



**ARTHRITIS
NEW ZEALAND**

KAIPONAPONA AOTEAROA

*Our Vision: Improving the life of
every person affected by arthritis*

*Ko tō mātou aronga: Kia whakapiki
i te oranga o te hunga kua pāngia
e te mate kaiponapona*

Annual Financial Statements

Arthritis New Zealand (Kaiponapona Aotearoa)
For the year ended 30 June 2019

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Independent Auditor's Report

To the beneficiaries of Arthritis New Zealand (Kaiponapona Aotearoa)

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Arthritis New Zealand (Kaiponapona Aotearoa) (the 'trust') on pages 5 to 15:

- i. present fairly in all material respects the trust's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2019;
- the statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the trust in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the trust in relation to advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the trust on normal terms within the ordinary course of trading activities of the business of the trust. These matters have not impaired our independence as auditor of the trust. The firm has no other relationship with, or interest in, the trust.



Use of this independent auditor's report

This independent auditor's report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries those matters we are required to state to them in the independent 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 beneficiaries as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the financial statements

The Trustees, on behalf of the trust, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Wellington

19 September 2019

Statement of Comprehensive Revenue and Expense

Arthritis New Zealand

For the year ended 30 June 2019

	NOTES	2019	2018
Revenue			
Contributions from the Community	6	2,017,291	2,234,288
Income from Services and Programmes	7	613,175	708,289
Member subscriptions		-	51,706
Depreciation Recovered		479	1,739
Total operating income		2,630,945	2,996,022
Expenditure			
Fundraising Costs	6	584,103	542,171
Expenditure on Services and Programmes	7	1,155,623	1,549,910
Administration Expenses	8	1,067,783	1,164,452
Governance costs		17,728	65,858
Research grants awarded		30,227	249,775
Depreciation and amortisation expenses		70,172	60,925
Total operating expenses		2,925,636	3,633,091
Finance Income			
Net Finance Income	9	298,140	304,537
Operating surplus/(deficit) after finance income		3,449	(332,532)
Other Comprehensive Revenue and Expenses			
Net change in fair value of investments		351,130	342,736
Total Other Comprehensive Revenue and Expenses		351,130	342,736
Total Comprehensive Revenue and Expense for the year		354,579	10,204

Statement of Changes in Equity

Arthritis New Zealand

For the year ended 30 June 2019

	Research Funds	Trustees Funds	Special Purpose Funds	Endowment Fund	Investment Revaluation Reserve	Total Equity
Balance at 30 June 2017	2,638,694	116,478	1,689,303	1,282,719	1,838,654	7,565,848
Surplus/(Deficit) for the period	34,318	(469,779)	58,505	44,424		(332,532)
Unrealised gain on revaluation of investments					398,901	398,901
Cumulative gain on investments sold transferred to Statement of Comprehensive Revenue and Expense					(56,165)	(56,165)
Transfers between funds		414,400	(53,400)	(361,000)		-
Balance at 30 June 2018	2,673,012	61,099	1,694,408	966,143	2,181,390	7,576,052
Balance at 30 June 2018	2,673,012	61,099	1,694,408	966,143	2,181,390	7,576,052
Surplus/(Deficit) for the period	385,897	(490,496)	68,812	39,236		3,449
Unrealised gain on revaluation of investments					421,559	421,559
Cumulative gain on investments sold transferred to Statement of Comprehensive Revenue and Expense					(70,429)	(70,429)
Transfers between funds		1,067,997	(62,618)	(1,005,379)		-
Balance at 30 June 2019	3,058,909	638,600	1,700,602	-	2,532,520	7,930,631

Statement of Financial Position

Arthritis New Zealand

As at 30 June 2019

	NOTES	30 JUN 2019	30 JUN 2018
Assets			
Property, Plant and Equipment		550,669	545,373
Investments	10	7,269,717	7,116,101
Trade and Other Receivables		105,715	163,154
Cash and Cash Equivalents		332,187	314,058
Total Assets		8,258,288	8,138,686
Equity			
Trustees Funds	11	638,600	61,099
Research Funds	11	3,058,909	2,673,012
Other Special Purpose Funds	11	1,700,602	1,694,408
Endowment Fund	11	-	966,143
Investment Fair Value Reserve		2,532,520	2,181,390
Total Equity		7,930,631	7,576,052
Liabilities			
Employee Benefits		119,939	106,742
Trade and Other Payables		115,274	313,998
Revenue in Advance	12	92,444	141,894
Total Liabilities		327,657	562,634
Total Equity and Liabilities		8,258,288	8,138,686

Signed By:



Philip Kearney
Chief Executive

Date: 19 September 2019



Peter Larmer
President

Date: 19 September 2019

Statement of Cashflows

Arthritis New Zealand

For the year ended 30 June 2019

2019

2018

Cashflow

Cash flows from Operating Activities

Cash was provided from:

Contributions from the community	1,967,841	2,157,576
Income from services and programmes	670,869	708,289
Member subscriptions	-	32,728
Total Cash was provided from:	2,638,710	2,898,593

Cash was applied to:

Payments to suppliers	(1,218,448)	(1,089,209)
Payments to employees and volunteers	(1,792,571)	(2,126,264)
Research grants paid	(30,227)	(249,775)
Total Cash was applied to:	(3,041,246)	(3,465,248)

Net cash inflow/(outflow) from operating activities **(402,536)** **(566,655)**

Cash flows from Investing Activities

Cash was Provided from:

Sale of property, furniture and equipment	479	1,739
Interest and dividends received	234,005	255,807
Sale of investments	519,155	585,043
Total Cash Provided	753,639	842,589

Cash was applied to:

Purchase of property, plant & equipment	(75,469)	(9,914)
Purchase of investments	(257,505)	(283,047)
Total Cash Applied	(332,974)	(292,961)

Net cash inflow/(outflow) from investing activities **420,665** **549,628**

Net increase/(decrease) in cash and cash equivalents **18,129** **(17,027)**

Cash and cash equivalents at 1 July

Cash and cash equivalents at 1 July	314,058	331,085
Total Cash and cash equivalents at 1 July	314,058	331,085

Cash and cash equivalents at 30 June **332,187** **314,058**

1. Reporting Entity

Arthritis New Zealand (Kaiponapona Aotearoa) (the “Trust”) is an incorporated charitable trust registered under the Charitable Trusts Act 1957 and the Charities Act 2005 and is domiciled in New Zealand. It operates under the name Arthritis New Zealand.

The principal activity of the Trust is to raise awareness and provide advocacy, information, education and support services for people affected by arthritis.

The Trust acquired the assets and operations of the Arthritis Foundation of New Zealand Incorporated (the Foundation) which previously operated under the name of Arthritis New Zealand with effect from 1 July 2018. The Board of Trustees of the Trust and the Governing Body of the Foundation were substantially the same people ensuring continuity of governance and control of Arthritis New Zealand. During the course of the year, the transfers of assets were duly registered in the name of the Trust. All revenue and expenditure for the year has been accounted for by the Trust.

The financial statements of the Trust are for the year ended 30 June 2019 and the comparatives for the year ended 30 June 2018 pertain to the Foundation.

The financial statements were authorised for issue by the Board of Trustees on 18 September 2019.

2. Basis of Preparation

Statement of compliance and basis of preparation.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE Standards), as appropriate for Tier 2 not-for-profit public benefit entities. The Trust 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 is not defined as large.

The going concern basis of preparing the financial statements has been used. During the previous year, the Trust passed a resolution to establish a charitable trust and transfer all its assets and operations to the new trust with effect from 1 July 2019. The Trustees consider that no substantive change occurred, either in relation to the operations or beneficiaries of Arthritis New Zealand, and therefore this change in legal structure has been reflected in these financial statements as a common control transaction. The Trustees have decided to present comparatives of the Foundation within these financial statements to reflect the fact that in substance nothing has changed as a result of transitioning to a registered Charitable Trust. In due course, the Foundation will be dissolved in accordance with section 28 of the Incorporated Societies Act 1908. In preparing the financial statements on a going concern basis, the Trust has continued to apply the measurement, recognition and disclosure requirements of the PBE Standards.

Basis of measurement

The financial statements are presented in New Zealand dollars (\$) and prepared on the historical cost basis except for financial instruments that are classified as available-for-sale which are stated at their fair value.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Taxation

Income tax

The Trust is registered as a Charitable Trust and is exempt from Income Tax.

Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is charged to the Statement of Comprehensive Revenue and Expense using the straight-line method. Depreciation is set at rates that will write off the cost or fair value of the assets, less their estimated residual values, over their useful lives. The residual value of assets is reassessed annually. The estimated useful lives of major classes of assets and resulting rates of depreciation are as follows:

- Office Furniture & Equipment: 10 - 30% SL
- Motor Vehicles: 33.3% SL
- IT Equipment: 33.3%SL
- Improvements to Leasehold Premises: 10-16.7% SL
- Buildings: 3% SL

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, foreign exchange call accounts and short-term deposits with a maturity of 3 months or less from acquisition date.

4. Financial Risk Management

The Trust is subject to market risk (including currency and price risk), credit risk, cash flow interest rate risk and liquidity risk. The Trust does not have any derivatives.

Market risk

The Trust invests cash in bank accounts, fixed interest investments and equities. Investments are constantly monitored by the Trust. There has been no change to the Trust's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

The Trust is exposed to currency risk on its Australian investments. The Board of Trustees does not consider this to be a significant financial risk for the Trust and accordingly, no sensitivity analysis is provided. The Trust has no other exposure to foreign currency risk.

Price risk

The Trust has moderate exposure to price risk through its investments in New Zealand and Australian equities. The risk is managed by holding a diversified portfolio across a broad range of companies. The Trust has no other exposure to price risk. A 10% change in price will increase/decrease the value of investments held at reporting date by \$427,559 (2018: \$394,823) with corresponding increase/decrease in the reserves.

Interest rate risk

The Trust has minimal exposure to interest rate risk on financial liabilities as it does not have borrowings which are subject to interest charge. The sensitivity below has been determined based on the exposure to interest rates on the book value of interest-bearing financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease in interest rate is used. At reporting date, if the interest rate had been 50 basis points higher or lower and all other variables held constant, the surplus would increase/decrease by \$14,971 (2018: \$17,355).

Credit risk

Credit risk is the risk that the counter party to a transaction with the Trust will fail to discharge its obligations, causing the Trust to incur a financial loss.

Financial instruments, which potentially subject the Trust to credit risk, consist principally of bank balances, trade and other receivables, and managed bond funds. The carrying amounts of these terms reflected in the Statement of Financial Position represent the Trust's maximum exposure to credit risk for such loans and receivables. The Trust does not have any guarantees. The Trust continuously monitors its exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Trust will have insufficient funds on hand to meet its commitments. The Trust actively monitors its liquid position to ensure that sufficient funds are available to meet its liabilities as they arise.

The Trust deems that exposure to liquidity risk is minimal due to minimal long-term liabilities. Short term liquidity risk is managed through maintaining adequate reserves and cash to match financial liabilities. The Trust continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and obligations.

5. Reconciliation of Surplus/(Deficit) to Net Cash Flows from Operating Activities

Surplus/(Deficit) for the year	3,449	(332,532)
Adjustments		
Depreciation and amortisation expenses	70,172	60,925
Depreciation Recovered	(479)	(1,739)
Impairment of investments	30,314	15,008
Net finance income	(328,454)	(319,545)
Total Adjustments	(228,447)	(245,351)
Movements in working capital and liabilities		
(Increase)/Decrease in trade and other receivables	57,439	(64,367)
Increase/(Decrease) in liabilities	(234,976)	75,595
Total Movements in working capital and liabilities	(177,538)	11,228
Net cash inflow/(outflow) from operating activities	(402,536)	(566,655)

6. Contributions from the Community**Revenue**

Donations, appeals and fundraising	575,500	626,027
General purpose bequests	609,212	833,490
Special purpose bequests	281,133	248,027
Grants from community trusts	293,639	179,566
Grants from NZ Lottery Grants Board	181,450	243,254
Grants from Community Organisation Grants Schemes	26,500	36,600
Grants from other government agencies	7,809	7,991
Sponsorship Income	42,048	59,332
Total contributions from the community	2,017,291	2,234,288

Expenses

Employee benefits	364,766	311,253
Advertising and direct marketing	179,027	216,874
Other fundraising costs	40,310	14,044
Total fundraising costs	584,103	542,171
Net contributions from the community	1,433,188	1,692,116

Revenue from non-exchange transactions*Grant funding*

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

Bequests

Revenue from bequests is recognised when the bequest funds are received unless there is an attached condition. Where a bequest is given with specified restrictions, the funds received are placed in an appropriate reserve fund and applied to expenditure that meets the specified restriction.

Cash contributions from the community

Cash contributions from the community in the form of general donations and appeals are recognised in the Statement of Comprehensive Revenue and Expense at the point at which they are receipted into the Trust's bank account.

Contributions from the community to support the Trust in pursuit of its mission are gratefully acknowledged. Gifts of money and property are included in the financial statements. Support is also given through the provision of services at special or discounted rates.

The Trust gratefully acknowledges a general-purpose bequest of \$157,000 from the Estate of the late L.W Nelson and a special purpose bequest of \$281,133 from the Estate of the late D. Thompson.

The Trust also relies on gifts of volunteer time and expertise to complete work in many essential roles such as national governance (Board and committees), regional liaison groups, promotion, fundraising, investments, administration, accounting, awards and grants. No attempt has been made to record the value of these contributions.

Sponsorship income is received as part of co-operative projects completed with other organisations.

	2019	2018
7. Services and Programmes		
Revenue		
National health contract income	384,413	379,665
Other contract income	179,138	247,220
Client Service charges	38,964	34,898
Other income	10,660	46,506
Total income from services and programmes	613,175	708,289
Expenses		
Employee benefits	829,839	1,139,456
Arthritis Information Resources	17,196	15,774
Volunteer coordination and development	10,781	48,849
Public awareness campaigns	18,239	28,932
National Conference	18,663	12,305
General awareness and newsletters	72,625	112,602
Service delivery direct costs	115,669	114,407
Service delivery support	72,611	77,585
Total cost of services and programmes	1,155,623	1,549,910
Net cost of arthritis services and programmes	(542,448)	(841,621)

Revenue from services rendered is recognised in the Statement of Comprehensive Revenue and Expense as services are provided.

The Trust is contracted nationally to the Ministry of Health through the Capital & Coast DHB to provide arthritis information services.

8. Administration Expenses

Audit fees	25,875	23,875
Advisory fees	9,409	13,855
Employee benefits	611,163	675,555
Legal expenses	12,134	1,173
Property and office expenses	175,478	146,367
Information Technology and Communications expenses	172,518	217,929
Travelling expenses	28,671	22,134
General administration expenses	32,535	63,564
Total Administration Expenses	1,067,783	1,164,452

9. Net Finance Income

Dividends	159,142	165,900
Interest	80,874	89,907
Profit on disposal of Investments	88,438	63,738
Impairment of Investments	(30,314)	(15,008)
Net finance income	298,140	304,537

Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognized when dividends are received.

10. Investments**General and special purpose funds**

Shares	1,630,317	1,631,209
Units in managed bond funds	1,199,350	1,515,457
Total General and special purpose funds	2,829,667	3,146,666

Research funds

Shares	2,645,268	2,317,018
Units in managed bond funds	1,794,782	1,652,417
Total Research funds	4,440,050	3,969,435

Total Investments - non current	7,269,717	7,116,101
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The Trust holds investments in listed New Zealand and Australian companies and managed bond funds. These investments are held as available-for-sale investments which mean that they are recorded at fair value which is the market price at balance date. These investments are considered to be Level 1 in the fair value hierarchy, whereby market prices are readily available.

The Trust's investments in shares and managed bond funds are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value which is based on the listed market information. The fair value of these investments is their quoted bid price at the end of the reporting period.

Changes in fair value, other than impairment losses, are recognised within reserves in equity. An equity investment is considered impaired when its fair value has decreased by more than 20% of its cost or its fair value has been below its cost for a prolonged period exceeding 9 months. Such loss is recorded in the Statement of Comprehensive Revenue and Expense.

When an investment is sold, the cumulative gain or loss previously recognised in equity is transferred to The Statement of Comprehensive Revenue and Expense.

11. Equity

Research Fund

This fund comprises the National and Auckland General Research Funds and the Wellington osteoporosis Research Fund and is maintained to ensure a continuing source of financial contribution toward the cost of grants provided by the Trust for quantitative and qualitative research studies in the field of arthritis. The fund receives contributions from specified bequests, donations and income earned on the capital sum invested. Grants from the fund are considered by the Board of Trustees each year following an advertising, review and recommendation process completed by the Research Grants Committee.

Trustees Fund

This fund comprises the accumulated net surpluses of the Trust that have not been restricted by donors or designated by the Board of Trustees for specified purposes. It provides:

- Working capital for the Trust's operations
- A source of income to contribute to financing the work of the Trust
- Assurance of the financial stability to complete major projects

Special Purpose Funds

- *Irwin Isdale Memorial Fund* - this fund commemorates the work of the late Dr Irwin Isdale in the field of rheumatology by providing support for rheumatology trainees to help them attend rheumatology conferences and meetings in Australia and New Zealand.
- *Whitwell Bequest Fund* - this fund originated in 1983 from a bequest from the estate of Mrs. Whitwell and is held to support the Trust's services in the Canterbury/Westland region.
- *Pierce Bequest Fund* - this fund was established from a bequest from the estate of Mr. and is held to support the Trust's services in the Putaruru region.
- *Ham Bequest Fund* - this fund has been established from the estate of Ms. H.B. Ham and is held to support the Trust's services in the Northland region.
- *Taranaki Youth Scholarship Fund* - this fund was established by the previous Taranaki Division to assist young arthritis sufferers from the Taranaki region with their education.
- *Wellington Education Fund* - this fund was established by the previous Wellington Division to assist young arthritis sufferers from the Wellington region with their education.

Endowment Fund

This fund has been discontinued and proceeds transferred to Trustees Funds.

	2019	2018
Appropriations (to)/from Trustees Funds		
Appropriations to/(from) Special Purpose Funds:		
Share of investment returns for the year	68,812	58,505
Appropriation from Ham Bequest Fund	(51,735)	(44,119)
Appropriations from other funds	(10,883)	(9,281)
Net Appropriations to/(from) Special Purpose Funds	6,194	5,105
Appropriations to/(from) Endowment Funds:		
Appropriations to Trustees Fund	(1,005,379)	(361,000)
Share of investment returns for the year	39,236	44,424
Net Appropriations to/(from) Endowment Funds	(966,143)	(316,576)
Total Appropriations (to)/from Trustees Fund	(959,949)	(311,471)

12. Revenue in Advance

Grants from the community	91,444	37,800
Grants from New Zealand Lottery Grants Board	-	81,450
Grants from other government agencies	1,000	22,644
Total Revenue in Advance	92,444	141,894

Revenue in advance includes grants awarded for specific purposes. Due to conditions of these grants being unfulfilled at 30 June 2019, in that the expenditure to which they relate is yet to be incurred, the amount is recorded as revenue in advance at 30 June 2019.

13. Operating Leases

Non-cancellable property lease rentals are payable as follows:

Less than one year	81,500	24,531
Later than one year and no later than five years	156,525	238,025
Later than five years	-	75,025

14. Related Party Disclosure**Key Management Remuneration**

The total remuneration of the senior management group and the number of managers, on a full-time equivalent basis, receiving remuneration on this basis are:

Senior Managers	682,400	783,640
Number of Persons (FTE)	5	6

15. Contingencies

There are no material contingent liabilities at the end of the reporting period.

16. Subsequent Events

There have been no significant events after the end of the reporting period that have affected the accuracy of these financial statements.