



Adele Younghusband, *Head Study*, 1946, Oil on card
Whangārei Art Museum Collection [1990.36.16], Adele Younghusband Family Bequest

WHANGĀREI ART MUSEUM TRUST HALF YEAR REPORT | 2019-2020

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CHAIR AND CHIEF EXECUTIVE'S JOINT REPORT

The months since 1 July 2019 have been marked by tremendous developments, and much has been accomplished.

A comprehensive overview of the brand has been undertaken to unite Whangārei Art Museum, Hundertwasser Art Centre and Wairau Art Gallery under one common ethos – bringing cohesion and structure to their complementary offerings. In doing so, each entity's unique attributes and purpose has been identified. It was recognized that we have an opportunity to create an art precinct which helps revitalize the city, transforming and enriching people's lives through the experience of art and nature.

A communication strategy with associated PR plan has been developed to bring determination to our communications with key stakeholders and with media. The strategy outlined ways in which WAMT could have more impact; positive word of mouth and community engagement were included in a list of desired outcomes.

During the period we faced a considerable challenge. A \$4million construction cost over-run of the Hundertwasser project was identified, due to a combination of factors which could not have been foreseen – the building's unique complexity, the discovery of asbestos on the site, combined with greater local government engineering requirements, operating as we are, in a more risk-averse construction environment. In response to this financial challenge, a dedicated team of revenue generators was formed, and tasked with raising the needed funds from a combination of government, philanthropic and corporate sources. Progress to date has been pleasing, with 25% secured and significant additional funds expected to be confirmed before 30 June 2020.

The Hundertwasser Art Centre is rising from the ground. The core structure is nearly complete, and work has begun on the rooftop. A team of expert tilers has begun the complex work of finishings in accordance with the Hundertwasser Foundation's exacting standards.

A positive working relationship has been established with the trustees of the Wairau Maori Art Gallery, with discussions underway for an exceptional first year of exhibitions when the building opens next year.

At Whangārei Art Museum, a series of quality exhibitions has attracted strong and enthusiastic audiences. James Mollison's photographic exhibit *Where Children Sleep* was especially successful with over 5000 visitors, including young people. The show garnered considerable word of mouth on social media, raised more than \$2000 for Variety's Children Charity, and at once helped raise the visibility of the Museum and boosted local pride among regional visitors.

An exhibition of photography from the Hundertwasser site by local artist Sue Shepherd, captured the faces and efforts of the locals whose physical work and artistry has enabled the building to progress. This gave us a tremendous chance to acknowledge and thank the construction team and the volunteers, while bringing together the broader artistic and community objectives of both the Hundertwasser/Wairau project and Whangārei Art Museum.

In December, WAM launched our first dedicated interactive space, with an exhibit titled *The Plant Room* from Whangārei creative technologists and artists, Awhi World.

Shared Stories from Trent Morgan and Kim Groeneveld is an interactive installation that enables hands-on creativity from visitors, and is notably popular with families.

A substantial portrait exhibition titled *Face to Face* showcases works from WAM's collection, including a stunning painting by Charles Goldie. It is a highlight for the period.

Whangārei Art Museum used the opportunity of a renovation to screen four feature films in Gallery 2, with strong audiences showing up and enjoying each hosted evening. Artist talks and a musical event each attracted large turnouts.

WAM has broadened its scope and ambitions, as we move inexorably towards the realization of a broader remit. We want to thank the staff for their dedication, hard work and creativity in taking on diverse demands and realizing the opportunities provided to them over the last six months.

Thomas Biss

Chair

Whangārei Art Museum Trust

Kathleen Drumm

Chief Executive

Whangārei Art Museum

Hundertwasser Art Centre

Wairau Māori Art Gallery

PERFORMANCE MEASURES

Governance

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	Action/Outcomes
<p>To operate within agreed financial budgets (requires performance objectives to match available funding)</p> <p>Required for WDC Annual Operating Grant</p> <ul style="list-style-type: none"> • Solvency • Appropriate level of reserves (3+ months of operating budget) • Appropriate level of cash in bank • Appropriate oversight (skilled bookkeeper, reviewed or audited accounts) • Confirm operations are funded from multiple sources including self-generated income 	<p>Within budget to 31 December 2018</p>	<p>Actual spend ≤ budget</p> <p>Six monthly financial report with brief narrative</p> <p>Confirmation required to support application for WDC Annual Operating Grant (cover in first six monthly financial report above)</p>			<p>On track.</p> <p>Whangārei Art Museum (WAM) operations are forecast to exceed budget and will be supported by unbudgeted interest earned on HAC funds.</p> <p>The full year forecast, and half year financial statements are included below in this report.</p> <p>Requirements for WDC Annual Operating Grant: All requirements have been met.</p>
<p>Six monthly reporting on WAMT achievement against 2019/20 action areas under strategic objectives as set out in this SOI</p>	<p>New measure for 2019/20</p>	<p>Six monthly narrative report</p>			<p>Achieved.</p>

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	Action/Outcomes
<p>Report should also include information required for WDC Annual Operating Grant:</p> <ul style="list-style-type: none"> • Legal status is current – confirm registered charitable trust, register is kept up to date, and operating in accordance with Trust Deed • Business planning in use with evidence of reviewing progress against plan • Evidence of collaboration • Steady operation – report on any significant changes including financial, operational, or governance changes • Positive impact – activities positively impact on the community and provide value for money for the ratepayers • Alignment – with WDC Community Outcomes 		Confirmation required to support application for WDC Annual Operating Grant (cover in first six monthly narrative report above)			<p>Legal Status WAMT is a registered charitable trust. The trust register is currently up to date and the trust is operating in accordance with the Trust Deed.</p> <p>Business Planning A five-year strategic plan is in place, reviewed annually by the Board. The CE reports monthly to the Board against forecast activity.</p> <p>Evidence of Collaboration An MoU will shortly be finalised with the Wairau Maori Art Gallery Board, signalling a strong, working relationship which will support gallery operation. WAM has been encouraging school visits to the gallery and teamed up with Variety – the Children’s Charity to run a public programme which raised over \$2,000 for Northland children.</p> <p>Steady Operation Sharon Morgan now serves as a Board appointed trustee and Ken Couper as a WDC appointed trustee. This raises the number of trustees to 6, in keeping with the requirements of the Trust Deed. The Board anticipates that WDC will appoint a Hapu representative as trustee in 2020.</p> <p>Positive Impact on Community WAM continues to attract a growing number of visitors to the Museum. Offerings have been extended to include film evenings and workshops. Newly developed gallery spaces are</p>

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	Action/Outcomes
					<p>allowing a greater diversity of exhibitions, featuring local artists, interactive components, and WAM’s permanent collection, alongside exhibitions of national significance.</p> <p>Alignment with WDC Community Outcomes: Positive about the future The new HAC/WMAG will be a significant, added attraction to the city centre for both visitors and locals and will stimulate flow on opportunities for other businesses.</p> <p>Caring for the environment The HAC/WMAG incorporates a roof top garden which will merge into the new Town Basin Park being developed by WDC, adding to the green open spaces of the downtown area. The building itself exemplifies Hundertwasser’s philosophy of art and life in harmony with nature and will stimulate visitors’ connection with the environment.</p> <p>Proud to be local Both the HAC/WMAG and the WAM provide opportunities for the community to engage with art in its broadest sense. Local artists are showcased, and activities targeted to a variety of demographics.</p>

Operations

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	Action/Outcomes
Quarterly reporting on achievement against the 2019/20 HAC project objectives as set out in this SOI	New measure for 2019/20	Quarterly narrative report with financial information specific to the HAC project			On track. Reports on the HAC project have been provided to council for quarters 1 and 2 by the 20 th of the month following.
Annual review of WAM operation hours, and exhibition numbers to meet agreed funding	Completed	Six monthly narrative report			On track. Exhibition numbers and budget agreed 25.07.2019. Operating hours assessed and no changes made to existing hours to date.
WAM collection management undertaken	Completed	1,000 works reassessed annually Cover in second six monthly report			On track. The WAM collection has been reviewed as part of the Collection Management Project. A new target, more appropriate for BaU, will be proposed for 2020/21 and ongoing.
Additional measures required for WDC Annual Operating Grant for Whangārei Art Museum					
Amenity development Continue to improve the WAM visitor experience thereby promoting the arts and contributing to the wellbeing and economic growth of the district	New measure for 2019/20	Annual survey demonstrates improvements in how Whangārei Art Museum is regarded. Cover in first six monthly narrative report			On track. Newly developed gallery spaces at WAM are allowing a greater diversity of exhibitions, featuring local artists, interactive components, and WAM's permanent collection, alongside exhibitions of national significance. WAM will participate in the 2020 Annual Museums Aotearoa survey.

Performance Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	Action/Outcomes
Community engagement Strengthen community engagement through programmes, events and collaborative initiatives including an educational component.	New measure for 2019/20	Evidence of three programmes, events or initiatives developed or in development annually. Cover in first six monthly narrative report			Achieved. Multiple film evenings, workshops and gallery talks have been held or are planned for the current year. See the Curator's Report on page 13 for details.
Growth Grow awareness of and attendance at the Whangārei Art Museum	New measure for 2019/20	Agreed annual percentage increase to visitor numbers. Cover in first six monthly narrative report			On track. Visitor numbers totalled 10,414 at the end of December 2019 and are currently forecast to reach the target of 20,213.

Drafting Note

More work is required to confirm some measures. The intent is to refine the measures further to align with Council's requirements for Annual Operating Grants, to reduce duplication of reporting by the Trust.

STRATEGIC OBJECTIVES

Strategic Objective	Action areas	Action/Outcomes
<i>Creating brand and identity</i>	<ul style="list-style-type: none"> ▪ Undertake a comprehensive brand redefinition to support the transition of WAM and Hundertwasser into 'one organisation', ensuring the Museum's identity is maintained ▪ Consider positioning in the wider NZ context, to provide WAMT with a more visible leadership role in the creative arts sector ▪ Promote Wairau Maori Arts Museum to become a destination of regional and national significance ▪ Increase visibility and visitor engagement by improving the entrance to, and arrival experience at the Art Museum ▪ Improve signage from State Highway to attract visitors ▪ Put on shows and events that attract people to Whangārei, as the creative hub of Northland 	<ul style="list-style-type: none"> • A brand exercise has been undertaken, with the intention of uniting all three of WAMT's offerings under a common ethos, within an art precinct. Each of the three has been individually defined in terms of its unique purpose, ensuring the Museum's identity is maintained. • The brand will be introduced to the wider NZ environment at the NZ Museums conference and the Tourism convention, which both take place in May. • Discussions with Wairau have progressed on plans for an exceptional first year of exhibition, once the Gallery opens. • Signage on State Highway will be addressed with NZTA

Strategic Objective	Action areas	Action/Outcomes
	<ul style="list-style-type: none"> ▪ Explore new premises for a city arts centre to showcase arts of the region 	<p>when the Art Centre is closer to completion.</p> <ul style="list-style-type: none"> • The Art Museum’s programme has included art exhibitions, musical performances, and film screenings, attracting local and national visitors.
Partnering with others for the benefit of our community	<ul style="list-style-type: none"> ▪ Strengthen relationship with Whangārei District Council, including agreement of our mutual objectives, how we will work together to achieve these ▪ Build constructive relationship with Creative Northland, and other parts of the creative sector in Whangārei, to support the district to become the cultural destination of the North ▪ Support Whangārei District Council with development of the draft Whangārei Arts Culture and Heritage Strategy (2019) ▪ Develop wider consultative relationship with Tangata Whenua representatives ▪ Develop practical working relationship with Wairau Maori Arts Board to support gallery network operation ▪ Partner with NorthTec to amplify WAMT’s educational role in the community, and as a pathway for Rangatahi into arts and culture ▪ Partner with the community to amplify educational role including utilising WAM as a resource for school art curriculums, school holidays programmes, and family workshops. 	<ul style="list-style-type: none"> • Numerous meetings with WDC staff and councillors have taken place during the period under review, towards a mutual desire for greater understanding and collaboration. A presentation to Council will take place in April 2020. • Meetings have occurred with Creative Northland, along with a site visit, wherein WAMT hosted CN and the head of Creative NZ during their trip to Whangārei. • Board members of WAMT provided input towards the draft WAC&H strategy. • WAM staff have met with local tohunga and tangata whenua on both formal and informal occasions. A good working relationship has been established. • The possibility of a NorthTec student being employed as a business intern on the HAC project was explored. • School groups and families have visited our exhibitions, notably the James Mollison ‘Where Children Sleep’ show which attracted considerable positive comment across all ages and demographics.
Achieving sustainability	<p>Good governance</p> <ul style="list-style-type: none"> ▪ NZ Institute of Directors “Four Pillars of Governance” ▪ Performance review of trustees ▪ Trustee skills matrix to identify skills required to support strategic direction ▪ Monthly, documented board meetings 	<p>Good governance</p> <ul style="list-style-type: none"> • Once WDC advises the Hapu representative, the Board will have a full complement of trustees, covering a broad skill base. • Monthly, documented board meetings are held.

Strategic Objective	Action areas	Action/Outcomes
	<p>Long term and annual planning</p> <ul style="list-style-type: none"> ▪ Long term strategy ▪ Annual planning to support strategy ▪ Monitoring of progress and KPIs ▪ Annual report completed at end of financial year <p>Health and safety</p> <ul style="list-style-type: none"> ▪ NZ Institute of Directors Health and Safety Guide ▪ Trustees have knowledge of and commitment to health and safety ▪ Ensure CEO exercises due diligence in relation to health and safety <p>Being a good employer</p> <ul style="list-style-type: none"> ▪ WAMT employees have regular performance reviews which form part of their Professional Development & Training Programme <p>Risk management</p> <ul style="list-style-type: none"> ▪ Annual update of Strategic Risk and scoring in accordance with AS/NZS ISO 31000:2009 ▪ Appropriate Insurance – independently assessed ▪ Areas for internal audit and review identified annually <p>Legislative and Trust Deed compliance</p> <ul style="list-style-type: none"> ▪ All legislative requirements met ▪ Clean opinion -as part of Annual audit by Audit NZ ▪ LGOIMA requests are answered within statutory timeframes <p>Effective financial management</p> <ul style="list-style-type: none"> ▪ Monthly accounts prepared by WDC and approved by WAMT Board ▪ Full GAAP accounting reporting ▪ Annual audited accounts ▪ Monthly forecast review of exhibitions budget by WAMT 	<p>Long term and annual planning</p> <ul style="list-style-type: none"> • The five-year strategic plan will be reviewed in February 2020. Annual planning is guided by the HAC project timeline. • Progress on tasks is monitored at Board meetings. <p>Health and safety</p> <ul style="list-style-type: none"> • H&S is a standing agenda item at Board meetings, the monthly Business Management Group Meeting (overseeing the Hundertwasser Art Centre Project), and WAM monthly staff meetings, chaired by the CE. <p>Being a good employer</p> <ul style="list-style-type: none"> • Processes for performance reviews are in development. <p>Risk management</p> <ul style="list-style-type: none"> • All appropriate insurance cover is in place. • A comprehensive risk register is kept updated for the HAC Project. <p>Legislative and Trust Deed compliance</p> <ul style="list-style-type: none"> • Legislative requirements for this financial year have been met to date. • Two LGOIMA requests have been received and answered within the statutory timeframes. <p>Effective financial management Achieved.</p>

Strategic Objective	Action areas	Action/Outcomes
	<p>Financial Sustainability</p> <ul style="list-style-type: none"> ▪ Work with Chief Executive to review operations to align with single entity, and available funding ▪ Review organisational structure ▪ Review Hub Gallery service profile, including number of galleries, operating hours, and complementary services such as stocking merchandise from local sources that complement the gallery 	<p>Financial Sustainability</p> <ul style="list-style-type: none"> • Pre-opening and operational budgets have been developed by the CE and approved by the Board. • Staffing across WAMT has been reviewed and budget allocations approved by the Board. Two new roles have been developed and the hiring process is underway.
	<p>Operational efficiency and effectiveness</p> <ul style="list-style-type: none"> ▪ Establish operational level relationships and MOU with Whangārei District Council ▪ Compliance with LGA Statement of Intent preparation and reporting requirements ▪ Develop marketing and communications plan ▪ Monitor visitor numbers and conduct annual visitor survey ▪ Build up volunteer base to support both governance and operations ▪ Identify fundraising opportunities ▪ Develop business cases as required, targeted at specific Funders and Sponsors ▪ Collections management - reassess collections, including core works, renew collections management policy ▪ Storage of works - look at options to improve storage, including the controlled environment, and areas to accommodate touring shows ▪ Lighting - upgrade lighting as funding becomes available, develop business case for future capital investment ▪ Exhibitions – work with Council to promote and run quality events, reach out to new audiences, and grow visitor numbers ▪ Air conditioning – upgrade air conditioning to meet required Gallery Standards for Air Control, develop business case for future capital investment 	<p>Operational efficiency and effectiveness</p> <ul style="list-style-type: none"> • The Board is on track to be compliant with all LGA Sol requirements • A marketing and communications strategy was prepared, along with a pitch plan for media. • Visitor numbers are monitored and tracked against previous years and exhibitions. WAM participates in an annual survey run by Museums Aotearoa. • The volunteer base has been actively developed and WAM now has 7 volunteers providing invaluable support in the gallery and behind the scenes. Volunteers also play key roles in the HAC construction project. • A revenue generation group has been formed to identify and apply for funds for the HAC project. The group meets weekly to strategize and further its efforts. • A part time Registrar has been employed at WAM to manage the collections and ensure WAM operates within industry standards. • Further new lights have been purchased, to improve lighting quality in Gallery 2. • Exhibition quality and visitor numbers are tracking well. • Procurement is underway for a further upgrade to AC.

WHANGĀREI ART MUSEUM

Curator's report

Overview

The first half of this financial year has seen the implementation of a new exhibition programme and new exhibiting spaces, with a diverse schedule showcasing top national and international artists (T), WAM curated exhibitions of Northland artists (N) and our collection (C), and exhibitions coinciding with community specific events (COM). There has also been an emphasis on educational components and public programmes in conjunction with these exhibitions.

Where Children Sleep, by international photographer James Mollison was particularly successful. Over 5,000 visitors came through the doors, including school groups. The associated public programme which we teamed up with Variety the Children's Charity for, raised over \$2,000 for their programmes for Northland children. The Younghusband Gallery reopened in December with the new exhibiting spaces and was another notable success. The inaugural exhibitions showcased our collection alongside two exhibitions both by Northland artists. The response to these changes has been overwhelmingly positive. The reconfiguration of the Younghusband Gallery has also enabled us to better utilise the space for public programmes and events including a film festival, live music events and corporate venue hire.

Exhibition Schedule for 2019-2020

Mair Gallery	Younghusband Gallery
Malcolm Harrison (T) A Celebration 3 June - 25 August 2019	Sue Shepherd (COM) From the Hundertwasser Construction site 3 June – 30 June
Where Children Sleep (T) James Mollison 31 August - 1 December 2019	Kanohi ki te kanohi, Face to Face (C) From the Collection 6 December - 6 March
The 80s Show (T) Painting from the Fletcher Trust Collection 6 December 2019 - 23 February 2020	Shared Stories (N) Trent Morgan and Kim Groeneveld 6 December - December 2020
Tony Fomison (T) Lost in the Dark 28 February - 24 May 2020	The Plant Room (N) Awhi World 6 December - October 2020
Eight (C) Staff Selections from the collection 28 February - 24 May 2020	Filani (N) My name comes from this place 12 March - 10 May
Wet Lands (N) Lisa Clunie 29 May – 23 August 2020	Northland Rugby Union (COM) One Hundred 15 May - 5 July 2020
	Freda Simons (C) Bequest from the collection 15 May - 5 July 2020

Collection Management

The Collection Management Project has been successfully concluded. All collection objects excepting photographs have been reviewed and rehoused, accessioned and their object records updated in the database as required. The Collection Management Policy has been updated along with policies and procedures for working with the collection, bringing them into line with industry standards.

It is crucial that WAM now maintain and build on this, in order to ensure the ongoing safety of the existing collection, all touring works on display at WAM, and any new works acquired. To achieve this, WAM has employed a part time Registrar who manages all loans, acquisitions and deaccessions of works, ensures the care and preservation of the collection, and oversees the logistics for all incoming and outgoing art works. The creation of this role also ensures that WAM remains current with all regulatory requirements and standards in the sector.

Visitor engagement

Community

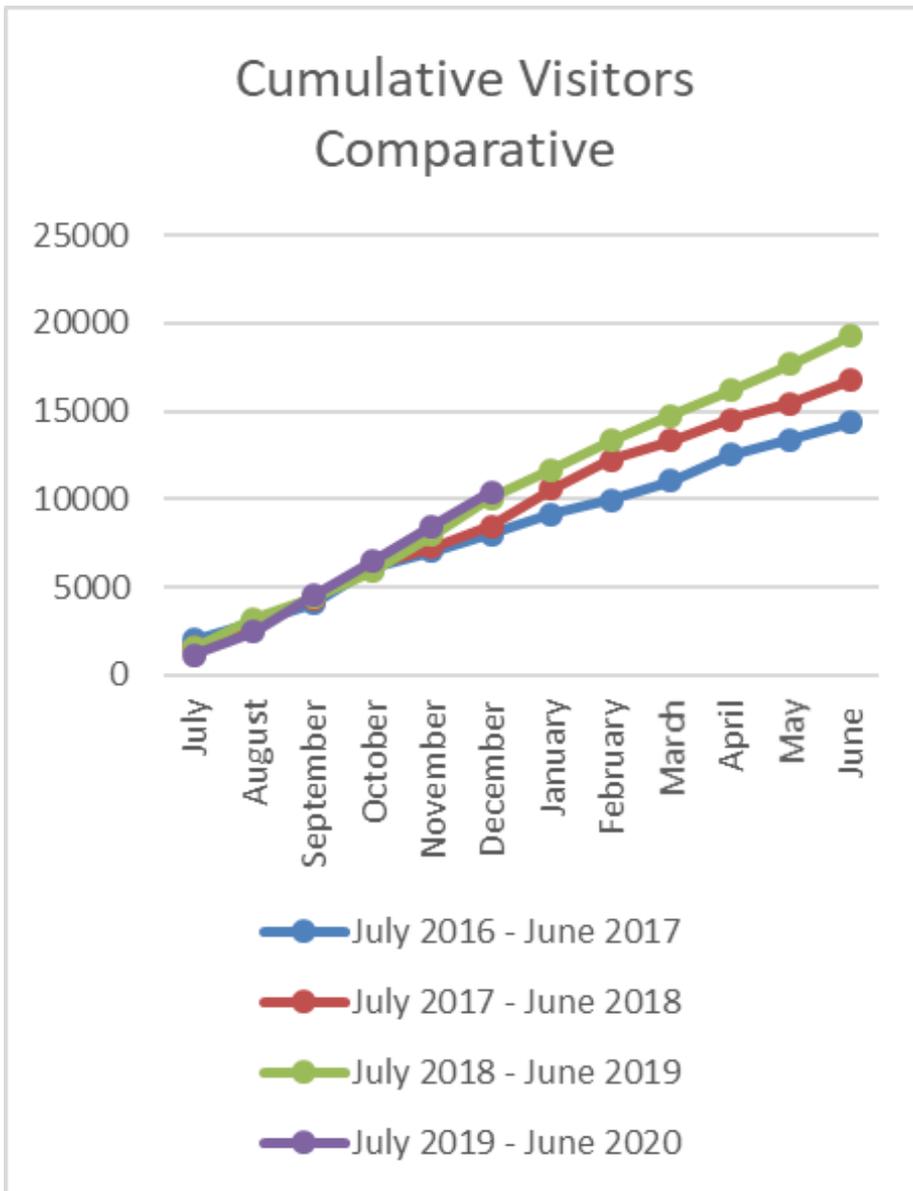
Community engagement has been strengthened through programmes, events and collaborative initiatives, some organised in conjunction with exhibitions and many including an educational component.

Malcolm Harrison	<i>Creative Compositions</i> - Visitors invited to create composition out of felt in response to Malcom Harrisons work
<i>Where Children Sleep</i>	<i>Variety the Children's Charity collaboration</i> Raising money for the Charity which will support programmes for Northland Children.
<i>Shared Stories</i>	Interactive sculpture where visitors create the art work. Social Media marketing campaign where visitors can share their creations online with each other #sharedstories.
<i>The Plant Room</i>	Interactive installation. An ongoing art work where the artists update content in the plant room by working with different community groups to generate content and activate local public spaces.
<i>Film Festival</i>	Four feature films.
<i>Sunday Sessions</i>	Whangārei Band Little Ripples preformed free live music in the Gallery.
<i>Workshops</i>	Creative Technology Northland group meeting at the Whangārei Art museum with Artist talks by Awhiworld and WAM Curator.
<i>Film Night</i>	Screening of NZ Film Bellbird, with directors talk.

Growth

A multipronged strategy has been implemented to raise awareness and increase attendance at WAM, including additional exterior signage throughout the Town Basin area, an increased presence on social media, and the development of community events.

Visitor numbers totalled 10,414 at the end of December 2019 and are on track to meet the forecast of 20,213 for the year.



FULL YEAR FORECAST FOR WAMT

Forecasting 2019-20, up to and including period 6.

	Actuals YTD	Full year forecast	Full year budget	Variance	Commentary
Revenue					
Admission Fees	1,922	1,939	3,480	(1,541)	
Donations, Grants Received	3,422,205	6,642,393	6,314,820	327,573	Combined donations and grants for WAM and the Hundertwasser Project.
Grants (NO GST)	0	0	3,500	(3,500)	
Hireage Fee (R)	2,210	2,210	2,500	(290)	
Interest (R)	72,482	145,000	400	144,600	Interest earned on term investments of HAC funds and WAM accounts.
Misc Income	9,667	9,666	0	9,666	
Sales of Goods	751	1,104	1,500	(396)	
Subscriptions R	0	0	1,500	(1,500)	
Total Income	3,509,237	6,729,795	6,327,700	402,095	
Expenditure					
R&M: Lighting	362	5,362	1,457	(3,905)	
ACC Levies	408	1,387	900	(487)	
Advert Other	14,850	14,850	16,165	1,315	
Annual Software	700	700	0	(700)	
Audit NZ Fees	9,674	19,333	18,180	(1,153)	
Special Audit	0	4,000	0	(4,000)	\$4K opex approved as part of HAC pre-opening budget.
Bank Fees/Char	894	1,044	300	(744)	
Building Compli	0	1,973	0	(1,973)	
Cleaning	605	2,005	1,873	(132)	
Collection Care	131	1,731	2,081	350	
Comp Supplies	233	633	1,873	1,240	
Conference Trav	0	0	2,268	2,268	
COS - Retail	827	1,193	0	(1,193)	
Depn Buildings	3,980	10,224	12,488	2,264	
Depn Office Equ	951	2,601	3,300	699	
Depn Plant/Equi	5,766	10,216	8,900	(1,316)	
Electricity	18,727	18,000	37,454	19,454	Forecast based on 2018-19 actuals.
Exhibition Fees	13,196	26,917	50,490	23,573	Underspend in fees has been spent on other exhibition costs.
Freight/Cartage	2,006	4,663	5,722	1,059	
Gen Stationery	627	1,113	0	(1,113)	
General Misc	195	10,318	1,600	(8,718)	\$6K WAM Exhibition expenses and \$3K opex HAC pre-opening budget, offset by reduction in other budget categories.
Gifts & Promos	0	0	300	300	
Graphic/Print	5,000	11,974	7,362	(4,612)	
Hired Plant Ext	0	0	700	700	
Interest Pd Ext	9,443	9,443	0	(9,443)	
Learning & Dev	0	5,000	2,040	(2,960)	
Magazines/Perio	0	0	724	724	
Maint Repair	0	0	832	832	

	Actuals YTD	Full year forecast	Full year budget	Variance	Commentary
Management Fee	5,000	10,000	10,000	0	
Market Research	234	468	0	(468)	
Marketing	13,167	254,159	0	(254,159)	\$227.5K opex approved as part of HAC pre-opening budget.
Minor Asset Pur	377	377	2,200	1,823	
Off Stationery	0	0	1,020	1,020	
Other Insurance	0	7,283	7,283	0	
Other Profess	1,200	11,400	0	(11,400)	\$10K opex approved as part of HAC pre-opening budget.
Payments to Ext	530	1,340	7,650	6,310	
Photocopying	0	0	1,040	1,040	
Photography	391	1,191	2,705	1,514	
Postage/Courier	13	402	832	430	
Prof Subscripti	530	1,630	1,040	(590)	
R&M Buildings	5,178	7,463	8,122	659	
R&M Sched Maint	107	107	0	(107)	
R&M: Other	270	1,770	320	(1,450)	
R&MPlant/equip	1,100	13,500	0	(13,500)	Unexpected need to upgrade security and AC at WAM.
Rates Paid	0	624	624	0	
Recruitment	20,025	25,250	0	(25,250)	Costs unbudgeted as expected in previous financial year. \$5K opex approved as part of HAC pre-opening budget.
Refreshments Pr	2,502	3,641	7,155	3,514	
Rent Paid	1	171,001	171,000	(1)	
Salary & Wages	159,881	402,803	350,000	(52,803)	Additional roles approved by Board for WAM and HAC.
Security	295	6,030	1,326	(4,704)	
Signs Exp	0	0	1,500	1,500	
Tele/Comm	84	2,214	1,561	(653)	
Travelling Exp	10,831	36,831	4,837	(31,994)	CE travel to Europe not known at budget allocation. 24K opex approved as part of HAC pre-opening budget.
Vehicle Running	866	866	0	(866)	
Waste/Recyc	0	30	7,283	7,253	
Water Rates Pd	0	2,600	1,353	(1,247)	
Total Expenditure	311,155	1,127,659	765,860	(361,799)	
Net Profit / (Loss)	3,198,082	5,602,136	5,561,840	40,296	A pre-opening budget was developed by the CE and approved by the Board in Nov 2019, against raised funds earmarked for this purpose. This has added extra operational expenses which could not be quantified at budget allocation.

APPENDIX 1

Whangarei Art Museum Trust Financial statements For the six months ended 31 December 2019

Whangarei Art Museum Trust

Financial statements - 31 December 2019

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Entity Information

Legal name

Whangarei Art Museum Trust (WAMT).

Type of entity and legal basis

WAMT is incorporated in New Zealand under the Charitable Trusts Act 1957. WAMT is controlled by the Whangarei District Council and is a council controlled organisation as defined in section 6 of the Local Government Act 2002.

WAMT's objective

WAMT actions and directions are determined by the Trust Deed which details the objectives of WAMT. These include the operation of the museum and the requirement to support and stimulate the artistic and cultural life of the Whangarei District. Construction of the Hundertwasser Art Centre with Wairau Maori Art Gallery (HWMAC) is in progress. This project is detailed in Note 14.

Structure of the Trust's operations, including governance arrangements

WAMT comprises a Board of seven Trustees who oversee the governance of the Trust, four approved by the Whangarei District Council and three are appointed by WAMT directly. The Chief Executive is responsible for the operations of WAMT, including relevant aspects of the construction of the HWMAC. Several part time staff support the Chief Executive in delivering against the WAMT's objectives.

Main sources of the Trust's cash and resources

Operating grants received from Whangarei District Council and central government agencies are the primary sources of WAMT funding, in addition to other national and district charitable funding sources. WAMT also receives funding through donations to be used specifically for the HWMAC.

WAMT's Outputs

WAMT displays WAMT and Council owned art and facilitates art exhibitions for the general public. The construction of the HWMAC is one and a half year in.

Authorisation

The Board of the Whangarei Art Museum Trust authorised these financial statements presented on the following pages 3 to 16.

For and on behalf of the Board.

Chairperson

Chief Executive

Whangarei Art Museum Trust
Statement of financial performance
For the six months ended 31 December 2019

Statement of financial performance
For the six months ended 31 December 2019

	Note	31 December 2019 Actual \$	30 June 2020 Budget \$	30 June 2019 Actual \$
Revenue				
Donations	3	3,227,325	5,703,500	7,609,111
Council funding	4	204,253	586,320	567,000
Other revenue	5	5,176	37,480	4,638
Interest revenue	6	72,482	400	184,173
Total revenue		<u>3,509,236</u>	<u>6,327,700</u>	<u>8,364,922</u>
Expenditure				
Employee related costs	8	160,289	350,900	180,678
Depreciation and amortisation	11	10,697	24,688	19,116
Other expenditure	7	140,170	390,272	448,729
Total operating expenditure		<u>311,156</u>	<u>765,860</u>	<u>648,523</u>
Surplus/(deficit)		<u>3,198,080</u>	<u>5,561,840</u>	<u>7,716,399</u>
Surplus/(deficit) attributable to:				
Whangarei Art Museum Trust		(8,299)	61,188	68,518
HWMAC		<u>3,206,379</u>	<u>5,500,652</u>	<u>7,647,881</u>
		<u>3,198,080</u>	<u>5,561,840</u>	<u>7,716,399</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

Whangarei Art Museum Trust
Statement of financial position
As at 31 December 2019

Statement of financial position
As at 31 December 2019

	Note	31 December 2019 Actual \$	30 June 2020 Budget \$	30 June 2019 Actual \$
ASSETS				
Current assets				
Bank accounts and cash	9	6,435,264	1,589,529	4,149,833
Debtors	10	149,485	114,178	117,036
Other current assets		-	-	3,860,057
Total current assets		<u>6,584,749</u>	<u>1,703,707</u>	<u>8,126,926</u>
Property, plant and equipment	11	<u>14,001,758</u>	<u>21,657,703</u>	10,006,820
Total non-current assets		<u>14,001,758</u>	<u>21,657,703</u>	10,006,820
Total assets		<u>20,586,507</u>	<u>23,361,410</u>	<u>18,133,746</u>
LIABILITIES				
Employee cost payable		-	-	13,082
Creditors and accrued expenses	12	<u>339,193</u>	<u>960,427</u>	1,071,429
Total current liabilities		<u>339,193</u>	<u>960,427</u>	1,084,511
Total liabilities		<u>339,193</u>	<u>960,427</u>	1,084,511
NET ASSETS		<u>20,247,314</u>	<u>22,400,983</u>	<u>17,049,235</u>
Equity				
Retained earnings	13	20,247,304	22,400,973	17,049,225
Contributed equity	13	10	10	10
Total equity attributable to Whangarei Art Museum Trust		<u>20,247,314</u>	<u>22,400,983</u>	<u>17,049,235</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

Whangarei Art Museum Trust
Cash flow statement
For the six months ended 31 December 2019

Cash flow statement

For the six months ended 31 December 2019

	31 December 2019 Actual \$	30 June 2019 Actual \$
Cash flows from operating activities		
Council funding	175,172	3,323,653
Donations received	3,260,041	7,925,586
Other revenue	4,823	4,638
Payments to suppliers and employees	(1,081,509)	(455,846)
Interest received	72,482	184,173
	<u>2,431,009</u>	<u>10,982,204</u>
Cash flows from investing activities		
Proceeds from investments	3,860,057	-
Purchase of PPE	(4,005,635)	(6,973,820)
	<u>(145,578)</u>	<u>(6,973,820)</u>
Total cash provided to investing activities	<u>-</u>	<u>(3,860,057)</u>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	2,285,431	148,327
Bank accounts and cash, and bank overdrafts at the beginning of the year	<u>4,149,833</u>	<u>4,001,506</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>6,435,264</u>	<u>4,149,833</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

1 Statement of accounting policies for the six months ended 31 December 2019

1.1 Reporting entity

The Whangarei Art Museum Trust (WAMT) is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number CC28917. It is a Council controlled organisation as defined under Section 6 of the Local Government Act 2002.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements have been prepared on a going concern basis. WAMT is reliant on Council's continued support of its operations. Council has included funding for WAMT in its 2018-2028 Long - Term Plan. The level of funding for the 2020/2021 financial year is expected to assume the same level of funding. Funding is reviewed on an annual basis.

WAMT has also received a letter of support from Council to ensure its going concern basis for a period of one year from the date of the approval of the 2018/19 financial statements.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that WAMT does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Going Concern

The Trust is reliant on Whangarei District Council's financial support to be certain it can continue to operate as a going concern. The Board has received a letter of support from the Council that confirms sufficient funding for any operating deficit and any short-term funding that may be required to meet cash flow shortfalls for at least 12 months from the date of 2018/19 annual report. As a result of Council's letter of support, the Trust has prepared the financial statement on the basis that it will continue as a going concern for the foreseeable future.

Goods and services tax

WAMT 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.

Functional and presentation currency

The financial statements are presented in New Zealand dollars.

Revenue and expenses

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Grants and donations

Grants and donations are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

(ii) Pledges

Pledges are not recognised as revenue as WAMT is unable to control the access to the funds. Pledges are disclosed as a contingent asset when the money is pledged and recognised as revenue when the pledged money is received.

(iii) Donated assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

(iv) Interest income

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

v) Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

2 Summary of significant accounting policies (continued)

(vi) Volunteer services

Volunteer services received are not recognised as revenue or expenditure as WAMT is unable to reliably measure the fair value of the services received.

(vii) Advertising, marketing, administration, overhead, and fundraising costs

These are expensed when the related service has been received.

2.2 Bank accounts and cash

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.3 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

2.4 Property, plant and equipment

Property, plant, and equipment (excluding donated assets) are recorded at cost, less accumulated depreciation and impairment losses. WAMT does not revalue its property, plant and equipment. WAMT undertakes periodic impairment assessments of its property, plant and equipment.

(i) Artworks and donated assets

Purchased artworks are recognised at cost. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. Artworks have an indefinite useful life and are not depreciated. Impairment is recognised if identified as below.

(ii) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

(iii) Use of assets

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
Leasehold improvements	10-100 years	1%-10%
Office equipment	2-10 years	20%-50%
Plant and equipment	6-60 years	1.6%-17%
Computer equipment	2-5 years	20%-50%
Artworks	Indefinite	-

2.5 Investments

Investments comprise investments in term deposits with banks, listed bonds, and listed shares.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

2.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.7 Lease expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

2 Summary of significant accounting policies (continued)

2.8 Tier 2 PBE Accounting Standards applied

WAMT has not applied any Tier 2 Accounting Standards in preparing its financial statements.

2.9 Changes in Accounting Policies.

There are no changes in accounting policies.

3 Donations

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Donations - general	1,328	3,500	2,506
Donations - HWMAC	<u>3,225,997</u>	<u>5,700,000</u>	<u>7,606,605</u>
Total Donations	<u>3,227,325</u>	<u>5,703,500</u>	<u>7,609,111</u>

Donations for HWMAC are explained in note 14.

4 Council funding

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Council funding	<u>204,253</u>	<u>586,320</u>	<u>567,000</u>
Total council funding	<u>204,253</u>	<u>586,320</u>	<u>567,000</u>

5 Other revenue

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Other	<u>5,176</u>	<u>37,480</u>	<u>4,638</u>

Whangarei Art Museum Trust
Notes to the financial statements
For the six months ended 31 December 2019
(continued)

6 Interest revenue

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Interest received - general	640	400	1,655
Interest received - HWMAC	<u>71,842</u>	<u>-</u>	<u>182,518</u>
Total interest received	<u>72,482</u>	<u>400</u>	<u>184,173</u>

7 Other expenses

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Rent paid	-	171,000	171,000
Other expenses	74,752	122,246	85,040
Exhibition costs	18,365	68,846	34,033
Management fees	5,304	10,000	10,000
Auditors fees for 2020 financial statements	9,674	18,180	12,800
Additional disbursements in relation to audit of 2018/19 financials	-	-	1,437
Other expenses - HWMAC	<u>32,075</u>	<u>-</u>	<u>134,419</u>
Total other expenses	<u>140,170</u>	<u>390,272</u>	<u>448,729</u>

8 Employee related costs

	December 2019	Budget 2020	Actual 2019
	\$	\$	\$
Salaries and wages	<u>160,289</u>	<u>350,900</u>	<u>180,678</u>
Total employee related costs	<u>160,289</u>	<u>350,900</u>	<u>180,678</u>

9 Bank accounts and cash

	December 2019	Actual 2019
	\$	\$
Cash on hand	200	200
Bank balances - general	26,482	126,848
Bank balances - HWMAC	<u>6,408,582</u>	<u>4,022,785</u>
Total bank accounts and cash	<u>6,435,264</u>	<u>4,149,833</u>

Whangarei Art Museum Trust
Notes to the financial statements
For the six months ended 31 December 2019
(continued)

10 Debtors and other receivables

	December 2019 \$	Actual 2019 \$
Sundry debtors	136,494	41,403
Receivables	<u>12,991</u>	<u>75,633</u>
Total debtors and other receivables	<u>149,485</u>	<u>117,036</u>

11 Property, plant and equipment

2020	Plant and equipment	Leasehold improvement s	Office equipment	Artwork	Work in progress	Total
Year ended 30 June 2019						
Additions	16,620	14,345	11,029	-	7,258,509	7,300,503
Disposals	-	-	-	-	(41,993)	(41,993)
Depreciation charge	<u>(8,592)</u>	<u>(7,917)</u>	<u>(2,607)</u>	-	-	<u>(19,116)</u>
Balance at 30 June 2019	<u>74,915</u>	<u>281,819</u>	<u>19,729</u>	<u>438,179</u>	<u>9,192,178</u>	<u>10,006,820</u>
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2019	<u>74,920</u>	<u>281,816</u>	<u>19,726</u>	<u>438,179</u>	<u>9,192,178</u>	<u>10,006,819</u>
Additions	-	-	-	-	4,005,635	4,005,635
Disposals	-	-	-	-	-	-
Depreciation charge	<u>(5,766)</u>	<u>(3,980)</u>	<u>(951)</u>	-	-	<u>(10,697)</u>
Balance at 31 December 2019	<u>69,155</u>	<u>277,836</u>	<u>18,775</u>	<u>438,179</u>	<u>13,197,813</u>	<u>14,001,757</u>

Work in progress relates to costs associated with the design and construction phase of the HWMAC project. This is explained in note 14.

Included in the artwork asset class are a number of donated assets recorded at nil value because values are not readily obtainable.

There are no restrictions over the title of the WAMT's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

12 Creditors and accrued expenses

	December 2019	Actual 2019
	\$	\$
Accrued expenses	328,841	908,559
Trade creditors	<u>10,352</u>	<u>162,870</u>
Total creditors and accrued expenses	<u>339,193</u>	<u>1,071,429</u>

13 Equity

	December 2019	Actual 2019
	\$	\$
a) Equity		
Retained earnings	20,247,304	17,049,225
Capital contribution	<u>10</u>	<u>10</u>
Balance at 31 December 2019	<u>20,247,314</u>	<u>17,049,235</u>
b) Retained earnings		
Balance at 1 July	17,049,224	9,332,826
Surplus/(deficit) for the year	<u>3,198,080</u>	<u>7,716,399</u>
Balance 31 December	<u>20,247,304</u>	<u>17,049,225</u>
c) Contributed equity		
Capital contribution	<u>10</u>	<u>10</u>
Balance 31 December	<u>10</u>	<u>10</u>

14 Contingencies

WAMT has no contingent liabilities (2019: nil)

Hundertwasser Art Centre Wairau Maori Art Gallery (HWMAC) **Background**

In 1993, artist Friedensreich Hundertwasser was invited by the then Mayor of Whangarei to design an art centre for the city. He chose the former Northland Harbour Board building in the Town Basin (the Building).

Council considers that it is important to have a high level of transparency around the project and its funding.

Referendum

After several years of debate a binding referendum was held in June 2015 in regards to the use of the Building. A majority voted for HWMAC as the Whangarei District Community's preferred option for re-development. As a condition of the referendum, there was a two-year period to June 2017 in which to raise the required funding needed. By June 2017 WAMT with the assistance of the Prosper Northland Trust (PNT) reached the required funding target. Donations and pledges came from the government, general public, community groups, corporates, businesses and the Lotteries Commission. The terms of the referendum have been met and the project has been initiated, and the re-development works have commenced.

Operator and Guarantees and Indemnities

Whangarei Art Museum Trust (WAMT), a CCO of Whangarei District Council will operate the HWMAC on an on-going basis once re-development is completed.

14 Contingencies (continued)

There is no intention for Council to provide funding for the operating costs of the HWMAC once it begins operation and is open to the public. Underwriting mechanisms have been established to cover any trading losses/operating deficits and re-entry and termination costs up to \$2 million over a ten year period, with the maximum amount payable in any single year \$500 thousand.

Westpac is the first guarantor, to a maximum amount of \$1.25 million. To facilitate the establishment of this guarantee WAMT will deposit \$1.0 million with Westpac.

However, once any cumulative losses reaches \$750 thousand, Westpac has the option to crystallize its exposure and be relieved from any further obligations.

At this point, the second guarantor, WAMT will cover any remaining amount up to \$1.25 million, using any remaining funds from their \$1 million deposit with Westpac and a further cash bond of \$250 thousand.

Together these arrangements cover any potential losses up to the first \$1.25 million.

The remaining \$750 thousand of the \$2 million is covered by a guarantee from the Ngatiwai Trust Board.

Because the maximum amount payable in any single year is \$500 thousand, at the expiration of the 7th year the guarantors' total liability shall reduce from \$2.0 million to \$1.5 million (with a further \$500 thousand reduction each year thereafter).

Council is satisfied that these underwriting mechanisms are appropriate.

There are controls in place that allow both Whangarei District Council and Westpac to directly monitor the performance of the HWMAC if significant losses start to accumulate.

Tender Process

A tender process for the HWMAC construction contract was held in at the end of 2017 and in early 2018. The construction contract has been awarded to Trigg Construction Limited. The building consent has been issued by Council. The tender process and the building consent process has determined a finalised project construction cost of \$29.18 million.

The land and the building

Council owns the land and the former Harbour Board building. The building is currently recognised by Council at a nil value because it requires seismic strengthening and is presently not habitable.

Extensive engineering for seismic strengthening being additional structural foundations to support HWMAC on the reclaimed land was required. As a result, it was determined it was not feasible to redevelop the building, so the building will be deconstructed.

Lease and Ownership of the HWMAC Structure

Council and WAMT have entered into a Lease for the HWMAC. The lease has a nominal annual rental of \$1 and a lease term of 34 years and 11 months. The lease commenced on 11 June 2018 and expires on 11 May 2052. The portion of land being leased has not been subdivided and is part of a wider parcel owned by council. It would have been Council's preference to lease the land in-perpetuity but under the Resource Management Act, 35 years is the maximum period that a lease can be issued for a sub parcel of land. WAMT will retain substantially all the risk and rewards incidental to ownership of the HWMAC building. Due to this control, WAMT will recognise the HWMAC building in its financial statements.

Project Update

Deconstruction of the pre-existing council building on the site was completed and foundation work commenced in September 2018. Piling was completed in late November 2018 and the tower crane was erected. To date the floor has been poured, walls have been erected and the second-floor support beams are in place. External and internal design modifications have been incorporated into the plans and the internal fit out details are currently being worked through.

For a variety of reasons the construction has faced some unexpected costs. The additional costs are currently estimated to be \$4.2 million. The board is investigating a range of options to meet the shortfall. These options include obtaining new funding and investigating cost savings on the build. Construction is presently continuing and the board has funds to continue the construction through to near completion. Cash flow forecasts predict the additional funds or material cost savings will be required by November 2020. The board is monitoring cash flow requirements.

14 Contingencies (continued)

The Board has responsibilities to keep donors up to date with the status of the project and in some cases the funding contracts with the donors require funds to be returned should the project come to an end before it is completed. To date the Trust has received \$16.8 million from donors and expect to receive a further \$8.8 million through to the end of the project. The Board's current view is that the need to return funds is unlikely. In the interim the Board is ensuring funders are kept informed.

Council funding for the project

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre-project costs for the project. Council provided for additional partial capital funding for "Old Harbour Board Development" in the 2015-25 Long-Term Plan of \$1.4 million in year three (2017-18 - inflated \$) and \$1.5 million in year four (2018-19 - inflated \$), a total of \$2.9 million. This Council funding is factored in as part of the required funding for the project. It has been determined that Council will not own any part of HWMAC, so consequently it was determined that it was more appropriate to provide the funding to the project as a grant. This grant was included in the 2017-18 financial statements.

Donations/Pledges and Contributions

At 31 December 2019, the total amount of money collected and held by WAMT combined with councils contribution and the net pledges yet to be received as \$29.8m (including interest received of \$329k)

Category	Amount (\$000)
Donations/Pledges	16,824
Council contribution	4,077
Pledges	<u>8,609</u>
	<u><u>29,510</u></u>

1. Donations

These are donations that have been received and treated as revenue. At 31 December 2019 the total amount of donations collected was: \$16.8m

2. Council contribution.

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre project costs.

Council provided a total of \$2.977m for funding of the development of the 'Old Harbour Board Development' in the 2015-25 Long-Term Plan. This amount was recognised as a grant receivable from WDC at the end of June 2018.

This funding is factored in as part of the required funding for the project. At 31 December 2019 the total amount of council funding was: \$4.1 million.

3. Pledges

As all the conditions of the Referendum have been met and the project has commenced, remaining pledges are in essence unconditional, although subject to individual funding agreements. When money is received as part of an overall pledge amount it becomes a donation and recognised as revenue. Remaining pledges do not meet the definition of an asset so are not recorded as an asset of WAMT (as per IPSAS 23). Instead, pledges have been disclosed as a contingent asset in the below table (as per IPSAS 19).

Pledges have an element of uncertainty of collection so the collectability of pledges needs to be assessed. As at 31 December 2019 the pledges have been assessed and analysed as follows:

Pledge Source	Pledged (\$000)	Collectability %	Net Pledge (\$000)
Government	7,040	100 %	7,040
Local Government	500	100 %	500
Corporates	120	100 %	120
Charitable Trusts	900	100 %	900
Professional firms	22	100 %	22
General public	<u>27</u>	90 %	<u>24</u>
Total	<u>8,609</u>		<u>8,606</u>

14 Contingencies (continued)

There are in kind trade products and services that have been or will be donated to the overall project. All in-kind trade products & services provided were of a minor nature and therefore have not been quantified.

Professional services – various professional services in the form of time have and will continue to be donated to the overall project. These include, legal, accounting, project and other management, planning, architectural, design etc. As at 31 December 2019, material professional services to the value of \$55k (2019: \$55k) have been quantified and recognised.

Additionally, professional services to the value of \$397k have been quantified but not recognised.

15 Other guarantees

Payroll services are outsourced to Payroll Plus Ltd, who require a letter of credit for \$7,500 as guarantee that any direct debits up to this amount will be honoured.

16 Capital commitments and operating leases

Capital commitments

WAMT have budgeted commitments of \$29.18m. At 31 December 2019, \$16.6m was committed (2019: \$19.1m).

	December 2019 \$	Actual 2019 \$
Capital commitments		
HWMAC Project (see note 14 above)	<u>16,588,000</u>	<u>19,151,743</u>
Total capital commitments	<u>16,588,000</u>	<u>19,151,743</u>

Operating leases as lessee

WAMT leases property as part of its normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 2019 \$	Actual 2019 \$
Not later than one year	171,001	171,001
Later than one year and not later than five years	114,004	199,504
Later than five years	<u>27</u>	<u>28</u>
Total non-cancellable operating leases	<u>285,032</u>	<u>370,533</u>

The operating lease consists of the annual rental paid to Council. WAMT also receives a rent concession of the same amount from Council. The lease was renewed for a 5-year period, in accordance with the deed of renewal and variation of lease.

Council and WAMT have entered into a lease for the HWMAC. The lease has a nominal annual rental of \$1 and a lease term of approximately 35 years.

17 Trustee fees

All trustees work on a voluntary basis and receive no fees (2019: nil).

18 Related party transactions

The related party disclosures below are for transactions that are not within a normal supplier or client/recipient relationship. This means that the terms and conditions on those transactions are either more or less favourable than those expected in a normal transaction. Any other related party transactions are no more or less favourable.

Related party transactions significant to WAMT requiring disclosure

	December 2019	Actual 2019
	\$	\$
Receipts awarded from Council		
Grants	<u>204,253</u>	<u>567,000</u>
Details of grants received from Council are detailed in note 4.		
	December 2019	Actual 2019
	\$	\$
Grants outstanding	-	<u>71,000</u>
Balance at 31 December	<u>-</u>	<u>71,000</u>

There are no grants payable to WAMT (2019: \$71,000). The annual operating grant is paid twice yearly July and January. Service relocation costs of \$310,948 are owing to Whangarei District Council.

19 Events occurring after the balance date

There were no events after the balance sheet date (2019: nil).