Te Manawa Museums Trust

Statement of Intent (Financials)
For the years ended 30 June 2019, 2020 & 2021

February 2018

Contents

Budget Assumptions and Comments:

Revenue

1. **Palmerston North City Council (PNCC) Funding:**

    2018/19: $3,131,026 (2017/2018 plus 2.2%)

    2019/20: $3,146,681 (2018/2019 plus 2.2%)

    2021/21: $3,162,415 (2019/2020 plus 2.2%)

    Consistent with the CPI rate of 2.2% at 21 February and advised by PNCC

2. **Manawatu District Council (MDC) Funding**

    The annual Grant of $20k, is assumed to continue for the 2018/19 2019/20 & 2020/21 Budgets.

3. **Interest Revenue**

    Interest Income has been based on a reducing bank balance of approximately $318k, $150k & $154k . This is less than the previous year due to the investment in "Rapid Evolution"

4. **Other Operating Revenue**

    Other Operating Revenue is forecast to increase from the 2017/2018 budget, with increased targets for fundraising and sponsorship.

4. **Net Collection Movements**

    The level of donated collection assets is maintained at prior years' level ($25,000).

    The prospective financial statements do not provide for a forecast net movement in the market value of the collection, due to data not being readily available for assumptions regarding the future market value of collections assets. Revaluation of collection assets is a non-cash item. The revaluation of the Art Collection will take place during 2017/18 financial year and the Heritage Collection revaluation is planned to take place in 2018/19 financial year.

Expenditure

5. **Payroll:**

    The Payroll budget for 2018/19 incorporates requirements of the remuneration system adopted by Te Manawa. It also provides for "Rapid Evolution" expenditure.

6. **Operating Expenditure:**

    Operating costs have been budgeted for the next three years based on current contractual commitments. Savings due to changes in Te Manawa structure will be re-directed to Concept Development

The table below provides an analysis of operating expenses by function

Operating Expenditure	**Budget 2017/18 $**	***Forecast* 2017/18 $**	**Budget 2018/19 $**	**Budget 2019/2020 $**	**Budget 2020/2021 $**
Other Operating Expenditure					
Assets and Systems					
Collection	79,330	*78,751*	102,258	90,090	97,962
Facilities	327,183	*315,969*	320,584	326,410	332,365
Corporate Services	124,134	*167,799*	125,182	127,695	130,270
	530,647	*562,519*	548,024	544,195	560,597
People & Partnerships					
Education	16,050	*17,245*	21,998	22,482	22,977
Public Programmes and Events	40,200	*77,239*	37,000	37,814	38,646
Communications	73,360	*83,593*	67,260	68,740	70,252
Visitors' Host	34,620	*33,522*	47,260	48,300	49,362
Volunteers	1,150	*859*	1,150	1,175	1,201
	165,380	*212,458*	174,668	178,511	182,438
Concepts & Engagement					
Other operating expenditure	307,304	*229,449*	496,698	408,309	394,493
	307,304	*229,449*	496,698	408,309	394,493
Executive					
Other operating expenditure	95,210	*142,413*	235,655	205,550	209,530
	95,210	*142,413*	235,655	205,550	209,530
Payroll	2,194,326	*2,218,689*	2,422,019	2,482,803	2,537,373
Depreciation/Amortisation	358,067	*364,880*	235,362	226,657	233,384
Assets Written Off	-	*11,742*	-	-	-
Custodial Assets Returned		*(3,776)*	-	-	-
Total Operating Expenditure	**3,650,934**	**3,738,375**	**4,112,426**	**4,046,025**	**4,117,815**

7. Occupancy Costs:

Te Manawa has received notice of some suppliers' intention to increase costs. An inflation adjustment of 2.2% has been applied consistently, with the exception of specific projects budgeted in 2019 -2021 year in Concepts and Engagement

General insurance costs (i.e. other than collection insurance) have been forecast based on actual quotes adjusted for inflation. The forecast energy is based on actual consumption trend adjusted for inflation.

8. PNCC Leases and Service Level Agreements:

It has been assumed that there will be no increase in charges from PNCC in relation to service level agreements – IT, vehicles and phones.

9. Depreciation:

The forecast depreciation for the next financial years is based on the planned plant and equipment additions. (refer to Note 12 for more information on planned capital expenditure).

Depreciation expense is forecast to decrease significantly in year 2018/19 as a result of the semi-permanent exhibitions upgraded back in 2011 being fully depreciated by the end of the 2017/18 financial year.

10. Operating Surplus/(Deficit) before Collection Movements:

Operating net deficits have been budgeted for 2018/19 (-$154.3k), 2019/20 (-$92.5k) and 2020/21 (-$93.3).
The Reason for the deficit is that the focus is on adding in initiatives and people resources that will drive Rapid Evolution. Income has been increased correspondingly, where appropriate, including areas of Touring Exhibitions, Learning, retail products and Services and Events .

The following projects will provide space for experimentation and risk taking:

- High Tech highly engaged Social space
- Exploratorium (collab with UCOL)
- Te Ahi Kaea (Culture Centre)
- Long Term Art exhibition
- Te Rangahau Curiosity Centre (expanded learning hub)
- Day to day visitor experience

STATEMENT OF FINANCIAL POSITION

11. Cash & Short Term deposits:

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to reduce as reported in the Prospective Cash flow Statement. This is in line with the focus on adding in initiatives and people resources that will drive **"Rapid Evolution".** This is sufficient to meet the current Trust's budgeted obligations and commitments.

A short term deposit with maturity of up to 6 months has been budgeted for during next year, in line with current forecast, to benefit from higher interest rate levels. However this is subject to cash available from meeting our third party revenue target for the next financial year.

12. Planned Capital Expenditure:

The budgets for the next three financial years include the following significant capital projects (excluding collection acquisitions):

A summary of the budgeted capital acquisitions by type of assets is presented below:

2018-19 Financial Year	**Budget $**
Capital Contingency (2018/19)	5,000.00
IRD Integrated Payroll Upgrade	20,000.00
Chest Freezer	1,600.00
Drawer Units for Collection on Paper	6,000.00
Earthquake Restraints & new shelving	26,507.00
High Resolution Scanner	7,000.00
Online Collection Interactive Art gallery	6,000.00
Social Space Art Gallery (WIP)	60,000.00
Kids TM Selected Spaces refurbishment	30,000.00
New Projector Wilkins	4,000.00
Santa's Cave	15,000.00
Te Rangi Whenua Refresh (Stage 1)	20,000.00
Totaranui Refurbishment	13,500.00
Access Control upgrade	51,517.00
Dishwasher Art Gallery New Projector Heritage	5,000.00
Laptop Charging Cabinet	1,800.00
Low-spec laptops	12,000.00
New FURNITURE/CHAIRS	4,850.00
Oven Art Gallery	1,000.00
Wi-Fi infrastructure	15,000.00
Total	**$305,774.00**

2019/20 Financial Year	**Budget $**
Capital Contingency (2019/20) Plant & Equipment Renewals	5,000.00
2X Canon DSLR	5,600.00
Drawer Units for Collection on Paper (2)	12,000.00
Darkroom Visible collection storage	15,000.00
Exhibition cases	20,000.00
Te Rangi Whenua refresh Stage 2	20,000.00
Social Space (30k plus 60k from WIP previous year)	90,000.00
Carpet McDiarmid & Santa's Space	30,000.00
Computer & Screen (Front Desk)	2,000.00
High Spec laptops	3,770.00
High Spec Laptops & Screen (Janet & Jaime)	4,000.00
Interactive Whiteboards	9,400.00
Low-spec laptops	15,000.00
Digital Signage Suite	4,400.00
Internal Speaker System Museum Complex	5,400.00
Portable Sound System	3,400.00
Projector	10,000.00
Retractable Screen	1,400.00
Total	**$256,370.00**

2020/21 Financial Year	**Budget $**
Plant & Equipment Renewals	20,000.00
Online Collection Interactive Stage 1	24,000.00
Collection online Interactive Wall	30,000.00
New Drawer Units for WoP Collection	12,000.00
Strata 2 Tambour 5-tier units	4,050.00
Manawatu Journeys Upgrade inc. SoundScape	50,000.00
Main Staffroom	10,000.00
Shop Refit	25,000.00
Computer & Screen (Front Desk)	2,000.00
Screen	600.00
Monkeyman Suits	3,000.00
FOH Furniture	10,000.00
Bouncy Whare	5,000.00
Internal Sound System for Public Areas	25,000.00
Meeting Room Chairs	4,400.00
Portable Sound System	1,700.00
Projector	5,000.00
Total	**$231,750.00**

A summary of the budgeted capital acquisitions by type of assets is presented below.

Planned Capital Expenditure Summary	*Budget 2017/18 $*	*Forecast 2017/18 $*	Budget 2018/19 $	Budget 2019/20 $	Budget 2020/21 $
Software	*15,996*	*19,541*	*20,000*	-	*24,000*
Leasehold Improvements	*126,300*	*246,590*	*73,500*	*120,000*	*10,000*
Information Technology	*24,000*	*6,517*	*25,000*	*39,170*	*2,600*
Exhibitions	*80,004*	*146,036*	*65,000*	*55,000*	*83,000*
Furniture & Fittings	*3,996*	*13,389*	*4,850*	-	*51,050*
Plant & Equipment	*17,004*	*89,664*	*117,424*	*42,200*	*61,100*
Collection Assets (Owned)	*70,000*	*55,755*	*25,000*	*50,000*	*50,000*
Total assets additions	337,300	577,492	330,774	306,370	281,750

13. STATEMENT OF CASHFLOWS:

Forecast net cash flows from operating activities are sufficient to cover the planned capital expenditure for the planned 2018/19 financial year. During the 2019/20 and 2020/21 financial years, operation expenses will increase as a result investment I Rapid Evolution

Te Manawa has also planned for significant refurbishments of the semi-permanent exhibitions that will make our long term galleries more vibrant and engage more visitors. We are however relying significantly on third party revenue in order to achieve this and thus, third party revenue will remain a focus.

14. STATEMENT OF CASH BALANCES & RESERVES:

Endowment Fund	**2017/18 Budget**	**Forecast at 30/06/18**	Budget transfers in/(out)	**2018/19 Budget**	Budget transfers in/(out)	**2019/20 Budget**	Budget transfers in/(out)	**2020/21 Budget**
Cleverly Fund	**10,874**	**10,874**		**-**		**10,874**	-	**10,874**
Total Endowment Funds	**10,874**	**10,874**		**-**		**10,874**	-	**10,874**

Specific Reserves Forecast

Specific Reserves	**2017/18 Budget**	**Forecast at 30/06/18**	Budget transfers in/(out)	**2018/19 Budget**	Budget transfers in/(out)	**2019/20 Budget**	Budget transfers in/(out)	**2020/21 Budget**
Collection Development - Specific	16,391	**16,391**	(16,391)	**-**	-	-	-	-
Collectoin Development - General	14,539	8,784		**8,784**	-	8,784	-	**8,784**
Historical Building Maintenance	19,081	**19,081**	-	**19,081**	-	**19,081**	-	**19,081**
Semi-Permanent Exhibition Development Reserve	131,024	**106,874**	(24,150)	**106,874**		**106,874**		**106,874**
Total Specific Reserves	**181,035**	**151,129**	(40,541)	**134,738**	-	**134,738**	-	**134,738**

Trevor James Hosking fund will be used in the 2018/2019 budget for "Rapid Evolution" based projects. Semi-Permanent Exhibition Development Reserve has been reduced during the current period as a result of the payments made for the Topp Twins Exhibition before the grant and thus unable to claim. Collections Reserve will be reduced by $5,755. Collections spend for 2017/18 is $55,755.

Te Manawa Museums Trust
Budget Statement of Cash Balances and Reserves
For the Three Years Ended 30 June 2019, 2020 & 2021

	Budget 2017/18 $	Forecast 2017/18 $	Budget 2018/19 $	Budget 2019/20 $	Budget 2020/21 $
Cash was provided from:					
PNCC Grants	3,045,605	3,063,626	3,131,026	3,199,909	3,270,307
MDC Grant	-	20,000	20,000	20,000	20,000
Rapid Evolution Fundraising	-	23,027	100,000	100,000	100,000
Other Income	554,671	577,358	672,099	599,809	605,123
Interest Income	22,400	20,395	10,000	8,762	4,125
	3,622,676	**3,704,406**	**3,933,125**	**3,928,479**	**3,999,555**
Cash was applied to:					
Payroll	2,194,326	2,249,976	2,422,019	2,469,997	2,537,373
Suppliers	953,580	1,200,828	1,339,672	1,180,164	1,350,783
Interest Expense	3,000	-	-	-	-
Purchase of Assets (Non Exhibition)	198,296	439,563	265,774	251,370	198,750
Exhibitions - Semi Permanent / Outward Touring	89,004	146,036	65,000	55,000	83,000
	3,438,206	**4,036,404**	**4,092,465**	**3,956,532**	**4,169,906**
Net Cash Inflow/(Outflow)	**184,470**	**(331,998)**	**(159,340)**	**(28,053)**	**(170,351)**
Opening Bank Balance + Term Deposits	870,130	901,426	577,955	250,009	123,331
Closing Bank Balance	**1,054,600**	**569,428**	**418,615**	**221,956**	**(47,020)**
Represented By:					
Cash Commitments:					
Suppliers and Sundry Payables	205,833	205,833	205,833	205,833	205,833
Employee Entitlements	164,000	164,000	167,000	167,000	167,000
	369,833	**369,833**	**372,833**	**372,833**	**372,833**
Less Operating Cash Receivable:					
Customers and Sundry Receivables	35,000	50,000	368,606	200,000	101,375
Interest Receivable	1,600	2,500	1,600	1,000	600
	36,600	**52,500**	**370,206**	**201,000**	**101,975**
Endowment Funds					
Clevely Fund	10,874	10,874	10,874	10,874	10,874
	10,874	**10,874**	**10,874**	**10,874**	**10,874**
Specific Reserves					
Collection Development Fund	30,929	55,080	25,175	8,784	8,784
Historical Building Maintenance Reserve	19,081	19,081	19,081	19,081	19,081
Art Gallery Redevelopment	-	-	-	-	-
Semi Permanent Exhibitions Dev & Revitalisation	131,024	106,874	106,874	106,874	106,874
	181,034	**181,035**	**151,129**	**134,738**	**134,738**
Working Capital Provision	**250,000**	**250,000**	**250,000**	**250,000**	**250,000**
Tagged Reserves	**775,141**	**759,242**	**414,630**	**567,445**	**666,470**
Untagged Reserves	**279,459**	**(189,814)**	**3,985**	**(345,489)**	**(713,490)**
Total	**1,054,600**	**569,428**	**418,615**	**221,956**	**(47,020)**

Te Manawa Museums Trust

Prospective Statement of Comprehensive Revenue and Expenses

For Three Years ended 30 June 2019, 2020 & 2021

	Budget 2017/18 $	*Forecast 2017/18* $ *as at Jan 2018*	Budget 2018/19 $	Budget 2019/20 $	Budget 2020/21 $
Revenue					
PNCC Operational Grant	3,045,605	3,063,626	3,131,026	3,199,909	3,270,307
MDC Grant	-	20,000	20,000	20,000	20,000
Rapid Revolution fundraising		23,027	100,000	100,000	100,000
Interest Received	22,400	20,395	10,000	8,762	4,125
Other Revenue	554,671	577,358	672,099	599,809	605,123
Total Revenue	**3,622,676**	**3,704,406**	**3,933,125**	**3,928,479**	**3,999,555**
Expenditure					
Personnel Costs	2,194,326	2,249,976	2,422,019	2,482,803	2,537,373
Operating	750,082	805,900	1,115,161	991,002	995,691
Occupancy Costs	266,721	254,283	258,146	263,825	269,629
PNCC Leases & SLA's	81,738	81,638	81,738	81,738	81,738
Depreciation/Amortisation	358,067	364,880	235,362	226,657	233,384
Assets Written Off	-	11,742	-	-	-
Total Operating Expenditure	**3,650,934**	**3,768,419**	**4,112,426**	**4,046,025**	**4,117,815**
Operating Surplus/(Deficit) Before Collection Movements	**(28,258)**	**(64,014)**	**(179,301)**	**(117,546)**	**(118,260)**
Collection Movement Income					
Custodial Assets	5,000	15,070	5,000	5,000	5,000
Donated Assets	20,000	38,998	20,000	20,000	20,000
Collection Movement Expense					
Custodial Assets Returned	-	3,776	-	-	-
Net Collection Movements	**25,000**	**50,291**	**25,000**	**25,000**	**25,000**
Net Surplus/(Deficit)	**(3,258)**	**(13,722)**	**(154,301)**	**(92,546)**	**(93,260)**
Other Comprehensive Revenue and Expenses	-	-	**-**	-	-
Total Comprehensive Revenue and Expense	**(3,258)**	**(13,722)**	**(154,301)**	**(92,546)**	**(93,260)**

The accompanying notes and accounting policies form part of the prospective financial statements.

Te Manawa Museums Trust

Prospective Statement of Financial Position
As at 30 June 2019, 2020 & 2021

	Actual 2017/18 $	Budget 2017/18 $	*Forecast 2017/18* $	Budget 2018/19 $	Budget 2019/20 $	Budget 2020/21 $
	Audited		*as at 31Jan 2018*			
Assets						
Current Assets						
Cash at Bank	591,347	844,600	259,349	100,009	71,956	4,355
Stock of Merchandise	36,410	30,000	45,000	45,000	45,000	45,000
Debtors & Sundry Receivables	54,219	25,000	50,000	50,000	50,000	50,000
Interest Receivable	3,666	1,600	2,500	1,600	1,000	600
Prepayments	76,879	19,000	140,000	20,000	20,000	20,000
Short Term Deposits	305,236	210,000	310,079	318,606	150,000	51,375
Total Current Assets	**1,067,757**	**1,130,200**	**806,928**	**535,215**	**337,956**	**171,330**
Non Current Assets						
Computer Hardware	20,328	21,830	31,737	36,074	57,208	44,038
Exhibitions	617,255	463,062	311,312	435,578	402,389	393,199
Furniture & Fittings	78,098	45,218	51,587	72,106	50,587	72,684
Leasehold Improvements	122,027	260,941	244,956	157,588	248,638	231,297
Plant & Equipment	205,237	151,704	349,702	450,144	431,650	433,435
Collection Assets (Owned)	7,491,030	7,563,168	7,602,887	7,647,887	7,717,887	7,787,887
Collection Assets (Custodial)	7,156,756	7,166,805	7,168,049	7,173,049	7,178,049	7,183,049
Total Fixed Assets	15,690,731	15,672,728	15,760,230	15,972,426	16,086,409	16,145,589
Other Non-Current Assets						
Intangible Assets - Software	28,449	41,371	35,845	32,860	23,590	37,776
Total Non-Current Assets	15,719,180	15,714,099	15,796,075	16,005,286	16,109,999	16,183,365
Total Assets	**16,786,937**	**16,844,299**	**16,603,003**	**16,540,501**	**16,447,955**	**16,354,695**
Current Liabilities						
Creditors, Provisions & Payables	158,801	160,000	160,000	160,000	160,000	160,000
Employee Benefits	198,983	164,000	164,000	167,000	167,000	167,000
GST Payable (Receivable)	51,844	55,000	55,000	55,000	55,000	55,000
Income Received in Advance	3,043	45,833	45,833	45,833	45,833	45,833
Total Current Liabilities	412,671	424,833	424,833	427,833	427,833	427,833
Non-Current Liabilities						
Employee Benefits Liabilities	4,612	3,000	4,700	4,800	4,900	5,000
Total Non-Current Liabilities	4,612	3,000	4,700	4,800	4,900	5,000
Total Liabilities	**417,283**	**427,833**	**429,533**	**432,633**	**432,733**	**432,833**
Equity						
Capital Introduced	145,565	145,565	145,565	145,565	145,565	145,565
Trust Equity	10,689,003	10,684,559	10,483,999	10,575,367	10,420,966	10,328,320
Retained Surplus Current Year	(52,446)	(3,258)	(13,722)	(154,301)	(92,546)	(93,260)
Asset Revaluation Reserve	5,395,625	5,397,292	5,395,625	5,395,625	5,395,625	5,395,625
Specific Reserves	181,034	181,035	151,129	134,738	134,738	134,738
Endowment Funds	10,873	11,274	10,874	10,874	10,874	10,874
Total Trust Funds	**16,369,654**	**16,416,466**	**16,173,470**	**16,107,868**	**16,015,222**	**15,921,862**
Total Liabilities and Trust Funds	**16,786,937**	**16,844,299**	**16,603,003**	**16,540,501**	**16,447,955**	**16,354,695**

Te Manawa Museums Trust
Prospective Statement of Cash Flows
For the Three Years Ended 30 June 2019, 2020 & 2021

	Budget 2017/18 $	Forecast 2017/18 $ as at 31Jan 2018	Budget 2018/19 $	Budget 2019/20 $	Budget 2020/21 $
Cash Flows from Operating Activities					
Cash was provided from:					
PNCC Grants	3,045,605	3,063,626	3,131,026	3,199,909	3,270,307
MDC Grant	-	20,000	20,000	20,000	20,000
Rapid Evolution Fundraising	-	23,027	100,000	100,000	100,000
Other Revenue	569,121	577,358	672,099	599,809	605,123
Interest	24,300	20,395	10,000	8,762	4,125
	3,639,026	3,704,406	3,933,125	3,928,479	3,999,555
Cash was disbursed to:					
Payroll	2,194,326	2,249,976	2,422,019	2,482,803	2,537,373
Suppliers	969,930	1,141,821	1,455,045	1,336,564	1,347,058
Interest	3,000	-	-	-	-
Net Change in working Capital		59,007	(115,373)	(169,206)	(99,025)
	3,167,256	3,450,804	3,761,691	3,650,162	3,785,406
Net Cash Flows from Operating Activities*	**471,770**	**253,601**	**171,434**	**278,317**	**214,149**
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of Assets	-	-	-	-	-
Cash was disbursed to					
Purchase of Intangible Assets - Software	24,000	19,541	20,000	-	24,000
Purchase of Leasehold Improvements	111,300	246,590	73,500	120,000	10,000
Purchase of Information Technology	15,996	6,517	25,000	39,170	2,600
Purchase of Exhibitions	89,004	146,036	65,000	55,000	83,000
Purchase of Furniture & Fittings	3,996	13,389	4,850	-	51,050
Purchase of Plant & Equipment	17,004	89,664	117,424	42,200	61,100
Purchase of Collection Assets	50,000	55,755	25,000	50,000	50,000
Work in Progress	-	8,107	-	-	-
	287,300	585,599	330,774	306,370	281,750
Net Cash Flows from Investing Activities	**(287,300)**	**(585,599)**	**(330,774)**	**(306,370)**	**(281,750)**
Cash Flows from Financing Activities					
Net Cash Flows from Financing Activities	**-**	**-**	**-**	**-**	**-**
Net Increase/(Decrease) in Cash Held	184,470	(331,998)	(159,340)	(28,053)	(67,601)
Opening Cash Balances	660,130	591,347	259,349	100,009	71,956
Closing Total Cash Balances	**844,600**	**259,349**	**100,009**	**71,956**	**4,355**

* In accordance with generally accepted accounting practice, the cash inflow from grants to fund capital expenditure is disclosed under Cash Flows from Operating Activities, whilst the application of cash to fund capital expenditure is disclosed under Cash Flows from Investing Activities.

Notes to the Financial Statements

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).

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 not large, 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.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted.

There are no standards, amendments, and interpretations issued that are not yet effective and have not been early adopted, and which are relevant to the trust.

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.

873603All 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.

i. 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.

ii. 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.

iii. 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.

iv. 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 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 and Equipment	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 30 April 2015. 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 four 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.

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 30 June 2017.

PUBLIC BENEFIT ENTITY PROSPECTIVE FINANCIAL STATEMENTS (PBE FRS 42)

The Trust has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

(i)Description of the nature of the entity's current operation and its principal activities

The Trust is a Council Controlled Organisation, as defined in the Local Government Act 2001. The Trust's principal activities are outlined within this Statement of Intent.

(ii) Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span over 3 years and include them within the Statement of Intent. The purpose of the Statement of Intent is to state publicly the activities and intentions of Te Manawa for the year and the objectives to which these activities will contribute. Prospective financial statements are revised annually to reflect updated assumptions and costs.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as the future events which the Trust expects to take place. The Trust has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within this Statement of Intent.

(iv) Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(v) Other Disclosures

The prospective financial statements have been authorised by the Board for delivery to the Palmerston North City Council on 29 June 2018. The Trust is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Statement of Intent is prospective and as such contains no actual operating results.