
New Zealand Communities Growth Trust
Annual Report to 30 June 2010

Summary

Public Trust is pleased to present the 2009/10 Annual Report in conjunction with the publishing of the Annual Accounts of the New Zealand Communities Growth Trust (NZCGT/ the Trust) for the 12 months to 30 June 2010.

The 12 month reporting period has seen the achievement of some significant milestones for NZCGT that include:

- the completion of the sale for the two remaining properties owned by NZCGT
- the implementation of the first stage of investment of the trust assets into a diversified portfolio
- the launch and distribution of the field research completed by Massey University 'A Different Kind of Family: Retrospective Accounts of Growing up at Centrepoint and Implications for Adulthood'
- the award of 14 scholarships to former Centrepoint members or their children for ongoing tertiary study
- the provision of grants to more than 74 individuals and their families
- the development of a new governance structure which sets out the role and responsibility of the Board and the conduct expected of its members.

The Trust has established a strong governance structure and implemented robust investment management processes. These, combined with the valuable insights gained through the Massey research project, position the Trust well for the future.

Background

The NZCGT was established by High Court order in March 2000. It is a reformation of the former Centrepoint Community Growth Trust, which established and operated an intentional community in Albany from the late 1970s to the 1990s.

The High Court appointed Public Trust as trustee and provided for charitable grants and scholarships to be made under the following four categories:

1. therapeutic and counselling
2. education
3. public benefit (including the support and establishment of communities)
4. relief of poverty

Preference is currently given to former residents of the Centrepoint Community and their children. Applications by persons who are not former residents of the Centrepoint Community or their children may also be considered.

More information on NZCGT (including a copy of the High Court order) is available on www.nzcgt.co.nz.

Charitable grants

A total of \$223,892 in grants was made during the financial year to 30 June 2010. Of this amount, \$66,282 was applied towards the ongoing funding of the Massey University research project. The remaining \$157,609 was distributed to more than 74 individuals and families and allocated across the four categories as follows:

| Therapy & Counselling | Education | Community Benefit | Relief of Poverty |
|-----------------------|-----------|-------------------|-------------------|
| 19.7% | 40.12% | 0% | 40.1% |

Following the trend seen in 2008/09, there has been a further 23% increase in total number of applications.

Massey Research

In 2007, NZCGT commissioned Massey University to conduct independent research to provide insights into the experiences of children at Centrepoint and the influence of these experiences on their lives upon leaving the community. During the year the research was completed and the research report released to stakeholders at a launch in May. This launch was followed by a media briefing the next day.

Key findings of the research were:

1. Participants describe a diversity of experiences, positive and negative, during their childhood at Centrepoint.
2. Centrepoint was an environment which potentially exposed children to a range of adverse circumstances that extended well beyond the widely reported sexual abuse. Drug use, psychological manipulation, parental neglect, witnessing abuse, corporal punishment, adult conflict, peer bullying and a parent's imprisonment were just some of the additional factors that may have impacted on them.
3. Centrepoint exposed children to some potentially beneficial circumstances including child-friendly recreational facilities, a range of adult role models and opportunities for peer and adult social interaction.
4. Stigma and negative publicity about Centrepoint created a difficult environment for participants, both as children and into adulthood.
5. Negative impacts include psychological disorder, substance abuse problems, difficulties in intimate and family relationships, financial difficulties, lack of direction in education and career, fear of social stigma and, for some, uncertainty about their own perception of reality.
6. Positive impacts include resilience, independence, good social skills and open and honest relational abilities.

Full copies of the research including an Executive Summary are available on www.nzcgt.co.nz.

The research has been distributed to key organisations including healthcare professionals, counsellors and associations that support either current or potential stakeholders. As indicated in the 2008/09 report the trustee has made a one off financial contribution towards the research project which includes some costs covering the production and distribution of the final reports. This allowed the findings to be more widely communicated than originally intended and for the findings to benefit a wider number of New Zealanders.

The trustees would like to acknowledge the Massey University research team and all those who participated in the research project.

Investments

The specific investment objectives of NZCGT have been defined as:

1. preserve the real (inflation adjusted) value of the capital
2. preserve the real (inflation adjusted) value of distributions
3. ensure a sustainable and consistent level of distributions over time in order to maintain equity between present and future generations
4. manage the return of the portfolio within reasonable and prudent levels of risk.

During the year the investment of the proceeds from the realisation of property assets commenced. The trustees are investing the trust assets into a diversified portfolio over a period of time. This staged approach reduces the potential risk of investing the full amount just ahead of a significant market event or major downturn.

Investment decisions are made in consultation with Public Trust's investment managers and external investment consultants. The investments are generally placed with external investment managers.

Annual Accounts

The following comments are provided in relation to the Annual Accounts.

Real estate

During the year the proceeds were received from the final two properties owned by NZCGT. These were the properties at Dairy Flat and Woodhill Park Road, Waimauku.

Investments

NZCGT assets are now invested in a diversified investment portfolio. This includes cash, fixed interest securities, property funds and shares. As at 30 June 2010 the value of the Trust was \$9,038,767.30. This compares with \$9,430,742.01 at 30 June 2009. The key reasons for the reduction in value is the fall in share values and capital costs associated with the sale of the Trust's remaining land.

Administration expenses and trustee fees

The key expenses paid by the trust were related to the Massey research project and assessing and processing grant applications. The assessment of requests for assistance from the trust continues to be time consuming due the diverse and wide ranging needs of the support requests.

The total trustee's fees for managing NZCGT were \$254,385 for the period. This is an increase of 5.32% on the previous financial year and is attributed to some one-off and non-recurring costs in the period associated with finalising the sale of NZCGT property holdings and costs associated with the Massey Research project.

An allocation of \$61,697.32 from the Public Trust contribution has been used to offset some of these costs. As noted in last years accounts the costs and expenses associated with managing NZCGT are expected to reduce in future years as major non-recurring costs diminish.

Public Trust contribution

During the year the Board of Public Trust approved a contribution to NZCGT of \$250,000 in recognition of Public Trust's continuing commitment to the Trust.

Following discussions with the Advisory Trustees it was agreed that these funds be used to support the various activities undertaken by the trust. Expenditure to date is detailed in the income account under 'Public Trust Contribution.' As at balance date of the accounts a further \$83,502.76 has yet to be expended at the discretion of the trustee and Advisory Trustees in the next financial year.

In addition to the above NZCGT has not been charged for work completed on the development and approval of the new governance structure. The value of this work is estimated at approximately \$14,000.

Loans to individuals

Following consultation with the Advisory Trustees, the Trust resolved to treat any outstanding loans to individuals as grants. This is shown in the accounts as a debit against capital. This transaction has not affected the amount of available funds to distribute as grants.

A copy of the annual accounts at 30 June 2010 is available with the on www.nzcgt.co.nz. These accounts have also been submitted to The Charities Commission.

NZCGT governance structure

The trustee recognises the importance of working with an advisory body which can act as a reference group to provide advice and support to the trustee to strengthen overall governance, transparency and accountability for the Trust. A formal process to review and develop a governance structure appropriate to the specific and complex needs of NZCGT was undertaken during the year culminating in the development of a charter. The charter sets out the role and responsibility of the Board members and the conduct expected of its members.

The role of the Board will be to assist and support the trustee by:

1. Developing strategies, policy and priorities for charitable grantmaking with the trustee to meet the Trust's charitable objects
2. Recommending the annual charitable granting budget and how funds will be allocated between the four charitable objects of the Trust
3. Generally advising the trustee on the management and administration of the Trust including reviewing and monitoring the investment strategy; and
4. Reviewing the annual financial statements and Annual Report of the trustee
5. Providing such other advice and undertaking such other roles in the decision making process as the trustee shall from time to time nominate.

The trustee is currently working with the Board of Advisory Trustees to expand its membership to ensure that an appropriate range of skills and experience relevant to NZCGT is represented. A copy of the charter has been sent to stakeholders and is available on www.nzcgt.co.nz.

Ongoing Communication with Stakeholders

One of the recommendations of the Massey research was to provide stakeholders with information on the role of NZCGT. As a result a simple booklet that explains the background to NZCGT and what assistance may be available has been developed and circulated to stakeholders. A copy of this document is available on www.nzcgt.co.nz.

The trustee continued to consult extensively with the advisory committee of NZCGT as a key reference group for the Trust for all major decisions during the year. The trustee once again acknowledges and thanks them for their guidance, wisdom and support during the year.

Financial Statements for
New Zealand Communities Growth Trust
1 July 2009 to 30 June 2010

Compilation Report

Scope

Public Trust has compiled the financial statements based on the information provided and in accordance with the Service Engagement Standard No.2 (SES-2): Compilation of Financial Statements. The financial statements are special purpose reports, and have been prepared for the purpose of reporting to the Advisory Trustees of New Zealand Communities Growth Trust and for lodging with the Charities Commission.

Responsibilities

Public Trust is responsible for the information contained in the financial statements and has determined that reporting on a special purpose basis is appropriate for the intended users of the financial statements. The intended users are the Advisory Trustees, the Charities Commission, and Public Trust. The special purpose financial report is prepared only for the benefit of those previously identified. We do not accept responsibility to any other person for the contents of the financial statements.

Independence

We are not independent of New Zealand Communities Growth Trust because we act as trustee for the trust.

Disclaimer of Liabilities

Public Trust has prepared the special purpose financial report based on the information provided to us and covers the time period stated above. The financial information recorded in these financial statements is limited to those receipts, payments, assets and liabilities that have come under Public Trust's control and/or management in the performance of Public Trust's agreed duties. These special purpose financial statements have not been independently audited or reviewed but they have been prepared according to Public Trust's accounting processes, internal control framework and accounting policies.

Prepared by *Public Trust* 30 September 2010

Public Trust
Level 3, 205 Great South Road
Greenlane
Auckland

New Zealand Communities Growth Trust

**STATEMENT OF RECEIPTS AND PAYMENTS
INCOME ACCOUNT**

1 July 2009 to 30 June 2010

Page 1

| | | |
|-----------------------------------|------------|------------|
| CASH BALANCE FROM LAST STATEMENT | CREDIT | 3,327.24 |
| <u>RECEIPTS</u> | | |
| FUNDS PAID IN | | |
| PUBLIC TRUST CONTRIBUTION | | 250,000.00 |
| INTEREST | | |
| ASB TERM DEPOSITS | 22,458.90 | |
| PUBLIC TRUST TERM DEPOSITS | 111,942.62 | |
| INVESTMENT PORTFOLIO | 38,029.20 | 172,430.72 |
| DIVIDENDS | | |
| INVESTMENT PORTFOLIO | | 31,301.53 |
| MANAGED FUNDS | | |
| PUBLIC TRUST | | |
| BALANCED INCOME FUND | 4,073.71 | |
| EXEMPT BALANCED INCOME PIE | 5,927.22 | 10,000.93 |
| PUBLIC TRUST INTEREST | | |
| ALLOWED - CURRENT RATE 1.7% | | 14,275.21 |
| TRANSFERRED | | |
| FROM CAPITAL ACCOUNT | | 65,000.00 |
| | TOTAL | 546,335.63 |
| <u>PAYMENTS</u> | | |
| PROPERTY EXPENSES | | |
| RURAL | | |
| 1285 STATE HIGHWAY 17, DAIRY FLAT | | |
| LAND & WATER RATES | 1,256.06 | |
| INSURANCE | 1,857.01 | |
| PROPERTY MAINTENANCE | 4,284.77 | |
| 110 WOODHILL PARK RD, WAIMAUKU | | |
| LAND & WATER RATES | 1,515.54 | |
| CARRIED FORWARD | 8,913.38 | 0.00 |

The accompanying notes form an integral part of these financial statements. The information above has been prepared without undertaking an audit or review and must be read subject to the compilation report attached.

New Zealand Communities Growth Trust

Business Services/04-02
4928512TR01

**STATEMENT OF RECEIPTS AND PAYMENTS
INCOME ACCOUNT**

Page 2

1 July 2009 to 30 June 2010

| | | |
|--|--------------|-------------------|
| BROUGHT FORWARD | 8,913.38 | 0.00 |
| INSURANCE | 155.90 | |
| PROPERTY MAINTENANCE | 1,610.99 | 10,680.27 |
| TAXATION | | |
| IMPUTATION CREDITS | 3,433.68 | |
| WITHHOLDING TAX - DIVIDENDS | 456.76 | 3,890.44 |
| OTHER EXPENSES | | |
| POSTAGE COPYING PHONE & FAXES | 191.54 | |
| ADVISORY COMMITTEE EXPENSES | 2,222.97 | |
| CHARITIES COMMISSION FEE | 50.00 | |
| GOVERNANCE IN PRACTICE | 329.06 | |
| MASSEY RESEARCH-PEER REVIEW | 3,000.00 | |
| RESEARCH LAUNCH EXPENSES | 74.38 | |
| INVESTMENT PORTFOLIO-ADMINISTRATION & CUSTODIAL FEES | 5,110.54 | 10,978.49 |
| EXPENSES/COSTS COVERED BY PUBLIC TRUST CONTRIBUTION | | |
| MASSEY RESEARCH-SENATE FEES | 28,190.67 | |
| MASSEY RESEARCH-PRINTING COSTS | 7,514.00 | |
| MASSEY UNIVERSITY RESEARCH PROJECT-FINAL PAYMENT | 66,282.75 | |
| STAKEHOLDER FACILITATOR FEE | 2,812.50 | |
| FEES FOR SPECIAL SERVICES | 61,697.32 | 166,497.24 |
| GRANTS | | |
| EDUCATION | 17,384.43 | |
| RELIEF OF POVERTY | 62,991.25 | |
| THERAPEUTIC & COUNSELLING | 39,162.00 | 119,537.68 |
| SCHOLARSHIPS | | |
| EDUCATION | | 38,072.10 |
| PUBLIC TRUST CHARGES | | |
| INCOME COMMISSION | 10,686.67 | |
| FEES FOR GST RETURNS | 355.56 | |
| FEES FOR SPECIAL SERVICES | 181,645.43 | 192,687.66 |
| | TOTAL | 542,343.88 |
| CASH BALANCE AT END | CREDIT | 3,991.75 |

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New Zealand Communities Growth Trust

**STATEMENT OF RECEIPTS AND PAYMENTS
CAPITAL ACCOUNT**

Page 1

1 July 2009 to 30 June 2010

| | | |
|--|---------------|---------------|
| CASH BALANCE FROM LAST STATEMENT | CREDIT | 231,761.93 |
| <u>RECEIPTS</u> | | |
| FUNDS PAID IN | | |
| GST REFUND - 1285 STATE HIGHWAY, 17 DAIRY FLAT | 76,666.44 | |
| M HESKETH-REPARATION | 130.00 | |
| SEED TRAYS | 977.78 | 77,774.22 |
| ASSETS REALISED | | |
| TERM DEPOSITS | | |
| ASB | 1,000,000.00 | |
| PUBLIC TRUST | 15,171,717.75 | |
| LOANS | | |
| PERSONAL LOANS TO INDIVIDUALS | 113,358.90 | |
| ALBANY NURSERIES LTD | 226,874.98 | |
| PUBLIC TRUST | | |
| 351,596.2266 BALANCED INCOME FUND | 465,091.49 | |
| 351,596.2276 EXEMPT BALANCED INCOME PIE | 470,576.39 | |
| RURAL | | |
| 1285 STATE HIGHWAY 17, DAIRY FLAT | 950,000.00 | |
| 110 WOODHILL PARK RD, WAIMAUKU | 800,000.00 | |
| INVESTMENT PORTFOLIO | | |
| NEW ZEALAND UNIT TRUSTS | 141,751.05 | |
| INTERNATIONAL EQUITIES | 2,947.75 | 19,342,318.31 |
| | TOTAL | 19,651,854.46 |
| <u>PAYMENTS</u> | | |
| TRANSFERRED | | |
| TO INCOME ACCOUNT | | 65,000.00 |
| DISBURSEMENTS | | |
| SUNDRIES | | 36.39 |
| CARRIED FORWARD | 0.00 | 65,036.39 |

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New Zealand Communities Growth Trust

Business Services/04-02
4928512TR01

**STATEMENT OF RECEIPTS AND PAYMENTS
CAPITAL ACCOUNT**

Page 2

1 July 2009 to 30 June 2010

| | | |
|---|--------------|---------------|
| BROUGHT FORWARD | 0.00 | 65,036.39 |
| COSTS RE ASSET PURCHASES/SALES | | |
| RURAL | | |
| 112 WOODHILL PARK RD, WAIMAUKU | | |
| COUNCIL FEES | 711.11 | |
| LEGAL EXPENSES | 4,490.11 | |
| SURVEY & SUBDIVISION EXPENSES | 835.25 | |
| 1285 STATE HIGHWAY 17, DAIRY FLAT | | |
| REAL ESTATE AGENTS CHARGES | 36,168.91 | |
| GST ADVICE RE SALE | 4,402.50 | |
| LEGAL FEES | 1,613.29 | |
| VALUATION REPORTS & ADVICE | 580.01 | |
| 110 WOODHILL PARK RD, WAIMAUKU | | |
| REAL ESTATE AGENTS CHARGES | 24,500.00 | |
| COUNCIL FEES | 332.93 | |
| LEGAL EXPENSES | 1,655.05 | |
| SUBDIVISION & SURVEY EXPENSES | 3,877.95 | |
| VALUATION REPORTS & ADVICE | 440.01 | |
| INVESTMENT PORTFOLIO | | |
| BROKERAGE | 16,127.72 | 95,734.84 |
| ASSETS PURCHASED | | |
| TERM DEPOSITS | | |
| PUBLIC TRUST | 9,514,478.50 | |
| PUBLIC TRUST | | |
| 351,596.2276 EXEMPT BALANCED INCOME PIE | 465,091.49 | |
| INVESTMENT PORTFOLIO | | |
| NEW ZEALAND UNIT TRUSTS | 228,000.00 | |
| NEW ZEALAND LISTED EQUITIES | 667,478.92 | |
| NEW ZEALAND FIXED INTEREST | 5,623,039.75 | |
| AUSTRALIAN LISTED EQUITIES | 222,689.15 | |
| INTERNATIONAL EQUITIES | 1,777,916.80 | |
| COMMODITY FUNDS | 228,000.00 | |
| CALL ACCOUNTS | 441,805.41 | |
| USD CURRENCY FORWARDS | 14,452.57 | 19,182,952.59 |
| GRANTS | | |
| PERSONAL LOANS TO INDIVIDUALS | | 113,121.40 |
| | TOTAL | 19,456,845.22 |
| CASH BALANCE AT END | CREDIT | 195,009.24 |

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New Zealand Communities Growth Trust

Business Services/04-02
4928512TR01

STATEMENT OF ASSETS AND LIABILITIES

Page 1

As at 30 June 2010

THE ASSETS ARE

| | | | |
|-----------------------------|------|--------------|---------------------|
| INCOME CASH | | | 3,991.75 |
| CAPITAL CASH | | | 195,009.24 |
| INVESTMENT PORTFOLIO | | | |
| NEW ZEALAND UNIT TRUSTS | Mkt. | 67,804.76 | |
| NEW ZEALAND LISTED EQUITIES | Mkt. | 632,512.02 | |
| NEW ZEALAND FIXED INTEREST | Mkt. | 5,687,418.64 | |
| AUSTRALIAN LISTED EQUITIES | Mkt. | 201,467.93 | |
| INTERNATIONAL EQUITIES | Mkt. | 1,593,157.46 | |
| COMMODITY FUNDS | Mkt. | 201,147.52 | |
| CALL ACCOUNTS | Mkt. | 441,805.41 | |
| USD CURRENCY FORWARDS | Mkt. | 14,452.57 | 8,839,766.31 |
| | | TOTAL | 9,038,767.30 |

THE LIABILITIES ARE

| | | | |
|-------------------------|--|--------------|------------------|
| AMOUNTS OWING | | | |
| ACCOUNTS PAYABLE | | | |
| SCHOLARSHIPS COMMITTED | | | 55,580.00 |
| | | TOTAL | 55,580.00 |

NET ASSETS

| | | | |
|----------------|--|--------------|---------------------|
| INCOME | | | 3,991.75 |
| CAPITAL | | | 8,979,195.55 |
| | | TOTAL | 9,038,767.30 |

The accompanying notes form an integral part of these financial statements. The information above has been prepared without undertaking an audit or review and must be read subject to the compilation report attached.

New Zealand Communities Growth Trust
1 July 2009 to 30 June 2010

Notes to the Financial Statements

Accounting Policies

Purpose

This special purpose financial report has been prepared to enable the Trustees to meet their reporting responsibilities and for tax purposes.

Structure of Financial Statements

The financial report includes a Statement of Receipts and Payments and Statement of Assets and Liabilities. The Statement is a cash based report summarising the cash flows in and out of the Trust during the period. This reporting structure has been adopted after discussions with the Advisory Trustees.

Basis of Preparation

The special purpose financial statements have been prepared on a cash basis. The measurement basis used is the cost of the asset, except for the revaluation of certain assets as separately disclosed on the Statement of Assets and Liabilities.

Changes in Accounting Policies

There have been no changes in accounting policy. The accounting policies adopted are consistent with those of the previous year.

Taxation

The trust is exempt from income tax being a registered charity. The trust is currently registered for GST, but this activity has now ceased and GST is being finalised.

Foreign Currency

Foreign Currency transactions are converted to New Zealand dollars at the exchange rate prevailing at the dates of the transactions. Amounts held in foreign currency at balance date are translated at the exchange rate at that day. Gains or losses in foreign exchange will be shown in the Statement of Receipts and Payments.

Investments

Investments are stated at market value. Changes in value are recognised within the Equity section in the Statement of Assets and Liabilities.

Contingent Liabilities

At balance date the Trust had no known contingent liabilities.

Goods and Services Tax

The financial statements are prepared on a GST exclusive basis.

Loans to individuals

During the year, following consultation with the Advisory Trustees the trust resolved to treat any outstanding loans as grants to stakeholders. This is shown in the accounts as a debit against capital. This transaction has not effected the amount of available funds to distribute as grants.

Public Trust Contribution

During the year the Board of Public Trust approved a contribution to NZCGT of \$250,000 in recognition of Public Trust's continuing commitment to the trust. Following discussions with the Advisory Trustees it was agreed that these funds be used to support the various activities undertaken by the trust. Expenditure to date is detailed in the income account under 'Public Trust Contribution.' As at balance date of the accounts a further \$83,502.76 has yet to be expended.

Albany Nurseries Limited

In July the Trust received a first and final dividend of \$226,874.98 from the liquidator of Albany Nurseries Limited. This represented 9.366 cents in the dollar on the trust's claim of \$2,422,266. The company has now been removed from the Companies register.

