

**Whangarei Art Museum Trust
Annual Report**

**Financial statements
for the year ended 30 June 2020**

Whangarei Art Museum Trust

Financial statements - 30 June 2020

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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 two years in.

Authorisation

The Board of the Whangarei Art Museum Trust authorised these financial statements presented on the following pages 3 to 17.

For and on behalf of the Board.



Chairperson
Date: 26/11/2020



Chief Executive
Date: 26/11/2020

Whangarei Art Museum Trust
Statement of financial performance
For the year ended 30 June 2020

Statement of financial performance
For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Revenue				
Donations	3	5,897,351	5,703,500	7,609,111
Council funding	4	569,970	611,320	567,000
Other revenue	5	36,499	12,480	4,638
Interest revenue	6	<u>166,331</u>	<u>400</u>	<u>184,173</u>
Total revenue		<u>6,670,151</u>	<u>6,327,700</u>	<u>8,364,922</u>
Expenditure				
Employee related costs	8	402,732	350,900	180,678
Depreciation and amortisation	11	21,555	24,688	19,116
Other expenditure	7	<u>506,541</u>	<u>392,332</u>	<u>448,729</u>
Total operating expenditure		<u>930,828</u>	<u>767,920</u>	<u>648,523</u>
Surplus/(deficit)		<u>5,739,323</u>	<u>5,559,780</u>	<u>7,716,399</u>
Surplus/(deficit) attributable to:				
Whangarei Art Museum Trust		(42,855)	59,128	68,518
HWMAC		<u>5,782,178</u>	<u>5,500,652</u>	<u>7,647,881</u>
		<u>5,739,323</u>	<u>5,559,780</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 30 June 2020

Statement of financial position
As at 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
ASSETS				
Current assets				
Bank accounts and cash	9	2,412,645	1,589,529	4,149,833
Debtors	10	147,630	114,178	117,036
Short term investment - HWMAC		<u>2,887,371</u>	-	<u>3,860,057</u>
Total current assets		<u>5,447,646</u>	<u>1,703,707</u>	<u>8,126,926</u>
Property, plant and equipment	11	<u>18,571,527</u>	<u>21,657,703</u>	10,006,820
Total non-current assets		<u>18,571,527</u>	<u>21,657,703</u>	<u>10,006,820</u>
Total assets		<u>24,019,173</u>	<u>23,361,410</u>	<u>18,133,746</u>
LIABILITIES				
Employee cost payable		34,127	-	13,082
Creditors and accrued expenses	12	<u>1,196,489</u>	<u>960,427</u>	<u>1,071,429</u>
Total current liabilities		<u>1,230,616</u>	<u>960,427</u>	<u>1,084,511</u>
Total liabilities		<u>1,230,616</u>	<u>960,427</u>	<u>1,084,511</u>
NET ASSETS		<u>22,788,557</u>	<u>22,400,983</u>	<u>17,049,235</u>
Equity				
Retained earnings	13	22,788,547	22,400,973	17,049,225
Contributed equity	13	<u>10</u>	<u>10</u>	<u>10</u>
Total equity attributable to Whangarei Art Museum Trust		<u>22,788,557</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 year ended 30 June 2020

Cash flow statement

For the year ended 30 June 2020

	Actual 2020 \$	Actual 2019 \$
Cash flows from operating activities		
Council funding	455,571	3,323,653
Donations received	5,925,427	7,925,585
Other revenue	36,499	4,638
Payments to suppliers and employees	(518,873)	(455,846)
Interest received	166,331	184,173
	<u>6,064,955</u>	<u>10,982,204</u>
Cash flows from investing activities		
Purchase of PPE	<u>(8,774,830)</u>	<u>(6,973,820)</u>
	<u>(8,774,830)</u>	<u>(6,973,820)</u>
Total cash provided from investing activities	<u>972,687</u>	<u>(3,860,057)</u>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	(1,737,188)	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>2,412,645</u>	<u>4,149,833</u>

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

* The budget cashflow was not prepared as part of the 2019/2020 Statement of Intent

1 Statement of accounting policies for the year ended 30 June 2020

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 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 of the Council have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements of the Council have been prepared in accordance with Generally Accepted accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents International Financial Reporting Standards for Public Benefit Entities ('NZ IFRS PBE').

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 these 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 this 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

2 Summary of significant accounting policies (continued)

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.

(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	10%-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 Summary of significant accounting policies (continued)

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.

2.8 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

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Note			
Donations - general	2,717	3,500	2,506
Donations - HWMAC	<u>5,894,634</u>	<u>5,700,000</u>	<u>7,606,605</u>
Total Donations	<u>5,897,351</u>	<u>5,703,500</u>	<u>7,609,111</u>

Donations for HWMAC are explained in note 14.

4 Council funding

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Note			
Council funding	<u>569,970</u>	<u>611,320</u>	<u>567,000</u>
Total council funding	<u>569,970</u>	<u>611,320</u>	<u>567,000</u>

Grants received from Council relate to an annual operating grant of \$398,970 (2019: \$390,000) and a rent concession of \$171,000 (2019: \$171,000). Due to budget constraints, Council will no longer be reimbursing WAMT \$6,000 of its audit fee for the 2020 year (2019: \$6,000).

5 Other revenue

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Other	<u>36,499</u>	<u>12,480</u>	<u>4,638</u>
	<u>36,499</u>	<u>12,480</u>	<u>4,638</u>

6 Interest revenue

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Interest received - general	763	400	1,655
Interest received - HWMAC	<u>165,568</u>	-	<u>182,518</u>
Total interest received	<u>166,331</u>	<u>400</u>	<u>184,173</u>

7 Other expenses

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Rent paid	171,000	171,000	171,000
Other expenses	109,001	119,986	85,040
Exhibition costs	40,975	73,166	34,033
Management fees	10,000	10,000	10,000
Auditors fees for 2020 financial statements	15,926	18,180	12,800
Additional disbursements in relation to audit of 2018/19 financials	6,329	-	1,437
Other expenses - HWMAC	<u>153,310</u>	-	<u>134,419</u>
Total other expenses	<u>506,541</u>	<u>392,332</u>	<u>448,729</u>

8 Employee related costs

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Salaries and wages	<u>402,732</u>	<u>350,900</u>	<u>180,678</u>
Total employee related costs	<u>402,732</u>	<u>350,900</u>	<u>180,678</u>

Note

9 Bank accounts and cash

	Actual 2020 \$	Actual 2019 \$
Cash on hand	150	200
Bank balances - general	104,089	126,848
Bank balances - HWMAC	<u>2,308,406</u>	<u>4,022,785</u>
Total bank accounts and cash	<u>2,412,645</u>	<u>4,149,833</u>

Bank balances - HWMAC are explained in note 14.

10 Debtors and other receivables

	Actual 2020 \$	Actual 2019 \$
Sundry debtors	122,599	41,403
Receivables	<u>25,031</u>	<u>75,633</u>
Total debtors and other receivables	<u>147,630</u>	<u>117,036</u>

11 Property, plant and equipment

2020	Plant and equipment \$	Leasehold improvement s \$	Office equipment \$	Artwork \$	Work in progress \$	Total \$
Balance as at 1 July 2018	<u>66,887</u>	<u>275,391</u>	<u>11,307</u>	<u>438,179</u>	<u>1,975,662</u>	<u>2,767,426</u>
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>74,915</u>	<u>281,819</u>	<u>19,729</u>	<u>438,179</u>	<u>9,192,178</u>	<u>10,006,820</u>
Additions	4,995	-	4,303	-	8,577,565	8,586,864
Disposals	-	-	-	(600)	-	(600)
Depreciation charge	<u>(11,540)</u>	<u>(7,919)</u>	<u>(2,098)</u>	-	-	<u>(21,557)</u>
Balance at 30 June 2020	<u>68,370</u>	<u>273,900</u>	<u>21,935</u>	<u>437,579</u>	<u>17,769,743</u>	<u>18,571,527</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

	Actual 2020 \$	Actual 2019 \$
Accrued expenses	1,178,452	908,559
Trade creditors	18,037	162,870
Total creditors and accrued expenses	<u>1,196,489</u>	<u>1,071,429</u>

13 Equity

	Actual 2020 \$	Actual 2019 \$
a) Equity		
Retained earnings	22,788,547	17,049,225
Capital contribution	10	10
Balance at 30 June 2020	<u>22,788,557</u>	<u>17,049,235</u>
b) Retained earnings		
Balance at 1 July	17,049,224	9,332,826
Surplus/(deficit) for the year	5,739,323	7,716,399
Balance 30 June	<u>22,788,547</u>	<u>17,049,225</u>
c) Contributed equity		
Capital contribution	10	10
Balance 30 June	<u>10</u>	<u>10</u>

14 Contingencies

WAMT has no contingent liabilities (2019: nil)

Update on 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, 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 \$29.16 million excluding fit out costs.

The land and the building

Council owns the land and the former Harbour Board building. The building was recognised by Council at a nil value because it required seismic strengthening and was 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 has been deconstructed.

Project Update

Construction is expected to be completed by mid 2021 and the building opening planned for December 2021. Cost increases recognised in 2019, together with delays and resultant costs brought about by Covid 19 lockdown have been recognised and fully funded by grants confirmed in June 2020.

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 \$19.2 million from donors and expect to receive a further \$12.8 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.

14 Contingencies (continued)

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 it's financial statements.

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 and Contributions

At 30 June 2020, the total amount of money collected and held by WAMT combined with councils contribution and the net pledges yet to be received was \$37.5m (including interest received of \$435k)

Category	Amount (\$000)
Donations	19,502
Council contribution	4,077
Pledges to be received (see Pledge Source below)	<u>13,446</u>
	<u>37,025</u>

1. Donations

These are donations that have been received and treated as revenue. At 30 June 2020 the total amount of donations collected was: \$19.5m

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 30 June 2020 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 30 June 2020 the pledges have been assessed and analysed as follows:

14 Contingencies (continued)

Pledge Source	Pledged (\$000)	Collectability %	Net Pledge (\$000)
Government	9,303	100 %	9,303
Local Government	500	100 %	500
Corporates	120	100 %	120
Charitable Trusts	3,500	100 %	3,500
Professional firms	22	100 %	22
General public	<u>2</u>	90 %	<u>2</u>
Total	<u>13,447</u>		<u>13,447</u>

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. For the year end 30 June 2020, material professional services to the value of nil (2019: \$55k) have been quantified and recognised.

Additionally, professional services to the value of nil (2019: \$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 \$32m. At 30 June 2020, \$11.4m was committed (2019: \$19.1m).

	Actual 2020 \$	Actual 2019 \$
Capital commitments		
HWMAC Project (see note 14 above)	<u>11,400,000</u>	<u>19,151,743</u>
Total capital commitments	<u>11,400,000</u>	<u>19,151,743</u>
	Actual 2020 \$	Actual 2019 \$
Not later than one year	1	171,001
Later than one year and not later than five years	4	199,504
Later than five years	<u>27</u>	<u>28</u>
Total non-cancellable operating leases	<u>32</u>	<u>370,533</u>

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

	Actual 2020 \$	Actual 2019 \$
Receipts awarded from Council		
Grants	<u>569,970</u>	<u>567,000</u>
Details of grants awarded from Council are detailed in note 4.		
	Actual 2020 \$	Actual 2019 \$
Grants outstanding	<u>-</u>	<u>71,000</u>
Balance at 30 June	<u>-</u>	<u>71,000</u>

The grants payable to WAMT of nil (2019: \$71,000)

Services 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).

20 Explanation of major variances against budget

Section 64 of the Local Government Act requires a Council Controlled Organisation to prepare a Statement of Intent that complies with Clause 9 of Schedule 8.

- Operational expenditure of the Whangarei Arts Museum achieved a unfavourable result against budget of \$42,855. The Board approved a budget overrun of \$68,000, reflecting the surplus of the previous year, to cover essential operational and staff expenses. The overrun was offset by unbudgeted interest earned on term deposits.
- Operational expenditure of HWMAC achieved a favourable result against budget of \$5,782,178. Interest earned and unconditional donations exceeded budget. The income was partially offset by additional expenses and employee related costs (notes 7 and 8 above). The Board approved an operating budget for these expenses after the start of the financial year, from funds donated for this purpose. This timing allowed the CE, who started in the role in June 2019, to develop the operating budget.

Impact of C-19 on the Hundertwasser Art Centre with Wairau Maori Art Gallery

The quarantine closed the site during Level 4 restrictions, with some offsite costs remaining (such as equipment hire). There was no loss of staff as a result of the lockdown. Construction resumed at Level 3, operating at 75% capacity with stringent Health and Safety protocols, cleaning and onsite supervision in place, introducing unanticipated new costs. Griffiths reforecast cash flow for the project due to the impact of the lockdown, as we are obliged to engage construction, project management, engineering and architectural teams and specialised consultants for longer than was previously budgeted. C-19 has delayed the opening of the building by six months (to Christmas 2021) due to prolonged construction and the profound drop in the tourism market. In combination these costs amounted to \$806,850 as a result of the pandemic.

Impact of C-19 on Whangarei Art Museum

Our existing exhibitions were impacted by the lockdown and no visitors were allowed entry. We devised ways to bring the current exhibitions online during lockdown (such as artist talks). Three small exhibitions based on the WAM Collection were put together as a back-up, in case they were needed. We redeveloped and rescheduled exhibitions set for later in the financial year. We also rescheduled the entire exhibition programme for 2020/2021. Key actions include:

- The existing Formison exhibition in Gallery One was extended with consent from Te Papa.
- Gallery One was programmed to next open with Distant Kinship (Aug 19 - Nov 22) - works by NZ and Dutch print makers.
- Lisa Clunie's exhibition (set for 29 May - 23 Aug) was rescheduled for 2021.
- In Gallery Two we continued to show exhibits from WAM's collection (when open again), and My Name Comes From This Place: Filani Macassey was extended to 5 July.
- The Northland Rugby Union Centenary exhibit was postponed.
- The Maiangi Waitai touring exhibition from The Dowse was delayed to July 11 - Oct 4.

All staff were redeployed on planning, research and administration activities. WAM did not apply for the wage subsidy (due to ineligibility), and there was no direct impact on Art Museum revenue from the pandemic.

Whangarei Art Museum Trust
Notes to the financial statements
For the year ended 30 June 2020
(continued)

21 Performance Information

WAMT has a total of 8 SOI key performance measures for 2020. In the 2019/20 financial year 5 target measures were achieved and 3 were not achieved. The Covid-19 pandemic has dramatically impacted 2 of these 3 performance measures, which were on track to be achieved in the first half of the financial year. A description of the Covid-19 impact is provided for each performance measure where relevant. Refer Note 20 for the impact of Covid-19 on the financials.

	Performance Measure	2019/20 Target	Result 2020	2018/19 Target	Result 2019		Actual 2020	Budget 2020	Actual 2019
1	To operate within agreed financial budgets								
	Whangarei Art Museum Operations	Actual spend less than/equal budget	Not achieved Not achieved	Actual spend less than/equal budget	Not achieved Achieved	Revenue Expenditure	\$ 580,546 \$ 623,402	\$ 627,699 \$ 568,571	\$ 575,809 \$ 507,291
	HWMAC - Operating Revenue and Costs	Actual spend less than/equal budget	Achieved Not achieved	Actual spend less than/equal budget	Achieved Not achieved	Revenue Expenditure	\$ 6,089,604 \$ 307,426	\$ 5,700,000 \$ 199,347	\$ 7,789,112 \$ 141,231
Refer to note 20 for explanations of significant variances against budget.									
2 (FY19)	Visitor satisfaction maintained	n/a	n/a	New measure	Partially achieved				
2 (FY20)	Reporting against Strategic Objectives	Six monthly narrative report	Achieved	n/a (new measure for 2020)	n/a				
3 (4 FY19)	Review operation hours and exhibition numbers to meet agreed funding	Six monthly narrative report	Achieved	Review completed	Review not complete				
4 (3 FY20)	Collection management undertaken	1,000 works assessed	Achieved	600 works assessed	Achieved				
5	Regular reporting on HAC objectives covering: <ul style="list-style-type: none"> • Governance • Leadership 	Quarterly reporting	Achieved	Quarterly reporting	Not achieved				

Whangarei Art Museum Trust
Notes to the financial statements
For the year ended 30 June 2020
(continued)

21 Performance Information (continued)

	Performance Measure	2019/20 Target	Result 2020	2018/19 Target	Result 2019	
	<ul style="list-style-type: none"> • Funding • Fundraising • Stakeholder relations • Business planning • Risk Management 					
6	Improve WAM visitor experience	Annual Survey demonstrates improvements	Not achieved	n/a (new measure for 2020)	n/a	Survey was unable to take place as scheduled with Museums Aotearoa to occur during Covid-19
7	Strengthen community engagement	Evidence of 3 programmes	Achieved	n/a (new measure for 2020)	n/a	
8	Grown awareness and attendance	Percentage increase to visitor numbers	Not achieved	n/a (new measure for 2020)	n/a	Visitor numbers were on track to exceed FY19 until closure of gallery during Covid 19 lockdown.

Independent Auditor's Report

To the readers of Whangarei Art Museum Trust's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Whangarei Art Museum Trust (the Trust). The Auditor-General has appointed me, Carl Wessels, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 3 to 17, that comprise the statement of financial position as at 30 June 2020, the statement of financial performance and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 18 to 19.

In our opinion:

- the financial statements of the Trust on pages 3 to 17:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020;
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standards; and
- the performance information of the Trust on pages 18 to 19 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2020.

Our audit was completed on 26 November 2020. This is the date at which our opinion is expressed. The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19 on the Trust. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out in the Covid-19 Financial Impacts section on page 17 to the financial statements and page 18 of the performance information.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

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

Responsibilities of the Board of Trustees for the financial statements and the performance information

The Board of Trustees is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees is also responsible for preparing the performance information for the Trust.

The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Trustees is responsible on behalf of the Trust for assessing the Trust’s ability to continue as a going concern. The Board of Trustees also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intends to liquidate the Trust or to cease operations, have no realistic alternative but to do so.

The Board of Trustee’s responsibilities arise from the Local Government Act 2002 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trust's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial

statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Trustee's is responsible for the other information. The other information comprises the information included on page 2, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the 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 and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.



Carl Wessels
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand