te manawa

TE PAPAIOEA PALMERSTON NORTH

FINANCIAL REPORT

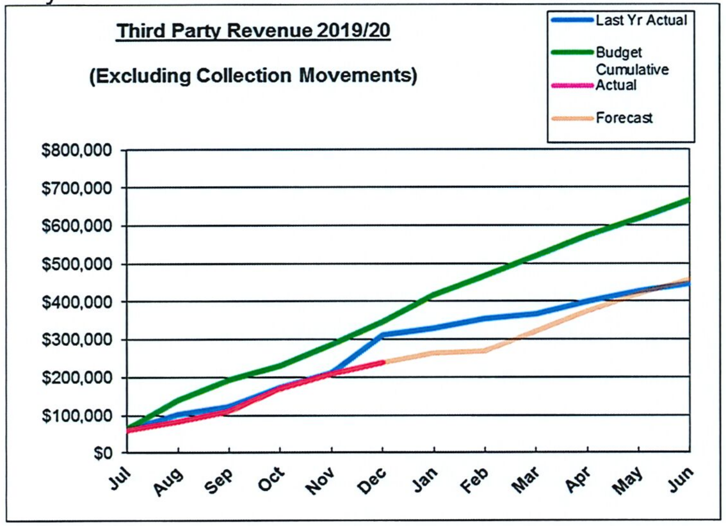
For six months ended

31 December 2019

Contents

Financial Commentary

Key Result Indicators as at 31 December 2019



Third Party Revenue (excluding Collection Movements):

Actual YTD third party revenue at $238k is below budget by $88k for the six month period.

- Interest YTD is $7.3k vs Budget $3k
- Sponsorship and other income received is $65.9k vs Budget $125k
- Public Programmes and events & Cust Services $64.4k vs Budget $68.7

Forecast for Third Party Income has been reduced by $209k. The main changes

- $51.9k - reduction in income from Education activities.
- Donations/Sponsorship reduced by $154k to reflect a more achievable target

Other third party forecast income has been reduced by $3.2k to reflect lower than predicted income from Exhibitions & Customer Services Revenue.

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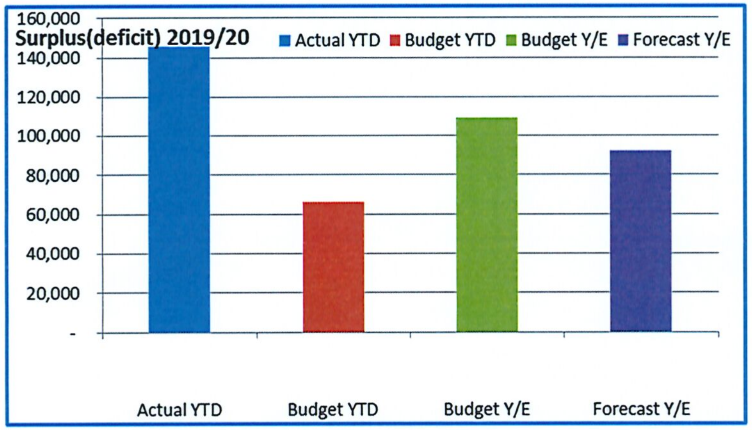
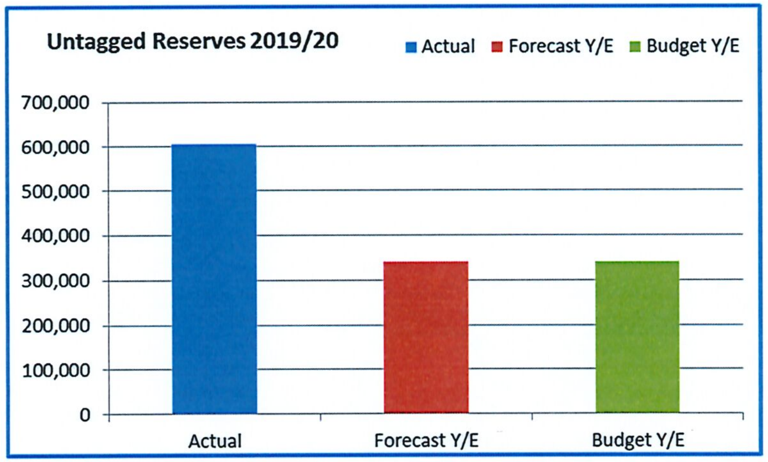
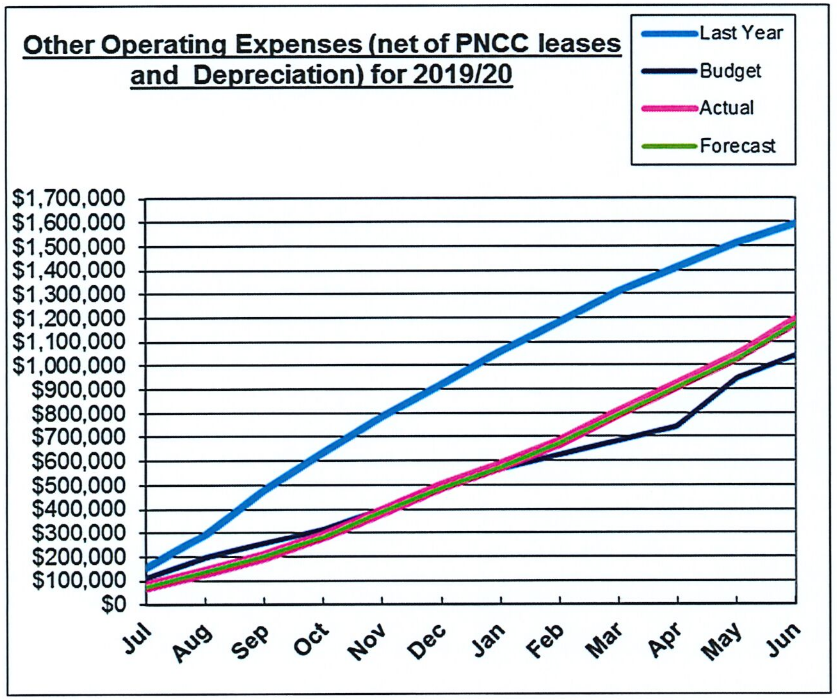


Year-End Surplus/(Deficit) (including Collection Movements):

For the six months, year-to-date, the net operating surplus is ($145.6k), vs budget ($66k). This $79k favourable variance is due to gains from salary savings of $69.6k from unfilled budgeted positions, and $7k increase in collection movements. These variances and a saving in operating expenses, to date, offset the shortfall in budgeted revenue.
Many of the apparent operating savings at 31 December are timing differences.


Untagged Reserves 2019/20
Actual
Forecast Y/E
Budget Y/E
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Actual
Forecast Y/E
Budget Y/E


Other Operating Expenses (net of PNCC leases and Depreciation) for 2019/20
Last Year
Budget
Actual
Forecast
$1,700,000
$1,600,000
$1,500,000
$1,400,000
$1,300,000
$1,200,000
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun

Te Manawa Museums Trust
Statement of Comprehensive Revenue and Expenditure *(classification of expenses by activity*
for the Month Ended 31 December 2019

	Note	**Actual YTD 31-Dec-19 Unaudited $**	**Budget YTD 31-Dec-19 $**	***Variance* $**	**Last year 31-Dec-18 Unaudited $**	**Forecast 30-Jun-20** *(as at 31Dec 2019)* **$**	**Budget 30-Jun-20 (SOI) $**	***Variance* $**	**30 June 2019 12 Months Audited $**
Operating Revenue									
PNCC Grants		1,599,955	1,599,954	-		3,199,909	3,199,909	-	3,131,026
MDC Grant		20,000	-	-	20,360	20,000	20,307	-	20,360
Interest Received	1	7,341	3,118	*4,224*	7,500	11,140	6,236	*4,904*	13,892
Other Income	2	211,204	323,642	(112,438)	283,589	411,644	640,890	(229,246)	415,924
Total Operating Revenue		**1,838,500**	**1,926,715**	**(88,214)**	**311,449**	**3,642,693**	**3,867,342**	**(224,649)**	**3,581,202**
Total Operating Expenditure									
Collection & Knowledge		185,549	178,241	(7,308)	175,739	402,507	322,557	79,950	548,426
Corporate Services & Facilities		321,874	359,434	37,560	326,791	755,394	734,228	21,166	411,094
		507,423	**537,675**	***30,252***	**502,530**	**1,157,901**	**1,056,785**	**101,116**	**959,520**
People & Partnership									
Employee costs									744,658
Learning		149,474	151,596	2,121	98,161	287,349	305,391	(18,042)	28,113
Kaihautū		9,363	8,485	(878)	-	18,658	16,969	1,689	-
Communications		112,941	105,324	(7,617)	93,531	191,054	192,264	(1,210)	76,882
Public Programmes & Events		80,199	81,632	1,433	91,007	153,659	160,181	(6,522)	27,820
Sponsorship		-	83,269	83,269	10,013	101,135	268,075	(166,940)	10,013
Customer Services		179,771	168,260	(11,510)	151,007	380,823	336,412	44,411	42,317
Volunteers		113	575	462	840	977	1,150	(173)	850
		531,861	**599,140**	**67,280**	444,559	***1,133,656***	***1,280,443***	**(146,787)**	**930,653**
Concepts & Engagement		274,862	**331,399**	**56,536**	**525,717**	**536,633**	**627,654**	**(91,021)**	**813,298**
Executive		274,330	**269,990**	**(4,339)**	**389,382**	**529,992**	**548,364**	**(18,373)**	**729,266**
Depreciation	5	129,542	**134,976**	**5,435**	**135,177**	**266,745**	**269,952**	**(3,207)**	**267,885**
Asset Write Off		**267**	**-**	**(267)**	**-**	**267**	**-**	**267**	**(1,017)**
Total Operating Expenditure		**1,718,284**	**1,873,180**	**154,895**	**1,997,365**	**3,625,194**	**3,783,198**	**(158,004)**	**3,699,605**
Operating Surplus/(Deficit)		**120,216**	**53,535**	**66,681**	**(1,685,916)**	**17,499**	**84,144**	**(66,645)**	**(118,403)**
Collection Movement Income									
Custodial Assets		-	2,500	(2,500)	-	-	5,000	(5,000)	-
Donated Assets		25,611	10,000	15,611	9,339	25,726	20,000	5,726	74,426
Collection Movement Expense				-			-	-	
Custodial Assets Returned		-	-	-	-		-	-	-
Collection Assets Deaccessioned		164	-	(164)		164	-	164	115
Net Collection Movements		**25,447**	**12,500**	**12,947**	**9,339**	**25,562**	**25,000**	**562**	**74,311**
Net Surplus/(Deficit)	9	**145,663**	**66,035**	**79,628**	**(1,676,577)**	**43,060**	**109,144**	**(66,084)**	**(44,092)**
Other Comprehensive Revenue and Expense		-	-	-	-	-	-	-	-
Total Comprehensive Revenue and Expense		**145,663**	**66,035**	**79,628**	**(1,676,577)**	**43,060**	**109,144**	**(66,084)**	**(44,092)**

The accompanying notes form part of, and are to be read in conjunction with these financial statements.

Te Manawa Museums Trust

Statement of Comprehensive Revenue and Expense (classification of expenses by function)
for the Month Ended 31 December 2019

	Note	Actual YTD 31-Dec-19 Unaudited $	Budget YTD 31-Dec-19 $	*Variance* $	Last Year 31-Dec-18 Unaudited $	Forecast 30-Jun-20 (as at 331Dec 20198) $	Budget 30-Jun-20 (SOI) $	*Variance* $	30 June 2019 12 Months Audited $
Operating Revenue									
PNCC Grants		1,599,955	1,599,954	-	1,565,513	3,199,909	3,199,909	-	3,131,026
MDC Grant		20,000	-	20,000	20,360	20,000	20,307		20,360
Interest Received	1	7,341	3,118	4,224	7,500	11,140	6,236	4,904	13,892
Other Income	2	211,204	323,642	(112,438)	283,589	411,644	640,890	(229,246)	415,924
Total Operating Revenue		**1,838,500**	**1,926,715**	**(88,214)**	**1,876,962**	**3,642,693**	**3,867,342**	**(224,649)**	**3,581,202**
Operating Expenditure									
Payroll	3	1,055,992	1,125,656	69,664	982,719	2,133,496	2,239,966	(106,470)	2,091,061
Other Operating Expenses		491,614	571,679	80,064	838,601	1,142,948	1,191,542	(48,593)	1,256,939
Interest		-	-	-	-	-	-	-	-
PNCC Leases & SLA's		40,869	40,869	0	40,869	81,738	81,738	0	84,738
Depreciation		129,542	134,976	5,435	135,177	266,745	269,952	(3,207)	267,885
Asset Write-offs		267	-	(267)	-	267	-	267	(1,017)
Total Operating Expenditure		**1,718,284**	**1,873,180**	**154,896**	**1,997,366**	**3,625,195**	**3,783,198**	**(158,003)**	**3,699,606**
Collection Movement Income									
Custodial Assets	6	-	2,500	(2,500)	-	-	5,000	(5,000)	-
Donated Assets	6	25,611	10,000	15,611	9,339	25,726	20,000	5,726	74,426
Collection Movement Expense									
Custodial Assets Returned	2	-	-	-	-	-	-	-	-
Collection Assets Deaccessioned		164	-	(164)		164	-	164	115
Net Collection Movements		**25,447**	**12,500**	**12,947**	**9,339**	**25,562**	**25,000**	**562**	**74,311**
Surplus/(Deficit) Including Collection Movements		**145,663**	**66,035**	**79,628**	**(111,065)**	**43,060**	**109,144**	**(66,084)**	**(44,093)**

The accompanying notes form part of, and are to be read in conjunction with these financial statements.

Te Manawa Museums Trust
Statement of Financial Position
As at 31 December 2019

	Note	Actual 31-Dec-18 Unaudited $	Actual 31-Dec-19 Unaudited $	Budget 30-Jun-20 SOI $	Forecast 30-Jun-20	Variance	Actual 30-Jun-19 Audited $
Assets							
Current Assets							
Cash and Cash Equivalents	3	320,770	300,952	411,151	365,731	(45,420)	582,450
						-	
Stock of Merchandise		53,088	52,434	45,000	50,000	5,000	50,070
Debtors and Sundry Receivables		25,119	6,670	50,000	35,000	(15,000)	12,004
Interest Receivable		522	2,114	1,600	2,500	900	2,727
Prepayments		64,982	40,005	57,000	57,000	-	63,767
Term Deposits	3	174,472	587,004	282,988	150,000	(132,988)	150,000
Total Current Assets		**638,953**	**989,179**	**847,739**	660,231	(187,508)	861,017
Non-Current Assets							
Intangible Assets	4	19,305	12,249	27,752	21,210	(6,542)	15,777
Property Plant & Equipment:	4					-	
Computer Hardware		30,748	*20,178*	*75,021*	*49,452*	(25,569)	*24,170*
Exhibitions		416,266	*331,203*	*305,151*	*418,191*	113,040	*370,247*
Furniture & Fittings		96,365	*67,740*	*78,750*	*78,750*	-	*80,755*
Leasehold Improvements		99,970	*77,918*	*67,136*	*67,136*	-	*88,943*
Plant & Equipment		412,997	*331,377*	*364,421*	*382,421*	18,000	*375,903*
Work in Progress		15,054	*49,002*	*30,000*	-	(30,000)	*24,515*
Collection Assets - Owned		8,203,225	8,325,768	8,323,404	8,276,845	(46,559)	8,276,845
Collection Assets - Custodial		8,265,209	8,265,209	8,275,211	8,275,211	-	8,265,211
Total Non-Current Assets		**17,559,139**	**17,480,644**	**17,546,846**	17,569,216	22,370	17,522,366
Total Assets		**18,198,092**	**18,469,823**	**18,394,585**	**18,229,447**	**(165,138)**	**18,383,383**

(Continued on next page)

Te Manawa Museums Trust

Statement of Financial Position

As at 31 December 2019

	Note	Actual 31-Dec-18 Unaudited $	Actual 31-Dec-19 Unaudited $	Budget 30-Jun-20 SOI $	Forecast 30-Jun-20	Variance $	Actual 30-Jun-19 Audited $
Current Liabilities							
Creditors, Provisions & Payables		164,532	179,702	160,000	160,000	-	235,736
Employee Liabilities		164,895	199,084	195,619	167,000	(28,619)	199,140
Provisions		-	-	-	-	-	-
GST Payable (Receivable)		51,400	51,368	55,000	47,028	(7,972)	56,430
Income received in advance		29,912	37,798	30,000	30,000	-	35,873
Total Current Liabilities		410,739	***467,952***	***440,619***	**404,028**	**(36,591)**	**527,179**
Non-Current Liabilities							
Employee Benefit Liabilities		3,266	5,148	3,296	3,296	-	-
Total Non-Current Liabilities		3,266	***5,148***	***3,296***	**3,296**	**-**	**5,144**
Total Liabilities		**414,005**	**473,100**	**443,915**	**407,324**	**(36,591)**	**532,322**
Equity							
Trust Equity		10,597,792	10,489,258	10,544,165	10,544,165	-	10,489,260
Retained Surplus Current Year		(111,065)	145,663	109,144	43,060	(66,084)	-
Asset Revaluation Reserve		7,073,192	7,073,191	7,073,191	7,073,191	-	7,073,191
Specific Reserves	5	213,296	277,737	213,296	150,833	(62,463)	277,736
Endowment Funds	6	10,872	10,874	10,874	10,874	-	10,873
Total Equity		***17,784,087***	**17,996,723**	**17,950,670**	**17,822,123**	(128,547)	**17,851,060**
Total Equity & Liabilities		**18,198,092**	**18,469,823**	**18,394,585**	**18,229,447**	**(165,138)**	**18,383,383**

The accompanying notes form part of, and are to be read in conjunction with these financial statements.

For and on behalf of the Board

John Fowke
Chairman

Tyson Schmidt
Trustee

Date
27 February 2020

Te Manawa Museums Trust

Statement of Cash flows

For the 6 Months ended 31 December 2019

Description	Actual 31-Dec-18 Unaudited $	Actual 31-Dec-19 Unaudited $	Budget 30-Jun-20 SOI $	Forecast 30-Jun-20 $	Variance $	Actual 30-Jun-19 Audited $
Cash Flows from Operating Activities						
Cash was provided from:						
PNCC Grants	1,565,513	1,599,955	3,193,647	3,199,909	(1,599,955)	3,131,026
Other Revenue	299,564	231,204	645,197	446,474	(215,270)	395,647
Interest	11,102	7,341	6,236	11,140	(3,798)	14,129
	1,876,179	*1,838,500*	*3,845,080*	3,657,523	(1,819,023)	3,540,802
Cash was disbursed to:						
Payroll	1,013,443	1,055,992	2,269,227	2,044,181	988,189	2,085,661
Suppliers	831,134	532,483	1,221,727	1,224,686	692,203	1,164,417
Interest	-	-	-	50	50	-
Net GST Outflow (Inflow)	(7,207)	(9,292)	-	2,770	12,062	(14,793)
	1,837,370	*1,579,183*	*3,490,954*	3,271,687	1,692,504	3,235,286
Net Cash Flows from Operating Activities	38,808	**259,317**	**354,126**	**385,836**	**(126,518)**	**305,516**
Cash Flows from Investing Activities						
Cash was provided from:						
Sale of Assets	0	0	-		-	-
Cash was disbursed to						
Purchase of Intangible Assets - Software	-	16,000	16,000	-	(16,000)	
Purchase of Property, Plant and Equipment	191,754	23,937	173,762			212,656
Expenditure on Exhibition Work in Progress	-	9,529	9,000	443,793	434,264	31,369
Purchase of Collection Assets	22,771	49,089	25,000	45,000	(4,089)	
Net increase of term deposit	142,803	442,270	106,236			(167,275)
Total	71,722	*540,825*	*329,998*	488,793	414,175	76,750
Net Cash Flows from Investing Activities	**(71,722)**	**(540,825)**	**(329,998)**	**(488,793)**	**414,175**	(76,750)
Cash Flows from Financing Activities						
Cash was provided from:						
PNCC Long-Term Exhibition Development Grant		-	-	-		-
Capital Introduced		-	-	-	-	-
Proceeds of Term Loans/Finance Leases		-	-	-	-	-
Cash was disbursed to:		-	-	-		-
Net Cash Flows from Financing Activities						
Net Increase/(Decrease) in Cash Held	(32,914)	(281,508)	24,128	(102,957)	(154,614)	228,766
Opening Cash Balances	353,684	582,460	387,023	353,684	(32,914)	353,694
Closing Total Cash Balances 4	**320,770**	**300,952**	**411,151**	**250,727**	**(187,528)**	**582,460**

The accompanying notes form part of, and are to be read in conjunction with these financial statements.

Notes to the six monthly reports

Selected Explanatory Notes (Commentary)

1. **Interest revenue**

   Actual interest rates of 1.9% to 2.4% capitalised on short term deposits, compared to a budgeted 2.0%.

2. **Other operating revenue**

   Year-to-date other income is below budget by $238k for the six month period. Year End Forecast indicates other income will be $209k below budget. Learning Revenue is forecast downward by $51.9k to reflect lower than expected revenue. Exhibitions income is below YTD target due to lower than expected revenue Sponsorship income has been adjusted downward reflecting a more obtainable target.

3. **Employee expenses**

	Actual	Budget	Variance	Actual	Forecast	Budget	Variance	Actual
	31-Dec-19	31-Dec-19		31-Dec-18	30-Jun-20	30-Jun-20		30-Jun-19
	Unaudited			Unaudited	*as at 31 Dec 2019*	SOI		Audited
	$	$	$	$	$	$	$	$
Total Salaries and Wages	1,055,992	1,125,656	69,664	961,416	2,099,137	2,239,966	140,830	2,040,789
Employer Contribution to Kiwi Saver	26,421	32,819	6,398	21,303	63,169	65,637	2,468	45,916
Movement in Employee Entitlements	0	4,500	4,500	8,107	11,445	9,000	-2,445	4,356
Total Employee Expenses	1,082,413	1,162,975	80,562	990,826	2,173,751	2,314,603	140,853	2,091,061

The payroll for the actual year to date is less than budget, mainly because of several unfilled positions for much of the period (two technicians, a designer, a developer position (.8) , and the gallery curator).
Since the period ended a new developer has been employed. Recruitment is underway for the remaining positions.

4. Other operating expenditure

Other Operating Expenses (net of PNCC leases and Depreciation) for 2019/20

For the six months to 31 December Other Operating Expenses, amounted to $491.6 against a budget of $571.7k. The forecast total to 30 June 2020 is $1,142.9k versus a Budget of $1,191.5

- Collections costs were $26k under budget for the period. This is a timing difference related to the work required to remove and store the stained glass windows from the Methodist Church on Broadway. Most of these costs are offset by a grant from the Lotteries Board.
- Learning is under YTD budget by $5,275 as a result of lower costs for LEOTC and other education programmes.
- Exhibitions are $24,865 over budget for the six months as the lack of staff has required the use of contractors. Also, when the budgets were prepared no allowance was made for travel for the developer who resides in Dunedin.
- Facilities spend is $185k vs Budget 201k. This arises from lower than expected electricity bills and reduced cost of repairs and maintenance. These are expected to be timing differences.
- Executive – has spent $71.8k vs Budget $45.1k budget. Most of this has occurred because of the cost of the enquiry into workplace stress.

5.Property, plant & equipment and Intangible assets:

Asset Description	Opening Book Value 1 July 2019	Additions to 31 December 2019	Disposals	Depreciation / Amortisation	Impairment Losses	Closing Book Value 31 December 2019
Information Technology	24,171	1,235	-	5,228	-	20,178
Exhibitions	370,247	8,888	-	47,933	-	331,203
Furniture & Fittings	80,754	-	1,856	13,014	-	67,740
Leasehold Improvements	88,944	0	-	11,026	-	77,918
Plant & Equipment	375,902	4,556	-	48,814	-	331,377
Work in Progress	24,515	9,259	-	-	-	33,774
Total Property, Plant & Equipment Assets	964,533	23,937	1,856	126,013	-	862,190
Intangibles	15,777	16,000	-	3,528	-	12,249
Work in Progress	-	-	-	-	-	0
Total Intangible Assets	15,777	16,000	-	3,528	-	12,249
Total Fixed Assets	**17,522,364**	**89,026**	**1,692**	**129,542**	-	**17,465,417**

6. Collection Assets

Collection Assets	Opening Balance 1 July 2019	Acquisitions	Donated/ Custodial collection Assets	Revaluations	Deaccessions	Closing Balance 31 December 2019
Art						
Owned	4,442,511	39,221			-	4,481,732
Custodial	6,892,944				-	6,892,944
Total Art	**11,335,455**	**39,221**	-	-	-	**11,374,676**
Heritage						
Owned	3,834,333	9,868	-	-	(164)	3,844,037
Custodial	1,372,266	-	-	-	-	1,372,266
Total Heritage	**5,206,599**	**9,868**	-	-	**(164)**	**5,216,304**
Total Collection Assets	**16,542,054**	**49,089**	-	-	**(164)**	**16,590,980**
Owned Collection Assets	**8,276,844**	**49,089**	-	-	(164)	8,325,769
Custodial Collection Assets	**8,265,210**	-	-	-	-	8,265,211
	16,542,054	**49,089**	-	-	(164)	**16,590,980**

Valuation

Heritage Collection

The Trust's policy is to revalue the heritage collection every five years. The owned and custodial heritage collections were independently valued at 30 June 2015 at $3,777,513 for the owned heritage collection and at $1,376,020 for the custodial heritage collection. The revaluation was undertaken by *Webb's* Auckland. The collection was valued based on fair value at the date of revaluation, by reference to price in an active market.

Art Collection

The Trust's policy is to revalue the art collection assets every three years. The owned and custodial art collections were independently valued at 31 January 2018 at $4,348,123 for the owned art collection and at $6,892,944 for the custodial art collection. The revaluation was undertaken by *Art+Object* Auckland. The collection was valued based on fair value at the date of revaluation, by reference to price in an active market.

No Collection assets are pledged as security as at 31 December 2019 (2018: $nil).

7. Specific Reserves

Specific Reserves	Balance at 01/07/19	Transfers from Retained Earnings	Disbursements / Release of Funds	Balance as at 31 December 2019	Forecast transfers in/(out)	Year-End Forecast Balance	Comments
Collection Development Fund - General	4,451	-		4,451	-	4,451	These are funds tagged for art and/or heritage collection items purchases.
Collection Development Fund - Social History Specific	16,391	-	-	16,391		16,391	These funds are tagged for Social History only (based on bequests terms)
Historical Building Maintenance	22,081		-	22,081	-	22,081	
Exhibition Revitalisation/Development Fund	234,815		-	234,815	- 15,000	219,815	At the meeting held on 27 June 2019 the Board approved a release of $15,000 towards the refresh of Kids TM.
Total Specific Reserves	**277,738**	**-**	**-**	**277,738**	**- 15,000**	**262,738**	

8. Endowment Funds

Endowment Fund	Balance at 01/07/19	Additional Endowments	Disbursements / Release of Funds	Balance as at 31 December 2019	Forecast transfers in/(out)	Year-End Forecast Balance
*Clevely Fund	10,874	-	-	10,874	-	**10,874**
Total Endowment Funds	**10,874**	**-**	**-**	**10,874**	**-**	**10,874**

*Roy E Clevely Trust - 60% of net income per year for the general purposes of the Museum and in particular but without limitation for the acquisition of artefacts and materials including especially oral history recordings relating to pioneering and early development in the Manawatū-Rangitikei and neighbouring districts.

9. Cash and Cash Equivalents

Cash & Cash Equivalents	Interest Rate	31 December 2019
Westpac Cheque Account		$16,100
Westpac Online Saver Account		$284,165
BNZ Cheque Account		$11
Petty Cash / Cash Floats		$676
		$300,952

10. Short Term Deposits

Short Term Deposits		Interest Rate	31 December 2019
Term Investment - BNZ0001 CCE	13/03/2020	1.90%	$133,876
	2/03/2020	2.00%	$178,816
Term Investment - Westpac 0023 CCE	5/05/2020	2.40%	$153,511
Term Investment - Westpac 0024 CCE	8/11/2019	2.40%	$120,802
			$587,004

As per the Trust's financial investment policy, the term deposits are invested with commercial banks with a Standard & Poor's credit rating of at least A-.

1 Statement of Accounting Policies

REPORTING ENTITY

Te Manawa Museums Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Palmerston North City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint more than 50% of the Board of Trustees.

The Trust was incorporated on 20 August 1999. From that date, the Trust assumed responsibility for art works and heritage assets transferred to its care but held on behalf of others. From 1 July 2000 the Trust commenced leasing the premises and managing the institution under agreements entered into with the Palmerston North City Council. The principal place of business is 326-336 Main Street, Palmerston North.

The primary objective of the Trust is to provide interactive experience in art, science and history through acquiring, conserving, researching, developing, communicating and exhibiting material evidence of people and their environment, rather than making a commercial return. Accordingly, the Trust has designated itself as a public sector public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards), in accordance with the Financial Reporting Act (2013).

The financial statements of the Trust are for the six months ended 31 December 2019 and were approved by the Board of Trustees on 27 February 2020.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions, have been adopted.
The Trust qualifies as a Tier 2 Public Sector PBE reporting entity as it is not publicly accountable and as for the two most recent reporting periods it has had between $2m and $30m operating expenditure.

Measurement Base

The measurement basis applied is historical cost, modified by the revaluation of collection assets as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars (NZ$).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from Non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. In non-exchange transactions, the Trust either receives value from or gives value to another party without directly giving or receiving approximately equal value in exchange.

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Many of the services that the Trust provides for a fee are charged at below market value as they are subsidised by Palmerston North City Council operational grant, sponsorship, government/non-government grants. Other services operate on a cost recovery or breakeven basis and are not considered to reflect a market return. Most of the Trust's revenue is therefore categorised as non-exchange.

This includes PNCC grants, transfers from government/non-government entities, donations, donated/vested and custodial collection items, sponsorship, in kind sponsorship, revenue from services supplied at subsidised price.

Specific accounting policies for major categories of revenue from non-exchange transactions are outlined below:

Grants

Grants received from PNCC are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust's trust deed.

Revenues from non-exchange transactions with Council/other government/non-government entities are measured at fair value and recognised when the event occurs and the asset recognition criteria are met, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Trust and can be measured reliably.

To the extent that there is a related condition attached that would give rise to a liability to repay the amount if conditions of the grant are not met, deferred income is recognised instead of revenue, and recognised as revenue when conditions of the grant are satisfied.

Rendering of services

Revenue from the rendering of services is recognised when the transaction occurs to the extent that a liability is not also recognised. For these transactions the revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

All revenues from rendering of services are non-exchange, with the exception of revenue from Venue Hire which is classified as exchange transaction.

Vested or donated physical assets

Where a physical asset is gifted to or vested in the Trust for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Such income is recognised when control over the asset is obtained, unless there is a use or return condition attached to the asset.

The fair value of vested or donated physical assets is determined by reference to the market value of comparable assets available.

'In Kind' Sponsorship

The Trust receives sponsorship 'in kind' by way of goods and services provided at discounted or nil charge. Where the fair value of these goods and services can be reliably measured, the income (and expense) is recognised as 'sponsorship - in kind' in the period in which the goods or services are received or there is a binding arrangement to receive the goods.

Volunteer Services

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

Revenue from Exchange transactions

Sales of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Trust.

Interest Income

Interest income is recognised using the effective interest method.

Advertising Costs

Advertising costs are expensed when the related service has been rendered.

Borrowing Costs

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents includes 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.

Bank overdrafts are presented within borrowings as a current liability in the statement of financial position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of a receivable is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Assets

Financial assets are categorised into the following four categories: financial assets at fair value through surplus or deficit; held-to-maturity investments; loans and receivables; and financial assets at fair value through other comprehensive revenue and expense. The classification depends on the purpose for which each investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The fair value of financial instruments traded in active markets is based upon the quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

a) **Financial Assets at Fair Value through Surplus or Deficit**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. After initial recognition they are measured at their fair values. Gains or losses due to change in fair value are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

b) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

c) Held to Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.
Currently, the Trust does not hold any financial assets in this category.

d) Financial Assets at Fair Value through Other Comprehensive Revenue and Expense
Financial assets at fair value through other comprehensive revenue and expense are those that are designated into this category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of financial assets
Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables, and held-to-maturity investments
Impairment is established when there is evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense
For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.
For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.
Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.
If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories
Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.
Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.
Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Property, Plant and Equipment
Items of property, plant and equipment are stated at historical or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions
The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are presented net in the surplus or deficit.

Work in Progress
All assets constructed by the Trust are initially recorded as work in progress. Work in progress is recognised at cost less impairment and it is not depreciated. Upon completion, these assets are transferred to their relevant asset class and depreciation commences.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.

(a) Furniture, Equipment and Exhibits

Furniture, equipment and exhibits (excluding art and heritage collections) are valued at cost less accumulated depreciation and impairment losses.

Depreciation
Assets are depreciated on a straight-line basis at rates that will write off their cost less any estimated residual value over the expected useful life of the asset. The useful lives of major classes of assets have been estimated as follows:

Computer Hardware	1 to 5 years
Exhibitions	2 to 10 years
Furniture & Fittings	4 to 10 years
Leasehold Improvements	4 to 10 years
Office Equipment	4 to 10 years
Plant	4 to 20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(b) Collection Assets

As the Heritage Collection and Art Collection assets are intended to have an indefinite life, they are held in trust in perpetuity for the benefit of the public.

The Heritage Collection and Art Collection have not been depreciated, as it is the Trust's policy to maintain the collections in their current state, in accordance with the Trust's Collection Policies.

All additions to the Heritage and Art Collection are recorded at cost. These additions will be revalued in accordance with the Trust's Valuation Policy. Donated objects are recorded at fair value, or depreciated replacement cost, or nil value if considered unrealisable or irreplaceable.

Custodial Collection Assets are objects within the Heritage and Art Collections not formally owned by the Trust, where the Trust has assumed all the rights and obligations of ownership. Within the Heritage Collection this is limited to items on loan for an indefinite period, excluding works on loan from other Museums and Cultural organisations. In relation to the Art Collection, the nature of artworks and anecdotal evidence suggests that there is a high likelihood of request for return of loaned assets, irrespective of the loan period, therefore only items on loan from the Te Manawa Art Society Inc. are recognised as custodial assets. These assets are held and maintained by the Trust by agreement with the owners.

Revaluation

The Art Collection assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Art + Object* Auckland as at January 2018. Trust's policy is to revalue the Art Collection assets every three years.

The Heritage Collections assets are revalued to fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by *Webb's* Auckland as at 30 June 2015. Trust's policy is to revalue the Heritage Collection assets every five years to ensure that their carrying amount does not differ materially from fair value.

All other asset classes are carried at depreciated historical cost.

Accounting for Revaluations

The results of revaluing are credited or debited to an asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is charged to the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in a previous year surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve.

Intangible Assets

Recognition and measurement

Intangible assets are initially measured at cost, except for Intangible assets acquired through non-exchange transactions (measured at fair value).

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-Exchange transactions) less accumulated amortisation and impairment, except for the items which are not amortised and instead tested for impairment such as Intangible assets with indefinite useful lives, or not yet available for use. The Trust has no intangible assets with indefinite useful lives.

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.
Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Trust's website are recognised as an expense when incurred.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

Amortisation
Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The estimated useful lives are as follows:

Software	1 to 7 years
Website	3 to 5 years

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

Impairment of property, plant and equipment and intangible assets
For the purpose of impairment of Property, plant and equipment and intangible assets, which are carried at cost less accumulated depreciation and impairment losses, the Trust classifies its items of property plant and equipment and intangibles as non-cash generating assets, as these are not held with the primary objective of generating a commercial return, but rather for service delivery purposes and to deliver to Trust's public benefit objectives. Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash-generating assets
For Trust's non-cash generating assets, value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets
Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. The Trust does not currently hold property plant and equipment and intangible assets in this category.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and Other Payables
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.

Employee Entitlements

Short-term employee entitlements
Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date. Sick leave has not been included, as the amount of accumulated sick leave that is anticipated to be taken in future periods is not considered to be material.

Long-term employee entitlements
Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave have been calculated on an actuarial basis. The calculations are based on:
- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Provisions
A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in 'finance costs'.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Trust is exempt from Income Tax by virtue of its charitable status.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Trust's contributed capital;
- Retained earnings;
- Restricted reserves;
- Collections revaluation reserve;

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Trust.

Restricted reserves include those subject to specific conditions accepted as binding by the Trust and which may not be revised by the Trust without reference to the Courts or a third party (i.e. endowment funds). Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Trust's decision. The Trust may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Trust.

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board of Trustees in preparing these financial statements

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, Plant and Equipment Useful Lives and Residual Values
The Trust reviews the useful lives and residual values of its property, plant and equipment annually. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors including the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values.

Critical Judgements in applying the Trust's accounting policies

There have been no specific areas requiring management or Trustees to exercise critical judgement in applying the Trust's accounting policies for the period ended 31 December 2019.