



New Zealand AIDS Foundation
Te Tūāpapa Mate Āraikore o Aotearoa

Annual Financial Statements

for the year ended 30 June 2017

New Zealand AIDS Foundation

Financial Statements

for the year ended 30 June 2017

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Statement of Comprehensive Revenue and Expense

New Zealand AIDS Foundation for year ended 30 June 2017

	Notes	2017	2016
Revenue from exchange transactions		\$	\$
Ministry of Health		4,230,387	4,230,387
Fundraising NZAF Events		19,182	17,375
Other Income		37,316	22,187
Interest income		3,650	9,811
		<u>4,290,535</u>	<u>4,279,760</u>
Revenue from non-exchange transactions			
Grants - Special Projects		79,663	69,588
Grants - Capital		-	4,177
Fundraising NZAF Events		188,899	146,364
Donations / Bequests		115,951	50,902
Funding from Pharmac		76,392	45,531
Other Income		5,817	9,035
		<u>466,723</u>	<u>325,597</u>
Total Revenue		<u>4,757,258</u>	<u>4,605,356</u>
Office Resourcing	7	382,624	374,751
Board Expenses		25,024	44,488
Communications, Fundraising & Events		405,742	364,242
Depreciation	9,10	73,246	77,729
HIV Prevention		1,061,224	1,012,461
Health Services		104,280	180,453
Research, Analysis & Information		57,368	61,844
Personnel	7	2,546,846	2,475,454
National Support Services		54,435	58,563
Travel	7	114,283	105,586
		<u>4,825,072</u>	<u>4,755,571</u>
Total Expense		<u>4,825,072</u>	<u>4,755,571</u>
Total surplus / (Deficit) for the year		<u>(67,814)</u>	<u>(150,215)</u>
Total comprehensive revenue and expense for the year		<u>(67,814)</u>	<u>(150,215)</u>

These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Changes in Net Assets/Equity

New Zealand AIDS Foundation for year ended 30 June 2017

	Notes	2017	2016
Accumulated comprehensive revenue and expense		\$	\$
Opening balance at start of year 01 July		1,599,873	1,709,088
Net surplus / (deficit) for the year		(67,814)	(150,215)
Transferred (to) / from Research Reserves for the year		23,920	50,000
Transferred (to) / from Ministry of Health Reserve for the year		60,000	(9,000)
Total recognised revenue and expense		<u>16,106</u>	<u>(109,215)</u>
Total closing equity at the end of year 30 June		<u>1,615,979</u>	<u>1,599,873</u>
Research Reserves			
Total Research Reserves at the start of year		23,920	73,920
Payments for the year		(23,920)	(50,000)
Total Research Reserve at the end of year	13	<u>-</u>	<u>23,920</u>
Ministry of Health Reserve			
Total Ministry of Health Reserves at the start of year		60,000	51,000
Transferred (to) / from Accumulated Funds for the year		-	9,000
Payments for the year		(60,000)	-
Total Ministry of Health Reserve at the end of year	13	<u>-</u>	<u>60,000</u>
Closing equity 30 June		<u>1,615,979</u>	<u>1,683,793</u>

These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

New Zealand AIDS Foundation as at 30 June 2017

	Notes	2017	2016
		\$	\$
Current Assets			
Cash and cash equivalents	8	26,079	37,986
Receivables from exchange transactions		1,465	-
Receivables from non-exchange transactions		12,230	1,150
Prepayments		20,629	13,785
GST Receivable		34,991	47,646
		95,393	100,567
Non-Current Assets			
Property, Plant & Equipment	10	2,340,785	2,393,361
Intangible Assets	9	35,945	15,801
		2,376,730	2,409,162
		2,472,123	2,509,729
Total Assets			
Current Liabilities			
Trade and other creditors from exchange transactions		130,832	207,242
Employee benefits	4.11	86,912	83,793
Accrued Expenditure		29,094	22,088
Income in Advance	11	9,305	12,813
Borrowings	12	600,000	500,000
		856,144	825,935
		1,615,979	1,683,793
Net Assets			
Equity			
Accumulated comprehensive revenue and expense		1,615,979	1,599,873
Research Reserves	13	-	23,921
Ministry of Health Reserve	13	-	60,000
		1,615,979	1,683,793

These financial statements have been approved by the Board Finance Committee and will be approved for issue by the Board of Trustees on 23 September 2017.



David Friar - Chairperson



Michael Moore – Deputy Chair



Date



Date

These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Cash Flow

New Zealand AIDS Foundation for year ended 30 June 2017

	Notes	2017	2016
Cash flows from operating activities		\$	\$
<i>Receipts</i>			
Ministry of Health		4,230,387	4,230,387
Fundraising NZAF Events		208,081	163,739
Donations & Grants		185,801	121,260
Interest received		3,650	9,811
Other Income		113,286	76,753
Net GST Received		12,655	7,105
		<u>4,753,860</u>	<u>4,609,054</u>
<i>Payments</i>			
Suppliers		2,264,581	2,135,800
Employees		2,536,099	2,548,858
Interest paid		24,273	23,359
		<u>4,824,953</u>	<u>4,708,017</u>
Net cash inflow/(outflow) from operating activities		(71,093)	(98,963)
Cash flows from financing activities		\$	\$
<i>Receipts</i>			
Funds received from borrowings		100,000	150,000
		<u>100,000</u>	<u>150,000</u>
Net cash inflow/(outflow) from financing activities		100,000	150,000
Cash flows from investing activities		\$	\$
<i>Payments</i>			
Purchase of property, plant and equipment		13,294	31,907
Purchase of intangible assets		27,520	9,760
		<u>40,814</u>	<u>41,667</u>
Net cash inflow/(outflow) from investing activities		(40,814)	(41,667)
Net increase / (decrease) in cash and cash equivalents		(11,907)	9,370
Cash and cash equivalents at 01 July		37,986	28,616
Cash and cash equivalents at 30 June	8	<u>26,079</u>	<u>37,986</u>

These financial statements should be read in conjunction with the notes to the financial statements

1. Reporting entity

The reporting entity is the New Zealand AIDS Foundation (“NZAF”). NZAF is domiciled in New Zealand and is a charitable entity registered under the Charitable Trusts Act 1957 and Charities Act 2005. DIA Charities Services registration number: CC22230.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the NZAF. The purpose of the New Zealand AIDS Foundation is to prevent the transmission of HIV and to support people affected by HIV and AIDS to maximise their health and wellbeing.

These financial statements have been approved by the Board Finance Committee and will be approved for issue by the Board of Trustees on the date indicated on page 4.

2. Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practise (“NZ GAAP”). They comply with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) and other applicable Financial Reporting Standards, as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. The NZAF is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime (“RDR”) disclosure concessions.

3. Changes in accounting policy

There have not been any changes to the accounting policy in the year ending 30 June 2017.

4. Significant accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

The significant accounting policies of the NZAF are detailed below:

- 4.1 - Basis of measurement
- 4.2 - Functional and presentational currency
- 4.3 - Revenue
- 4.4 - Financial instruments
- 4.5 - Cash and cash equivalents
- 4.6 - Short term investments
- 4.7 - Loans Payable
- 4.8 - Property, plant and equipment
- 4.9 - Intangible assets
- 4.10 - Leases
- 4.11 - Employee Benefits
- 4.12 - Income tax
- 4.13 - Goods and services tax (GST)
- 4.14 - Statement of cash flow
- 4.15 - Equity

4.1 *Basis of measurement*

These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments.

4.2 *Functional and presentational currency*

The financial statements are presented in New Zealand dollars (\$), which is the NZAF's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

4.3 *Revenue*

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the NZAF, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the NZAF's revenue streams must be met before revenue is recognised.

Revenue from exchange transactions

Rendering of Services Ministry of Health

The NZAF provides a range of HIV and AIDS related services including; HIV prevention and health promotion, HIV testing, counselling and support, policy and scientific analysis and information.

Revenue from contracted services rendered is recognised in surplus or deficit in proportion to the stage-of-completion of the transactions at the reporting date.

The stage of completion is assessed by reference to:

- Reporting on the performance of the Ministry of Health (MoH) contract in accordance with the service specifications; and
- Where the MoH contract has a specific amount for a specific service or function and such activity has not occurred prior to year-end, the amount is recorded as revenue in advance as it is unearned at balance date. Where the NZAF has not utilised the MOH general (unspecific) funding in a financial year, it has the option to either carry this forward in retained earnings via a residual profit for the year, or to transfer the unearned portion to a separate reserve in equity.

Significant accounting policies (continued)

Fundraising Events

Fundraising Events revenue is recognised as it is earned when services are provided.

Other revenue

Other revenue is recognised as it is earned including rental revenue.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method.

Revenue from non-exchange transactions

Non-exchange revenue transactions are those where the NZAF receives an inflow of resources (i.e. cash and other tangible or intangible items) but does not provide any nominal or direct consideration in return.

Grants Revenue

Grant revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Where there are unfulfilled conditions attached to the grant and only where there are use or return clauses, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled.

Fundraising Events

The NZAF's fundraising activities involve one public cash donation collection per year, World AIDS Day. Fundraising non-exchange revenue is recognised at the point at which cash is received.

Donations

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific programmes or services and donated goods in-kind. Donations in-kind include donations received for consumables and are recognised as both revenue and an expense when the goods are received. Donations in-kind are measured at their fair value as at the date of receipt, ascertained by reference to the expected cost that would be otherwise incurred by the NZAF.

Bequests

Bequests are recognised as revenue upon receipt, unless the conditions of the will require performance of certain conditions only when there are use or return clauses. However, if the conditions of the Will require performance of certain conditions, which cannot be met then the bequest is returned to the estate of the deceased. Where there is an unspent amount from conditioned bequest revenue relating to the specific purpose to the bequest, the remaining revenue is recorded as income in advance until such time as the conditions are met.

Pharmac

Pharmac revenue is recognised as it is earned.

Other revenue

Other non-exchange revenue is recognised as it is earned.

4.4 Financial instruments

Financial assets and financial liabilities are recognised when the NZAF becomes a party to the contractual provisions of the financial instruments.

The NZAF does not recognise any part of a financial asset, or any part of a group of similar financial assets when:

- the rights to receive cash flows from the asset have expired or are waived; or

Significant accounting policies (continued)

- the NZAF has transferred its rights to receive cash flows from the assets, or has assumed an obligation to pay the received cash flows in full without material delay, to a third party; and either
- The NZAF has transferred substantially all the risk and rewards of the assets; or
- The NZAF has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

Financial assets within the scope of PBE IPSAS 29 Financial Instruments Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The NZAF's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables. The NZAF's financial assets include: cash and cash equivalents; short-term investments; receivables from non-exchange transactions; and receivables from exchange transactions.

The NZAF assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. The NZAF's investments equities fall into this category of financial instruments.

Loans and receivables

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The NZAF's cash and cash equivalents, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Impairment of financial assets

The NZAF assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are incurred, if there is objective evidence or impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference

Significant accounting policies (continued)

between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there is any objective evidence of impairment, the NZAF first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the NZAF determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Financial liabilities

The NZAF financial liabilities include trade and other creditors (excluding GST and PAYE).

All financial liabilities are initially recognised at fair value (plus transaction costs for financial liabilities not at fair value through surplus and deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus and deficit.

4.5 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Short term investments

Short term investments comprise term deposits which have a term of greater than three months but less than twelve months and therefore do not fall into the category of cash and cash equivalents.

4.7 Loans Payable

Loans payable are financial liabilities, other than short-term trade payable on normal credit terms.

4.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation is charged on a diminishing value basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life.

Assets are depreciated as follows:

Office Furniture	11 – 60% DV
Office Equipment	10 – 67% DV
Clinic Equipment	12 – 33% DV

Significant accounting policies (continued)

Leasehold Alterations	3 – 48% DV
Land and Building	3 – 31.2% DV

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

4.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The NZAF does not hold any intangible assets that have an indefinite life.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The amortisation period for the NZAF assets are as follows:

- Databases / Software 48% DV (2016: 48 % DV)

4.10 Leases

(i) NZAF as a lessee

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

(ii) NZAF as a lessor

Leases in which the NZAF does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

Rent received from an operating lease is recognised as income on a straight-line basis over the lease term.

Contingent rents are recognised as revenue in the period in which they are earned.

Significant accounting policies (continued)

4.11 Employee Benefits

Annual leave and long service leave expected to be settled within 12 months of balance date, are classified as a current liability.

Salaries, annual leave and sick leave

Liabilities for salaries and annual leave are recognised in surplus and deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

Employees of the NZAF become eligible for long service leave after a certain number of years of employment, depending on their contract. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

4.12 Income tax

The New Zealand AIDS Foundation is registered with Department of Internal Affairs Charities Services as a charitable entity; registration number CC22230. Due to its charitable status, the NZAF is exempt from income tax.

4.13 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except for receivable and payments, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivable or payables in the statement of financial position.

4.14 Statement of cash flow

Basis of preparation

The statement of cash flow has been prepared using the direct approach.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts and bank overdraft accounts.

Split of activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, and intangible assets.

Financing activities are those activities which result in changes in the size of and composition of the capital structure of NZAF. This includes cash proceeds from, and repayments of bank borrowings and inter-company debt, and cash payments to owners to acquire the entity's shares.

Operating activities include all transactions and other events that are not investing or financing activities and include the cash received from and paid in relation to principal revenue producing activities.

Significant accounting policies (continued)

4.15 Equity

Equity is the community's interest in the NZAF, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the NZAF's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

5. Significant accounting judgements, estimates and assumptions

The preparation of the NZAF's financial statements requires the Board and management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

5.1 Judgements

Judgements made in applying the NZAF's accounting policies that have had the most significant effects on the amounts recognised in the financial statements include the following:

- Revenue recognition - Grants – non-exchange revenue (conditions vs restrictions)

Grant revenue is treated as non-exchange revenue where revenues received for projects and other expenditure is not, in all likelihood, received for a specific purpose and does not have reasonable equal costs associated with it.

Non exchange grant revenue is recognized immediately in the P&L unless there is a return clause associated with the performance of certain obligations. Exchange grant revenue by its nature would be recognized once the goods or services or equal value have been delivered.

The NZAF must exercise judgement when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

- Operating lease commitments – as lessor

The NZAF has entered into commercial property leases for part of its main building. The NZAF has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The NZAF based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the NZAF. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators:

- The condition of the asset;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed; and
- Change in the market in relation to the asset.

The estimated useful lives of the asset classes held by the NZAF are listing in Note 4.8 (property, plant and equipment) and 4.9 (Intangible Assets).

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2017

Donated goods

Some sponsorship revenue is received as goods in kind, this includes:

- 50,000 Durex Play Feel 5ml lube sachets valued at \$11,250 donated by Reckitt Benckiser;
- Durex products for prize materials valued at \$2,750 donated by Reckitt Benckiser; and
- 5,000 postage envelopes valued at \$1,800 donated by NZ Community Post.

6. Components of net deficit

The following specific expenses are part of the total expenditure resulting in the net deficit:

	2017	2016
	\$	\$
Depreciation	73,246	77,729
Employer Costs	2,546,846	2,475,454

7. Programme shared costs

	Office Resourcing	Personnel	Travel
	\$	\$	\$
2017			
HIV Prevention	138,120	1,043,603	50,250
Health Services	137,434	753,688	44,266
Communications, Fundraising and Research, Analysis & Information	26,644	314,173	2,014
National Support Services	80,426	435,382	17,753
	<u>382,624</u>	<u>2,546,846</u>	<u>114,283</u>
2016			
HIV Prevention	128,983	1,011,255	50,414
Health Services	127,647	748,234	42,886
Communications, Fundraising and Research, Analysis & Information	28,035	329,051	3,541
National Support Services	90,086	386,914	8,745
	<u>374,751</u>	<u>2,475,454</u>	<u>105,586</u>

8. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2017	2016
	\$	\$
Cash at bank	26,079	37,986
Total cash and cash equivalents	<u>26,079</u>	<u>37,986</u>

No restrictions on cash held.

9. Intangible Assets

	2017	2016
	\$	\$
Cost / Valuation	217,990	190,470
Accumulated depreciation	(182,045)	(174,669)
Net book value	<u>35,945</u>	<u>15,801</u>

Intangible assets comprise the Fundraising & Health Services Databases and Fundraising software/licence.

Reconciliation of the carrying amount at the beginning and end of the period:

	2017
	\$
Opening balance	15,801
Additions	27,520
Disposals	-
Amortisation	(7,376)
Closing balance	<u>35,945</u>

10. Property, plant and equipment

	2017	Office Furniture	Office Equipment	Leasehold Alterations	Land	Building	Total
		\$	\$	\$	\$	\$	\$
Cost / Valuation		110,195	264,118	12,454	1,525,327	1,044,289	2,956,383
Accumulated depreciation		78,349	240,533	9,202	-	287,514	615,598
Net book value		<u>31,846</u>	<u>23,585</u>	<u>3,252</u>	<u>1,525,327</u>	<u>756,775</u>	<u>2,340,785</u>

	2016	Office Furniture	Office Equipment	Leasehold Alterations	Land	Building	Total
		\$	\$	\$	\$	\$	\$
Cost / Valuation		110,195	252,174	11,103	1,525,327	1,044,289	2,943,088
Accumulated depreciation		72,933	224,718	8,709	-	243,368	549,728
Net book value		<u>37,262</u>	<u>27,457</u>	<u>2,394</u>	<u>1,525,327</u>	<u>800,921</u>	<u>2,393,361</u>

Reconciliation of the carrying amount at the beginning and end of the period:

	2017	Office Furniture	Office Equipment	Leasehold Alterations	Land	Building	Total
		\$	\$	\$	\$	\$	\$
Opening balance		37,262	27,457	2,394	1,525,327	800,921	2,393,361
Additions		0	11,943	1,351	0	0	13,294
Disposals		0	0	0	0	0	0
Depreciation		(5,416)	(15,815)	(493)	0	(44,146)	(65,870)
		<u>31,846</u>	<u>23,585</u>	<u>3,252</u>	<u>1,525,327</u>	<u>756,775</u>	<u>2,340,785</u>

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2017

11. Income in Advance / Operational Grants

Grants / Funding	2017	2016
	\$	\$
Auckland Council Otara Papatoetoe Local Board	-	813
First Sovereign	1,850	-
Pelorus Trust	-	5,000
Pub Charity	-	5,000
WEL Energy Trust	-	2,000
Total Grants	1,850	12,813
Pharmac Funding	7,455	-
Total	9,305	12,813

Grants are received from various sources to be used for the benefit to fund specific projects. Projects still in progress at balance date are recorded as Income in Advance, provided there is a specified return obligation to each grant. Pharmac Funding; condoms ordered in June for July distribution.

Operational Grants

During the year the following grants and sponsorships were received for operational costs:

	2017	2016
	\$	\$
Almond Breeze (Brand Spanking)	4,750	4,500
ANZ National Bank	4,750	4,500
Auckland Council - Albert/Eden	5,500	4,700
Auckland Council Otara Papatoetoe Local Board	-	3,328
Auckland Council - Regional	15,000	15,000
AUT	4,750	4,500
Betty Campbell Grant - Wellington City Council	5,000	5,000
Bluesky Community Trust Ltd	9,000	8,959
COGS - Internal Affairs	3,000	3,000
Dragon Community Trust	-	3,000
DV Bryant Trust	-	3,500
Family Bar	1,000	1,000
First Sovereign	5,000	-
Foodstuffs	2,174	-
Foundation North	20,000	10,000
Four Winds Foundation	-	6,500
Grassroots Trust Ltd	7,961	5,500
Grassroots Trust Ltd	18,688	-
Grassroots Trust Ltd	10,000	-
Health2000	-	4,500
Infinity Foundation	3,000	-
Lion Foundaton	2,962	-
Lottery Grants Board	10,000	-
Mainland Foundation	-	3,333
Mt Wellington Foundation	3,161	-
North and South Foundation	-	1,590
NZ Post	1,800	1,960
Pelorus Trust	1,000	15,000
Pelorus Trust	1,000	-
Pub Charity	-	10,000
Public Trust Louisa and Patrick Emmett Murphy Foundation	10,317	-
Reckitt Benckiser (NZ) Ltd (Durex)	45,000	45,000
Social Services Waikato - Len Reynolds trust	-	3,000
Southern Cross Health Society	3,000	-
The Canterbury Community Trust (Rata Foundation)	8,000	-
The Waikato Community Trust (Trust Waikato)	3,500	1,500
The Southern Trust	10,000	-
WEL Energy Trust	-	2,000
Youth Town Inc	-	1,750
Total	219,313	172,620

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2017

Movements during the year:

- Operational Grants

	2017	2016
	\$	\$
Operational grants from income in advance released with conditions completed with return specified	12,813	15,070
Operational Grants received throughout the year	153,889	108,620
Sponsorships received throughout the year	65,424	64,000
Operational grants income in advance with conditions not completed with return specified	(1,850)	(12,813)
Total	230,275	174,877

- Capital Grants

During the year there were no grants were received for capital costs:

	2017	2016
	\$	\$
Grassroots Trust	-	4,177
Total	-	4,177

Movements during the year:

	2017	2016
	\$	\$
Capital grants from income in advance released with conditions completed with return specified	-	-
Capital Grants received throughout the year	-	4,177
Capital grants income in advance with conditions not completed with return specified	-	-
Total	-	4,177

- Other

Movements during the year:

	2017	2016
	\$	\$
Income in Advance Other released	-	-
Operational Income Other received throughout the year	7,455	-
Operational Income in Advance Other for future year	(7,455)	-
Total	-	-

12. Borrowings

Flexible Credit Facility

The Flexible Credit Facility from the ANZ Bank New Zealand Ltd is supported by a registered first ranking mortgage over 31-35 Hargreaves Street, St Marys Bay, Auckland by the NZAF.

Summary of Facility;

	NZ\$
Flexible Credit Facility	<u>1,285,000</u>
Total Limits	<u>1,285,000</u>

As at 30 June 2017 NZAF had banking facilities with ANZ Bank New Zealand Limited in place until 30 November 2017. Following NZAF's entry into a further contract with the Ministry of Health (MoH) on 10 July 2017, ANZ extended NZAF's facilities on 15 August 2017 to 30 November 2018.

The Facility may be drawn in tranches, so long as the sum of all tranches outstanding does not exceed the Facility Limit. The NZAF draws down as required and repays the tranches in full twice a year when it receives the main Ministry of Health exchange revenue instalments.

Balance;

	2017	2016
	\$	\$
Flexible Credit Facility	<u>600,000</u>	<u>500,000</u>
Total	<u>600,000</u>	<u>500,000</u>

Interest;

2017 Facility balance is made up of two tranches \$350,000 @ 4.07% interest and \$250,000 @ 3.98% interest; 2016 Facility balance is made up of two tranches \$300,000 @ 4.31% interest and \$200,000 @ 4.27% interest.

Financial Covenant;

For the year ended 30 June 2017 all covenants imposed on NZAF by ANZ Bank New Zealand Limited were met.

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2017

13. Reserves

Research Reserves	2017	2016
	\$	\$
Research Reserve at the end of year	-	23,920

The Research Reserve is made from accumulated funds from the NZAF and a Bequest, received in February 2011 specifically for AIDS research purposes, for the University of Auckland Research Fellowship. This reserve is now exhausted.

Ministry of Health Reserve	2017	2016
	\$	\$
Ministry of Health Reserve at the end of year	-	60,000

The Ministry of Health Reserve is from exchange revenue from the Ministry of Health received to fund specific projects that are still in progress or delayed at the end of balance date. There is no reserve for 2017.

Ministry of Health Reserve Breakdown	2017	2016
	\$	\$
HIV Prevention - PrEP Project	-	30,000
HIV Prevention - Updating Strategy and Branding	-	30,000
	-	60,000

14. Related Parties

Related Parties

The Foundation's election was held in conjunction with the AGM on 5 November 2016, when David Friar and Massimo Giola were re-elected for a third term, expiring in November 2018 and Michael Moore was re-elected for a second term, also expiring in November 2018. At the Trust Board meeting of 11 February 2017, the Trust Board re-elected David Friar as Chair, re-elected Vaughan Meneses as Deputy Chair until 29 April 2017, re-appointed Virginia Cattell as the non-voting Board Secretary and re-appointed David Ting as a General Trustee for a second term, expiring in April 2019. At the Trust Board meeting of 29 April 2017, the Trust Board appointed Guy Alexander and Anthony Fallon as co-opted non-voting Board Members for a two-year term, expiring in April 2019; appointed Daniel Keys as a General Trustee for a first term, expiring in April 2019; accepted Vaughan Meneses' resignation effective 30 April 2017; and elected Michael Moore as Deputy Chair for the remainder of 2017.

Related party transaction

	2017	2016
Related Party	\$	\$
Chairman Honorarium	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

There have been no other transactions between the Trustee Board and the NZAF.

Key Management Personnel

Key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the Trust Board together with the Executive Director, Operations Director (formerly General Manager Operations), Scientific Director (disestablished April 2017) and Administration & Finance Director (formerly Administration & Finance Manager). The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis is as follows;

Category	Number of FTEs		2017	2016
	2017	2016	\$	\$
Board of Trustees	9	8	-	-
Senior Management	4	4	471,234	442,671
			<u>471,234</u>	<u>442,671</u>

No remuneration or loan advance was paid to any close family members of key management personnel.

Donations

During the period the Chairman, David Friar, donated to the NZAF \$3,200 (2016: \$1,200).

There have been no other related party transactions during the year.

15. Operating Leases*Operating Leases as lessee*

The NZAF has entered into commercial leases on premises, right of use assets and equipment. These leases have an average life of between one and five years, with no renewal option included in the contracts. There are no restrictions placed upon the NZAF by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 and 2016 are as follows;

	2017	2016
	\$	\$
Less than one year	110,493	140,982
Between one and five years	143,032	50,230
Total non-cancellable operating leases payments	253,525	191,212

As at the reporting date, the following lease payments have been recognised as an expense;

	2017	2016
	\$	\$
Premises - Rental	114,083	117,480
IT Contract & Online database subscription	37,200	33,931
Photocopiers / Printers	14,970	10,549
Telephone System	10,303	12,649
Mobile phones	18,527	17,898
	195,083	192,507

Operating Leases as lessor

The NZAF has entered into commercial property leases for the surplus office space in its owner occupied office building. These non-cancellable leases have remaining terms of between one and three years. Of these lease agreements one can be terminated with three months' notice by the lessee if it no longer has operational funding and the NZAF is satisfied that the lessee has expended all reasonable resources and efforts to source such funding. All leases include a clause to enable upward revision of the rental charge on an annual basis in line with prevailing CPI rate. All leases have one right of renewal for a further three year term. These leases did not result in restrictions being imposed on NZAF.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2017 and 2016 are as follows:

	2017	2016
	\$	\$
Less than one year	24,390	25,640
Between one and five years	10,640	35,030
Greater than five years	-	-
Total non-cancellable operating lessor revenue	35,030	60,670

As at the reporting date, the following lease income has been recognised as revenue;

	2017	2016
	\$	\$
Premises - Rental	37,316	21,782
	37,316	21,782

16. Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statements of financial position relate to the following categories of assets and liabilities:

	2017	2016
	\$	\$
Loans and receivables at amortised cost:		
Cash and cash equivalents	26,079	37,986
Receivables from exchange transactions	20,629	13,785
Receivable from non-exchange transactions	13,694	1,150
	<u>60,402</u>	<u>52,921</u>
Financial Liabilities at amortised cost		
Trade and other creditors	130,832	207,242
Accrued Expenditure	27,323	20,674
	<u>158,155</u>	<u>227,916</u>

17. Capital commitments

At reporting date, the NZAF capital commitments are \$Nil (2016: \$29,280)

18. Contingent assets and liabilities

There are no contingent assets or liabilities at reporting date (2016: \$Nil). The NZAF has not granted any securities in respect of liabilities payable by any other party.

19. Events after the reporting date

NZAF relies on funding from the Ministry of Health (MoH) in order to operate and the current three-year contract with MoH came to an end on 30 June 2017. In February 2017 NZAF commenced negotiations with MoH for the renewal of its funding contract for the period 1 July 2017 to 30 June 2020. On 10 July 2017 MoH confirmed its 3-year funding commitment to NZAF. As the contract renewal date was after balance date, at balance date NZAF did not have any future committed income.

The Board and management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements, that have significantly or may significantly affect the operations of the NZAF (2016: \$Nil).

Independent Auditor's Report

To trustees of New Zealand AIDS Foundation

RSM Hayes Audit

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Level 1, 1 Broadway
Newmarket, Auckland 1023

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Opinion

We have audited the financial statements of New Zealand AIDS Foundation, which comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity;
- the statement of cash flow for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 2 to 23 present fairly, in all material respects, the financial position of New Zealand AIDS Foundation as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime 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 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, the Foundation

Other information

The trustees are responsible for the other information. There is no other information, which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover any other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the trustees for the financial statements

The trustees are responsible, on behalf of New Zealand AIDS Foundation, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance 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, on behalf of the Foundation, for assessing the 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 intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

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

A handwritten signature in blue ink, appearing to read 'RSM', is written in a cursive style.

RSM Hayes Audit
Auckland

8th September 2017