



New Zealand AIDS Foundation
Te Tūāpapa Mate Āraikore o Aotearoa

Audited Financial Statements

for the year ended 30 June 2016

New Zealand AIDS Foundation

Financial Statements

for the year ended 30 June 2016

Contents	Page
Statement of Comprehensive Revenue and Expenses	2
Statement of Changes in Net Assets	3
Statement of Financial Position	4
Cash Flow Statement	5
Note 1 – Reporting entity	6
Note 2 – Statement of compliance	6
Note 3 – Changes in accounting policy	6
Note 4 – Significant accounting policy	7
Note 5 – Significant accounting judgements, estimates and assumptions	13
Note 6 – Explanation of the transition to PBE IPSAS	14
Note 7 – Components of new deficit	14
Note 8 – Programme shared costs	15
Note 9 - Cash and cash equivalents	15
Note 10 – Intangible assets	16
Note 11 – Property, plant and equipment	16
Note 12 - Income in Advance	17
Note 13 - ANZ bank loan	19
Note 14 - Reserves	20
Note 15 - Related parties	21
Note 16 - Operating leases	22
Note 17 - Categories of financial assets and liabilities	23
Note 18 - Capital commitments	23
Note 19 - Contingent assets and liabilities	23
Note 20 - Events after the reporting date	23
Independent Auditor’s Report	24

Statement of Comprehensive Revenue and Expenses

New Zealand AIDS Foundation for year ended 30 June 2016

Restated

	Notes	2016	2015
		\$	\$
Revenue from exchange transactions			
Ministry of Health		4,230,387	4,200,436
Fundraising NZAF Events		17,375	21,643
Other Income		22,187	16,040
Interest		9,811	19,316
		<u>4,279,760</u>	<u>4,257,435</u>
Revenue from non-exchange transactions			
Grants - Special Projects		69,588	41,143
Grants - Capital		4,177	49,000
Fundraising NZAF Events		146,364	164,056
Donations / Bequests		50,902	34,944
Pharmac		45,531	45,614
Other Income		9,035	1,005
		<u>325,597</u>	<u>335,762</u>
Total Revenue		<u>4,605,356</u>	<u>4,593,197</u>
Expenses			
Office Resourcing	8	374,751	434,190
Board Expenses		44,488	37,936
Communications, Fundraising & Events		364,242	363,692
Depreciation	10, 11	77,729	70,377
HIV Prevention		1,012,461	1,001,089
Health Services		180,453	231,731
Research, Analysis & Information		61,844	64,484
Personnel	8	2,475,454	2,348,449
National Support Services		58,563	79,195
Travel	8	105,586	148,952
		<u>4,755,571</u>	<u>4,780,095</u>
Total surplus / (Deficit) for the year		<u>(150,215)</u>	<u>(186,898)</u>
Total comprehensive revenue and expense for the year		<u>(150,215)</u>	<u>(186,898)</u>

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

Statement of Changes in Net Assets

New Zealand AIDS Foundation for year ended 30 June 2016

Restated

	Notes	2016	2015
Accumulated comprehensive revenue and expense		\$	\$
Opening balance at start of year 01 July		1,709,088	1,704,806
Net surplus / (deficit) for the year		(150,215)	(186,898)
Transferred (to) / from Research Reserves for the year		50,000	49,680
Transferred (to) / from Building Reserve for the year		-	126,500
Transferred (to) / from Ministry of Health Reserve for the year		(9,000)	15,000
Total recognised revenue and expense		(109,215)	4,282
Total closing equity at the end of year 30 June		1,599,873	1,709,088
Building Reserve			
Total Building Reserve at the start of year		-	126,500
Transferred from Accumulated Funds for the year		-	-
Payments for the year		-	(126,500)
Total Building Reserve at the end of year	14	-	-
Research Reserves			
Total Research Reserves at the start of year		73,920	123,600
Transferred from Accumulated Funds for the year		-	-
Bequest Research Reserve received for the year		-	320
Payments for the year		(50,000)	(50,000)
Total Research Reserve at the end of year	14	23,920	73,920
Ministry of Health Reserve			
Total Ministry of Health Reserves at the start of year		51,000	66,000
Transferred (to) / from Accumulated Funds for the year		9,000	(15,000)
Payments for the year		-	-
Total Ministry of Health Reserve at the end of year	14	60,000	51,000
Closing equity 30 June		1,683,793	1,834,008

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

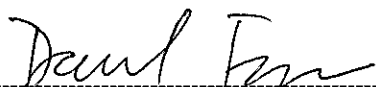
Statement of Financial Position

New Zealand AIDS Foundation as at 30 June 2016

Restated

	Notes	2016	2015
Current Assets		\$	\$
Cash and cash equivalents	9	37,986	28,616
Investments		-	-
Receivables from exchange transactions		-	-
Receivables from non-exchange transactions		1,150	-
Prepayments		13,785	48,635
GST Receivable		47,646	54,751
		100,567	132,002
Non-Current Assets			
Property, Plant & Equipment	11	2,393,361	2,433,752
Intangible Assets	10	15,801	11,614
		2,409,162	2,445,366
Total Assets		2,509,729	2,577,368
Current Liabilities			
Trade and other creditors from exchange transactions		207,242	202,584
Employee entitlements		83,793	87,380
Accrued Expenditure		22,088	88,325
Income in Advance - Operational Grants	12	12,813	15,070
ANZ Bank Loan	13	500,000	350,000
Total Liabilities		825,935	743,360
Net Assets		1,683,793	1,834,008
Equity			
Accumulated comprehensive revenue and expense		1,599,873	1,709,088
Building Reserve	14	-	-
Research Reserves	14	23,921	73,920
Ministry of Health Reserve	14	60,000	51,000
Total		1,683,793	1,834,008

These financial statements have been approved by the Board Finance Committee and will be approved for issue by the Board of Trustees on 01 October 2016.



David Friar - Chairperson

20 September 2016

Date



Michael Moore - Trustee

20/9/2016

Date

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

Cash Flow Statement

New Zealand AIDS Foundation for year ended 30 June 2016

	Notes	2016	2015
		\$	\$
Cash flows from operating activities			
<i>Receipts</i>			
Ministry of Health		4,230,387	4,200,436
Fundraising NZAF Events		163,739	185,699
Donations & Grants		121,260	128,986
Interest		9,811	19,316
Other Income		76,753	62,659
Net GST Received		7,105	-
		<u>4,609,054</u>	<u>4,597,095</u>
<i>Payments</i>			
Suppliers		2,135,800	2,277,694
Employees		2,548,858	2,328,247
Interest paid		23,359	18,963
Net GST Paid		-	1,949
		<u>4,708,017</u>	<u>4,626,854</u>
Net cash flow/(out flow) from operating activities		<u>(98,963)</u>	<u>(29,758)</u>
Cash flows from financing activities		\$	\$
<i>Receipts</i>			
Funds received from borrowings		150,000	250,000
		<u>150,000</u>	<u>250,000</u>
Net cash flow/(out flow) from financing activities		<u>150,000</u>	<u>250,000</u>
Cash flows from investing activities		\$	\$
<i>Payments</i>			
Purchase of fixed assets		41,667	242,208
		<u>41,667</u>	<u>242,208</u>
Net cash flow/(out flow) from investing activities		<u>41,667</u>	<u>242,208</u>
Net increase / (decrease) in cash and cash equivalents		9,370	(21,966)
cash and cash equivalents at 01 July		28,616	50,582
Cash and cash equivalents at 30 June	9	<u>37,986</u>	<u>28,616</u>

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

1. Reporting entity

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

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

These financial statements have been approved by the Board Finance Committee and will be approved for issue by the Board of Trustees on 01 October 2016.

2. Statement of compliance

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

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

3. Changes in accounting policy

For the year ended 30 June 2015, NZAF presented financial statements using Old NZ GAAP. These have now been restated to Not-For-Profit PBE IPSAS (RDR). An explanation of the transition to PBE IPSAS and a reconciliation of Net Assets is provided in Note 6.

4. Significant accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements, as explained in Note 6, which address changes in accounting policies.

Certain comparative amount in the statements of comprehensive revenue and expense have been reclassified as a result of changes in accounting policies (see Note 6)

The significant accounting policies of the NZAF are detailed below:

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

4.1 Basis of measurement

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

4.2 Functional and presentational currency

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

4.3 Revenue

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

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

Revenue from exchange transactions

Rendering of Services Ministry of Health

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

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

Reporting on the performance of this agreement is in accordance with the service specifications; and

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

Significant accounting policies (continued)

Fundraising Events

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

Other revenue

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

Interest revenue

Interest revenue is recognised as it accrues.

Revenue from non-exchange transactions

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

Grants Revenue

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

Fundraising Events

The NZAF's fundraising activities involve two public cash donation collections per year, World AIDS Day and the LYC Big Gay Out. Fundraising non-exchange revenue is recognised at the point at which cash is received.

Donations

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

Bequests

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

Pharmac

Pharmac revenue is recognised as it is earned.

Other revenue

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

4.4 Financial instruments

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

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

- the rights to receive cash flows from the asset have expired or are waived; or
- the NZAF has transferred its rights to receive cash flows from the assets, or has assumed an obligation to pay the received cash flows in full without material delay, to a third party; and either
- The NZAF has transferred substantially all the risk and rewards of the assets; or

Significant accounting policies (continued)

- The NZAF has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

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

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

Fair value is determined by obtaining the quoted market price in an active market. For investments and managed funds, this is the market value of investments per portfolio reports.

All financial assets except for those at fair value through surplus and deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

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

Fair value through surplus or deficit

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The NZAF's cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

Impairment of financial assets

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

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

Significant accounting policies (continued)

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

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

Financial liabilities

The NZAF financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements and deferred income (in respect to grants whose conditions are yet to be complied with).

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

4.5 Cash and cash equivalents

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

4.6 Short term investments

Short term investments comprise term deposits which have a term of no greater than three months and therefore do not fall into the category of cash and cash equivalents.

4.7 Loans Payable

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

4.8 Property, plant and equipment

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

Depreciation is recognised in surplus or deficit and charged on a diminishing value basis over the estimated residual value over its remaining useful life.

Assets are depreciated as follows:

Office Furniture	11 – 60% DV
Office Equipment	10 – 67% DV
Clinic Equipment	12 – 33% DV
Leasehold Alterations	3 – 48% DV
Land and Building	3 – 31.2% DV

Significant accounting policies (continued)

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

4.9 Intangible assets

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

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

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

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

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

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

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

The amortisation period for the NZAF assets are as follows:

- Databases / Software 48% DV (2015: 48 % DV)

4.10 Leases

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

4.11 Employee Benefits

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

Salaries, annual leave and sick leave

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

Long Service Leave

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

Significant accounting policies (continued)

4.12 *Income tax*

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

4.13 *Goods and services tax (GST)*

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

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

4.14 *Cash flow statement*

Basis of preparation

The Cash flow statement has been prepared using the direct approach.

Cash and cash equivalents

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

Split of activities

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

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

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

4.15 *Equity*

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

Accumulated comprehensive revenue and expense

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

5. Significant accounting judgements, estimates and assumptions

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

5.1 Judgements

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

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

The NZAF assesses grants as they are received as to whether they are exchange or non-exchange based on the notion of specific goods or services in return for equal value. Where a grant is for a specific purpose, and the costs associated for this service are similar (indicating equal exchange), then such a grant will be classified as exchange. NZAF acknowledges that the likelihood of receiving grants which are fully exchange in nature is unlikely given the fact most grants cover only portions of a project and there are generally multiple funders for each project.

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

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

5.2 Estimates and assumptions

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

Useful lives and residual values

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

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

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

Donated goods

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

- 50,000 Durex Play Feel 5ml lube sachets valued at \$11,250 donated by Reckitt Benckiser;
- Durex products for prize materials valued at \$2,750 donated by Reckitt Benckiser; and
- 5,600 postage envelopes valued at \$1,960 donated by NZ Community Post.

6. Explanation of the transition to PBE IPSAS

The financial statements for the year ended 30 June 2016 are the first annual financial statements prepared in accordance with PBE IPSAS applicable to Tier 2 entities. The NZAF has applied PBE FRS 47 "First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS".

The NZAF's transition date is 1 July 2014 and it has prepared its opening Statement of Financial Position under PBE Standards as at that date.

At the date of transition and in the periods disclosed in these financial statements, there has been a reduction in liabilities and an increase in equity as stated below. On transition, historical amounts received from the Ministry of Health for specific projects that were still in progress or delayed, were previously held as income in advance have been deemed to fall within the definition of income under PBE IPSAS 9 - Revenue from exchange transactions. At transition date, these amounts have been recognised within revenue, with a separate project reserve created to reflect the Board's commitment to only use the monies on the projects for which the funds were originally received for. Those funds make up the Ministry of Health reserve and are separately disclosed in note 14 of these financial statements. Certain other disclosures, such as the splitting of revenue and accounts receivable from exchange and non-exchange transactions, have been made that affect the presentation of both current and comparable figures but do not impact class totals.

	1 July 2014	30 June 2015
	\$	\$
Previously reported equity	1,954,906	1,783,008
Income in advance recognised through equity	66,000	51,000
Restated equity	2,020,906	1,834,008
Previously reported surplus / (deficit)		(171,898)
Ministry of Health reserve recognised in income in advance		(15,000)
Restated surplus		(186,898)

PBE IPSAS 2: Cash flow statements

A cash flow statement has been prepared.

7. Components of net deficit

Deficit before tax includes the follow specific expenses:

	2016	2015
	\$	\$
Depreciation	77,729	70,377
Employer Costs	2,475,454	2,348,449
Loss / (gain) on disposal of assets	-	11,866

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2016

8. Programme shared costs

	Office Resourcing	Personnel	Travel
	\$	\$	\$
2016			
HIV Prevention	128,983	1,011,255	50,414
Health Services	127,647	748,234	42,886
Communications, Fundraising and Research, Analysis & Information	28,035	329,051	3,541
National Support Services	90,086	386,914	8,745
	<u>374,751</u>	<u>2,475,454</u>	<u>105,586</u>
2015			
HIV Prevention	123,621	909,832	72,825
Health Services	161,902	725,621	53,699
Communications, Fundraising and Research, Analysis & Information	32,277	328,779	7,663
National Support Services	116,390	384,217	14,765
	<u>434,190</u>	<u>2,348,449</u>	<u>148,952</u>

9. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016	2015
	\$	\$
Cash at bank	<u>37,986</u>	<u>28,616</u>
Total cash and cash equivalents	<u>37,986</u>	<u>28,616</u>

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2016

10. Intangible Assets

	2016	2015
	\$	\$
Cost / Valuation	190,470	180,710
Accumulated depreciation	(174,669)	(169,096)
Net book value	<u>15,801</u>	<u>11,614</u>

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

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

	2016
	\$
Opening balance	11,614
Additions - work in progress	9,760
Disposals	-
Amortisation	(5,573)
Closing balance	<u>15,801</u>

Prior to 2016 fiscal year, these assets were classified as Office Equipment and have now been reclassified as Intangible Assets.

11. Property, plant and equipment

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

2015	Office Furniture	Office Equipment	Clinic Equipment	Leasehold Alterations	Land	Bulding	Total
	\$	\$	\$	\$	\$	\$	\$
Cost / Valuation	109,104	241,999	4,761	11,103	1,525,327	1,024,586	2,916,880
Accumulated depreciation	66,536	207,152	4,761	8,111	-	196,568	483,128
Net book value	<u>42,568</u>	<u>34,847</u>	<u>-</u>	<u>2,992</u>	<u>1,525,327</u>	<u>828,018</u>	<u>2,433,752</u>

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

2016	Office Furniture	Office Equipment	Clinic Equipment	Leasehold Alterations	Land	Bulding	Total
	\$	\$	\$	\$	\$	\$	\$
Opening balance	42,568	34,847	-	2,992	1,525,327	828,018	2,433,752
Additions	1,091	11,113	-	-	-	19,703	31,907
Disposals	-	(142)	-	-	-	-	(142)
Depreciation	(6,397)	(18,361)	-	(598)	-	(46,800)	(72,156)
	<u>37,262</u>	<u>27,457</u>	<u>-</u>	<u>2,394</u>	<u>1,525,327</u>	<u>800,921</u>	<u>2,393,361</u>

12. Income in Advance

	2016	2015
	\$	\$
Auckland Council Otara Papatoetoe Local Board	813	-
First Sovereign	-	10,000
Grassroots Trust	-	5,070
Pelorus Trust	5,000	-
Pub Charity	5,000	-
WEL Energy Trust	2,000	-
	<u>12,813</u>	<u>15,070</u>

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

- Operations

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

	2016	2015
	\$	\$
Almond Breeze (Brand Spanking)	4,500	-
ANZ National Bank	4,500	-
Auckland Council - Albert/Eden	4,700	5,000
Auckland Council Otara Papatoetoe Local Board	3,328	-
Auckland Council - Regional	15,000	10,000
AUT	4,500	4,500
Betty Campbell Grant - Wellington City Council	5,000	5,000
Bluesky Community Trust Ltd	8,959	-
COGS - Internal Affairs	3,000	-
Dragon Community Trust	3,000	-
DV Bryant Trust	3,500	-
Endeavour Community	-	1,950
Family Bar	1,000	-
First Sovereign Trust Ltd	-	10,000
Foundation North Grants (formerly ASB Trust)	10,000	10,000
Four Winds Foundation	6,500	4,200
Grassroots Trust	5,500	9,892
Health2000	4,500	4,500
Lion Foundation	-	4,500
Mainland Foundation	3,333	-
Mt Wellington Foundation Ltd	-	5,000
North and South Foundation	1,590	-
NZ Lottery Grant Board National Community	-	10,000
NZ Post	1,960	-
Pelorus Trust	15,000	4,000
Pub Charity	10,000	10,000
Reckitt Benckiser (NZ) Ltd	45,000	45,000
Social Services Waikato - Len Reynolds trust	3,000	-
The Southern Trust	-	5,000
The Waikato Community Trust (Trust Waikato)	1,500	3,000
WEL Energy Trust	2,000	-
Youth Town Inc	1,750	-
Total	<u>172,620</u>	<u>151,542</u>

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2016

Movements during the year:

	2016	2015
	\$	\$
Operational grants from income in advance released with conditions completed with return specified	15,070	11,172
Operational Grants received throughout the year	108,620	97,542
Sponsorships received throughout the year	64,000	54,000
Operational grants income in advance with conditions not completed with return specified	(12,813)	(15,070)
Total	174,878	147,643

- Capital

During the year the following grants were received for capital costs:

	2016	2015
	\$	\$
Grassroots Trust	4,177	-
Infinity Foundation	-	5,000
NZ Lottery Grant Board Community Facilities Fund	-	39,000
Pub Charity	-	5,000
Total	4,177	49,000

Movements during the year:

	2016	2015
	\$	\$
Capital grants from income in advance released with conditions completed with return specified	-	-
Capital Grants received throughout the year	4,177	49,000
Capital grants income in advance with conditions not completed with return specified	-	-
Total	4,177	49,000

13. ANZ Bank Loan

Flexible Credit Facility

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

Summary of Facility;

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

The Facility terminates on 30 November 2017.

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

Balance;

	2016	2015
	\$	\$
Flexible Credit Facility	500,000	350,000
Total	<u>500,000</u>	<u>350,000</u>

Interest;

2016 Facility balance is made up of two tranches \$300,000 @ 4.31% interest and \$200,000 @ 4.27% interest; 2015 Facility balance is made up of two tranches \$300,000 @ 5.45% interest and \$50,000 @ 5.45% interest.

Financial Covenant;

For the YE 30 June 2016 covenant has been met.

Notes to the Financial Statements

New Zealand AIDS Foundation

For Year ended 30 June 2016

14. Reserves

Building Reserve	2016	2015
	\$	\$
Building Reserve at the end of year	-	-

The Building Reserve was from accumulated funds to fund the building renovations; completed 2015.

Research Reserves	2016	2015
	\$	\$
Research Reserve at the end of year	23,920	73,920

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

Ministry of Health Reserve	2016	2015
	\$	\$
Ministry of Health Reserve at the end of year	60,000	51,000

The Ministry of Health Reserve is from exchange revenue from the Ministry of Health received to fund specific projects that are still in progress or delayed at the end of balance date.

	2016	2015
	\$	\$
HIV Prevention - PrEP Project	30,000	-
HIV Prevention - Updating Strategy and Branding	30,000	-
Health Services - Testing Initiatives	-	35,000
HIV Prevention - Takatāpui Resource	-	16,000
	<u>60,000</u>	<u>51,000</u>

15. Related Parties*Related Parties*

At the Trust Board meeting of 21 November 2015, the Trust Board appointed Vaughan Meneses for a second term, expiring February 2018, as Trustee; appointed Tim Melville for a second term, expiring March 2018, as Trustee, and extended Daniel Keys' term as non-voting co-opted Board Member to November 2016. The Foundation's election was held in conjunction with the AGM on 21 November 2015, when Jason Myers was elected as a Trustee for two years and Andrew Sweet retired. Immediately following the AGM, the Trust Board co-opted James Hudson as a non-voting Board Member for a 12-month term. At the Trust Board meeting of 13 February 2016, the Trust Board re-elected David Friar as Chair, elected Vaughan Meneses as Deputy Chair and re-appointed Virginia Cattell as the non-voting Board Secretary. Jason Myers stood down from the Trust Board on 29 March 2016 to apply for the position of Executive Director and upon being offered the role, resigned from the Trust Board on 26 May 2016. At the Trust Board meeting of 18 June 2016, the Trust Board appointed co-opted Board Member James Hudson as a Trustee to act in place of Jason Myers for the remainder of his elected term.

Related party transaction

	2016	2015
Related Party	\$	\$
Chairman Honorarium	1,000	-
	<u>1,000</u>	<u>-</u>

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

Key Management Personnel

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

Category	Number of FTEs		2016	2015
	2016	2015	\$	\$
Board of Trustees	8	8	-	-
Senior Management	4	4	442,671	447,626
			<u>442,671</u>	<u>447,626</u>

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

Donations

During the period the Chairman, David Friar, donated to the NZAF \$1,200 (2015: \$1,200) and the then Executive Director, Shaun Robinson, donated to the NZAF \$600 (2015: \$600).

16. Operating Leases*Operating Leases as lessee*

As at the reporting date, the NZAF has entered into the following non-cancellable leases.

	\$	\$
Less than one year	140,982	161,776
Between one and five years	50,230	133,487
Greater than five years	-	-
Total non-cancellable operating leases payments	191,212	295,263

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

	2016 \$	2015 \$
Premises - Rental	117,480	114,415
IT Contract & Online database subscription	33,931	33,679
Photocopiers / Printers	10,549	16,552
Telephone System	12,649	15,109
Mobile phones	17,898	13,643
	192,507	193,397

Operating Leases as lessor

As at the reporting date, the NZAF has entered into the following non-cancellable leases as lessor.

As at the reporting date, the NZAF has entered into the following non-cancellable lessor leases. Of these lease agreements one can be terminated with three months' notice by the lessee if it no longer has operational funding and the NZAF is satisfied that the lessee has expended all reasonable resources and efforts to source such funding.

	2016 \$	2015 \$
Less than one year	25,640	1,250
Between one and five years	35,030	-
Greater than five years	-	-
Total non-cancellable operating lessor revenue	60,670	1,250

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

	2016 \$	2015 \$
Premises - Rental	21,782	15,500
	21,782	15,500

17. Categories of financial assets and liabilities

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

	2016	2015
	\$	\$
Financial Assets		
Cash and cash equivalents	37,986	28,616
Receivables from exchange transactions	13,785	46,744
Receivable from non-exchange transactions	1,150	1,890
	<u>52,921</u>	<u>77,251</u>
Financial Liabilities		
<i>At amortised cost</i>		
Trade and other creditors	292,449	290,401
Accrued Expenditure	20,674	87,888
Deferred Income (Operational)	12,813	15,070
	<u>325,936</u>	<u>393,359</u>

18. Capital commitments

At reporting date, the NZAF has made a capital commitment of \$29,280 for the Health Services database (2015: \$Nil)

19. Contingent assets and liabilities

There are no contingent assets or liabilities at reporting date (2015: \$Nil). The NZAF has not granted any securities in respect of liabilities payable by any other party.

20. Events after the reporting date

The Board and management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the NZAF (2015: \$Nil).

Independent Auditor's Report

To the Trustees of New Zealand AIDS Foundation

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

We have audited the financial statements of New Zealand AIDS Foundation on pages 2 to 23 which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive revenue and expenses, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, New Zealand AIDS Foundation.

Opinion

In our opinion, the financial statements on pages 2 to 23 present fairly, in all material respects, the financial position of New Zealand AIDS Foundation as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime.

A handwritten signature in blue ink that reads 'RSM'.

20 September 2016

