investments	4	751,150	1,390,880
<i>Total current assets</i>		965,549	1,568,596
<b>Non current assets</b>			
Portfolio investments	4	4,022,466	2,912,882
Plant and equipment	5	3,799	4,645
Investment property	6	2,015,000	2,255,000
<i>Total non-current assets</i>		6,041,265	5,172,527
<b>Total assets</b>		<b>7,006,814</b>	<b>6,741,123</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts Payable		3,450	3,450
GST		2,870	2,590
Funds held on behalf of Artbox		6,179	6,166
<i>Total current liabilities</i>		12,499	12,206
<b>Total Liabilities</b>		<b>12,499</b>	<b>12,206</b>
<b>Net Assets</b>		<b>6,994,315</b>	<b>6,728,917</b>
<b>Equity</b>			
Accumulated surplus / (deficit)	7	6,994,315	6,728,917
<b>Total equity</b>		<b>6,994,315</b>	<b>6,728,917</b>

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

Chairperson



**ARA FOUNDATION**  
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**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Interest, dividends and other investment receipts		113,294	215,665
Receipts from customers and other revenue		154,194	136,637
Grants paid		(49,948)	(76,720)
Payments to suppliers and employees		(70,450)	(200,490)
<i>Net cash flow from operating activities</i>		147,090	75,092
<b>Cash flows from investing and financing activities</b>			
Receipts from maturity of term investments		-	836,642
Investment in Portfolios		(108,732)	(1,310,815)
Purchase of property, plant, and equipment		(1,676)	(5,000)
<i>Net cash flow from investing activities</i>		(110,408)	(479,174)
<b>Net (decrease)/increase in cash and cash equivalents</b>		36,682	(404,080)
Cash and cash equivalents at the beginning of the year		176,087	580,167
<b>Cash and cash equivalents at the end of the year</b>		212,769	176,087

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**PERFORMANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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**STATEMENT OF ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**ACCOUNTING POLICIES APPLIED**

**REPORTING ENTITY**

These financial statements have been prepared for the Ara Foundation, a charitable trust incorporated under the Charitable Trusts Act 1957 on the 3rd of December 1984 ('the Trust').

The Trust is a public entity and the accounts are reviewed. This is a policy change from the prior year as there is no longer a requirement to have audited statements.

**BASIS OF PREPARATION**

The Trust is required to prepare financial statements in accordance with Public Sector PBE accounting standards.

Subject to the application of tier 2 PBE Accounting Standards in relation to investment property and portfólio investments detailed below, the Trust has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* in the preparation of its financial statements. The Trust is eligible to apply this standard on the basis that it does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

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

**GOODS AND SERVICES TAX**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue**

***Rental revenue***

Revenue from rentals is recognised on a daily basis over the period the property is occupied

***Fair value gains/losses on investment property***

The Trust has elected to adopt the Fair Value model in Tier 2 standard IPSAS16, and recognise unrealised gains/losses on the fair valuation of investment property in surplus or deficit.

***Interest, dividends and other investment revenue***

Interest revenue is accrued as it is earned during the year.

Dividend revenue is recognised when the dividend is declared.

Other investment revenue recognised in surplus / deficit includes realised gains on the disposal of equity investments and unrealised fair value gains and losses on portfólio investments based on the adoption of Tier 2 standard PBE IPSAS 29.



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**Expenditure**

***Grant expenditure***

Grants are recognised as an expense when declared. Any grants approved but not paid during the year are recognised as a liability at year end.

***Other expenditure***

Other expenditure is recognised as it is incurred, once an obligation is established.

**Foreign currency transactions**

Foreign currency transactions are translated into NZ\$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets are recognised in surplus or deficit.

**Cash at bank**

Cash at bank comprises cash held in call and savings bank accounts.

**Receivables**

Amounts receivable are recorded at the lower of original face value or expected realisable value.

**Investments**

***Term deposits***

Investments in bank term deposits are measured at the amount invested.

***Portfolio investments***

Portfolio investments are classified as 'fair value through surplus or deficit' financial assets, and measured at their fair value based on the adoption of Tier 2 standard IPSAS 29. Unrealised fair value gains and losses are recognised in surplus or deficit.

**Investment property**

The Trust has elected to adopt the Fair Value model in Tier 2 standard IPSAS16, and measure investment property at fair value, with gains and losses recognised in surplus or deficit.

**Plant and equipment**

Plant and equipment is recorded at cost, less accumulated depreciation and impairment losses. Items costing less than \$500 are expensed on acquisition.

Depreciation is provided on a diminishing value (DV) basis using maximum rates set by the Inland Revenue Department between 33% - 50% DV.

**Accounts payable**

Accounts payable are measured at the amount owed.

**Income tax**

The Trust has been granted Charitable status by the Inland Revenue Department and is therefore exempt from income tax.

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**Tier 2 PBE Accounting Standards applied**

The Trust has applied the following Tier 2 Accounting Standards in the preparation of these financial statements:

- PBE IPSAS16 in relation to the fair value measurement of investment properties and recognition of associated fair value gains / losses
- The application of PBE IPSAS 29 and 30 in relation to the fair value measurement of equity investments and recognition of associated fair value gains / losses;

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**NOTES TO THE PERFORMANCE REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. INTEREST, DIVIDENDS AND OTHER INVESTMENT INCOME**

	2017	2016
	\$	\$
Interest revenue	36,927	39,800
Dividend revenue	76,366	70,746
Realised gains on disposal of portfolio investments	-	1,230
Net unrealised fair value gains (loss) on portfolio investments	361,123	(47,490)
<b>Total investment income</b>	<b>474,416</b>	<b>64,286</b>

**2. GRANTS EXPENDITURE**

	2017	2016
	\$	\$
Karen Lewis Award	-	7,500
Alison Robinson Award	350	350
Evolocity Grant	-	27,000
Summer Start Up Grant	-	8,400
Summer Incubator Start Up	-	9,486
Film Festival Attendance	-	2,000
Sustainability Student Group	-	4,000
Catherter Conference	-	750
Futsee Grant	-	2,250
Roadshow Attendance	-	2,484
Jazz Festival	-	10,000
R Orange	-	1,500
Colin Russell Award	500	1,000
C Grainger	1,770	-
Aralympics	4,000	-
Park Road Productions Grant	10,000	-
Pltch feasibility Study	7,000	-
Power Grinders Grant	1,800	-
Wicked Wednesday Grant	5,000	-
Ideal Cup – Cycle Cup Sustainability Grant	2,082	-
J King Nursing Scholarship	5,000	-
Grant for Shakespeare Company	2,000	-
M Clare – Jazz Video Grant	1,500	-
S Harris – Odd Jobs Grant	2,500	-
Wintec – Fees for Pasifika Student Hons Course	6,446	-
<b>Total grants expenditure</b>	<b>49,948</b>	<b>76,720</b>

**3. CASH AT BANK**

	2017	2016
	\$	\$
BNZ - Artbox Funds	6,179	6,166
BNZ - Call Account	161,822	161,822
BNZ - Current Account	44,768	8,098
<b>Total cash at bank</b>	<b>212,769</b>	<b>176,086</b>



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**4. INVESTMENTS**

	2017	2016
	\$	\$
<b>Portfolio investments managed by Custodial Services Limited</b>		
New Zealand Equities	2,037,095	1,255,462
Australian Equities	354,533	744,904
International Equities	1,630,838	912,516
Cash	751,150	1,390,880
<i>Total portfolio investments</i>	4,773,616	4,303,762
<b>Total investments</b>	<b>4,773,616</b>	<b>4,303,762</b>

**5. PLANT AND EQUIPMENT**

	2017	2016
	\$	\$
Opening book value	4,645	2,172
Additions	1,676	5,000
Depreciation	(2,522)	(2,528)
Closing book value	3,799	4,645
Cost	17,446	15,770
Accumulated Depreciation	(13,647)	(11,125)
Closing book value	3,799	4,645

**6. INVESTMENT PROPERTY**

	2017	2016
	\$	\$
Opening balance 1 April	2,255,000	2,255,000
Increase/(decrease) in fair value	(240,000)	-
<b>Closing balance 31 March</b>	<b>2,015,000</b>	<b>2,255,000</b>

The Trust has elected to apply the fair value model under IPSAS 16, and measure its investment property at current fair value, less the estimated costs of disposal, as determined by an independent registered valuer.

The investment property was last revalued on 31 December 2015 by Warren Glassey, FNZIV, AREINZ, FPINZ, MNZIM, registered valuer & updated as per the sale price achievable appraisal by MB Cook Ltd a commercial & Industriail Real Estate company dated 1 December 2017. There was a decrease in the fair value of property for \$240,000 during the year. (2016: Nil)

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**7. EQUITY**

	2017	2016
	\$	\$
<i>Accumulated comprehensive revenue and expense</i>		
Opening balance 1 January	6,728,917	6,689,187
Decrease in Property fair value	(240,000)	-
Comprehensive income and expense for the year	505,398	39,728
<b>Closing balance 31 December</b>	<b>6,994,315</b>	<b>6,728,917</b>

**8. IMPACT OF THE CANTERBURY EARTHQUAKE**

The trust's investment property suffered some non-structural damage as a result of the Canterbury earthquakes. This damage is covered by insurance. This repair work is expected to be completed over the next few years.

**9. COMMITMENTS**

The trust did not have any commitments at year end (2016: nil)

**10. CONTINGENT LIABILITIES**

The trust did not have contingent liabilities at year end (2016: nil)

**11. RELATED PARTY TRANSACTIONS**

During the year, the Trust entered into the following significant transactions with related parties:

- The receipt of rental income of \$137,190 (2016: \$135,255) from Ara Institute of Technology.
- The awarding of grants totaling \$27,800 (2016: \$47,370) to the Ara Institute of Technology, of which \$nil remain payable at year end (2016 \$nil).
- These transactions are not on an arm's length basis as grant applications can only be received from Ara staff and students
- Payments totaling \$37,587 were made to Cherry Red Consulting Limited (of which Trustee Jackie Curtis is a Director) for consulting services (2016: \$39,061). \$3,000 was outstanding as a payable at balance date (2016: \$3,000).

In addition, a chair honorarium of \$2,000 (2016: \$6,000) was paid in remuneration for services by Carl Pascoe (Chairman of Trustees).

Payment of \$3,000 (2016: nil) was made to Fi McKissock who is a Trustee and took over the role of chairperson after the AGM during the year.

**12. EVENTS AFTER BALANCE DATE**

There were no significant events subsequent to balance date (2016: nil).

# ***Independent Review Report***

To the Ara Foundation

## ***Review on the Performance Report***

We have reviewed the accompanying Performance Report of the Ara Foundation (the Foundation), which comprise the statement of financial position as at 31 December 2017, and the statement of financial performance, the statement of cashflows, and a summary of significant accounting policies and other explanatory information.

## ***Respective Responsibilities***

The Foundation is responsible for the preparation and fair presentation of this report, and for such internal controls as the Foundation determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

## ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying Performance Report based on our review. We conducted our review in accordance with ISRE (NZ) 2400, "Review of Historical Financial Statements prepared by an Assurance Practitioner".

A review of the report in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The reviewer performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

## ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not free from material misstatement.

Other than in our capacity of furnishing you with this report, we have no relationship with, or interests in the Ara Foundation.

## ***Restriction on Distribution or Use***

This report is made solely to the Foundation, as a body. Our review work has been undertaken so that we might state to the Foundation those matters which we are required to state to them in our review 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 Foundation, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:



Sidekick Tasman Limited

Chartered Accountants

2 March 2018

Blenheim