

# Te Ara Hihiri

## Statement of Intent

2022/23 – 2024/25

TE MANAWA MUSEUMS TRUST

# Contents

Contact details .....	2
Introduction.....	3
About Te Manawa Museums Trust.....	4-8
Strategic objectives .....	9
What we will do.....	10
How we operate.....	11
Working together.....	11-12
Financial Statements: for the years ended 30 June 2023, 2024, 2025.....	13-32

## Contact details

<b>Address</b>	Te Manawa Museums Trust Private Bag 11055 Palmerston North	<b>Legal Status</b>	Te Manawa Museums Trust is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and operates as a charitable trust under the Trusts Act 2019. It is a not-for-profit CCO.
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# Introduction

Last year we noted the second year dealing with the reality of COVID-19. At that time, we looked forward to the future believing that we had successfully negotiated the first battle and would similarly get through COVID 2.0.

As we now move forward into 2022 and beyond, it would be a brave person who would predict the end of this journey, and in fact, we are now organised in to separate 'pods' so we can maintain a level of service while keeping our team safe. Our team continues to use their skills and imagination to do just that while preparing for the next phase of what may well become 'living with COVID'.

The future will now be guided in part by the PNCC plan for the long-term development of the Cultural Precinct, allied to the city's Arts Strategy. These give us good signposts to follow as we move forward.

As signalled last year, our partnership with Rangitāne has deepened; the establishment of Rongomau Productions within the Te Manawa campus is already delivering added value. The history of Papaioea is beginning to be explored and taught as we open up to the rich past of our region, its river and landscape and the people that have stood here before us.

Our increased emphasis on the challenge of climate change and the visibility of our collections will continue to reflect and respond to the societal and economic changes within our communities.

Our exhibition strategy, while limited in the early part of 2022, will continue to reflect our core foci of Art, Science and Heritage, but with increasing emphasis on the cooperation and collaboration with our societies. These relationships remain key to our success and reflect the unique nature of Te Manawa in bringing together disciplines in imaginative ways. Further development of interactives and on-line experiences will inevitably increase but physical experiences will remain at the heart of our activities.

This SOI maps out a forward-looking exhibition plan developed around our key PNCC goals that we believe will enrich, engage, educate and broaden the mind. Our team will continue to deliver this with skill and commitment. As always, we thank our team, our key funders PNCC, our societies and sponsors and Rangitāne, our Iwi for, their support and guidance.



John Fowke  
Chair, Te Manawa Museums Trust  
26 May 2022

# Purpose of the Statement of Intent

This Statement of Intent is presented by Te Manawa Museums Trust in accordance with the requirements of Section 64(1) of the Local Government Act 2002.

In accordance with the Local Government Act 2002, this annual Statement of Intent publicly states the activities and intention of Te Manawa Museums Trust for the next three years, and the objectives to which those activities will contribute.

The final Statement of Intent will take shareholder comments into consideration and include performance measures and targets as the basis of organisational accountability.

## About Te Manawa Museums Trust

### Purpose

Amplifying possibilities

### Vision

'Working Beyond Boundaries'

Built on a foundation of manaakitanga (inclusion, kindness, safety, hospitality)

### Mission

We will partner with communities, thought leaders, change makers and supporters, to inspire, broker and deepen connections among them, and with our worlds' tangible and intangible treasures, so that we can create and deliver relevant, engaging programmes and experiences with and for our communities.

### Values

To co-create an energetic, surprising museum with multiple communities we embody these values:

- **Kaitiakitanga**  
We are passionate about the treasures we care for on behalf of the community, and their power to inform and transform us, now and into the future.
- **Courageous and experimental**  
We are committed to making a real and positive difference, thinking clearly and openly about how Te Manawa can best evolve to achieve this – and when and how we need to think outside the box, and be brave, daring and fearless in our thinking and actions.

- **Open and inclusive**

The concept of *TĀTOU / WE* together is central to everything we do – acknowledging the mana of each person and the collective mana of all.

Open communication – the ability to listen actively, with respect, and to frame relevant questions that will unlock meaning, insights and value – underpins our culture.

- **Smart and strategic**

Our responsibility to our communities means we are strategic about where we are going, and smart, rigorous and pragmatic about how we will get there.

Our decisions are based on prioritising and growing our resources and monitoring outcomes, with a focus on building our ability to impact and achieve sustainable success.

- **Generous and entrepreneurial**

We believe our communities are part of a world full of the possibilities, talent, solutions and insight our future relies on. To realise this potential, we are generous in our approach - our ability to have fun, enjoy life and value each other underpins the spirit of entrepreneurship that drives us forward.

## Objectives of the Te Manawa Museums Trust deed

- To provide governance of an organisation which is a regional museum complex, advancing interest in art, heritage and science (including interactive science)
- To provide study, educational and enjoyment opportunities through acquiring, conserving, researching, communicating and exhibiting material evidence of people and their environment
- To develop, promote, enhance and maintain collections to make them relevant to the peoples of the Manawatū and New Zealand
- To recognise and act in accordance with the principles of the Treaty of Waitangi and to involve and give special attention to the history of the Tangata Whenua in the Region
- To ensure that the facility functions as a valued professional education resource and community asset for the citizens of Palmerston North and the Manawatū Region
- To encourage and support the kindred Societies in accordance with the objects of this Trust Deed
- To recognise the organisation's location in the Manawatū and to be aware of the Regional focus

# Statement of the Board's approach to governance

Te Manawa Museums Trust Board is established and governed in accordance with the Te Manawa Trust Deed; available on request from the Executive Assistant at Te Manawa.

The Board of up to nine trustees, is responsible for the strategic direction and control of Te Manawa's activities.

The Board guides and monitors the business and affairs of Te Manawa, in accordance with the Charitable Trusts Act 1957, the Local Government Act 2002, the Trust Deed and this Statement of Intent.

The Board's approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to the community and regularly reporting to the Arts, Culture and Heritage Committee of Palmerston North City Council
- enhancing Te Manawa's environmental sustainability
- encouraging and maintaining diversity in all elements of its organisation

The Chief Executive is responsible for the day-to-day operations of Te Manawa, engaging and oversight of staff and reporting to the Trustees on performance against Te Manawa's performance objectives.

The Board encourages engagement on our strategic direction by stakeholders through three main avenues: the development and presentation of this Statement of Intent, a public Annual General Meeting held each year, and through presentations at Council's quarterly Arts, Culture and Heritage meetings to report and outline new initiatives.

# Contribution to ‘Small city benefits, big city ambition’

Palmerston North City Council’s vision for the city is *Small city benefits, big city ambition*.

Council has identified five strategic goals for achieving this vision: Goal 1: An innovative and growing city; Goal 2: A creative and exciting city; Goal 3: A connected and safe community; Goal 4: An eco-city; and Goal 5: A driven and enabling Council.

Te Manawa contributes to all goals, but primarily to these priorities under Goal 2:

- Celebrate the city’s history and diversity, and build on the strength of being a city of many cultures and languages; and
- Be a creative city that nurtures and celebrates the arts
- Develop a national reputation as an exciting city with plenty to do at night and at weekends

Te Manawa received a Statement of Expectation stating Council’s objectives relating to Te Manawa. The Board has worked through the Statement of Expectation and has responded to these throughout this Statement of Intent.

# Strategic objectives

We have identified interrelated areas of focus for the next three years to achieve our vision of a museum working beyond boundaries.

- **Objective 1: A collaborative and future-focused organisation**

Te Manawa will connect to and amplify what's already happening in the community to make a bigger impact. Maintaining and enhancing our strategic relationships is key our success.

We will build Te Manawa's environmental and financial sustainability, ensuring it is well-placed to challenge boundaries and respond proactively to change. Te Manawa seeks to reduce carbon emissions. We will work strategically to accelerate revenue generation and embed a business development mindset within Te Manawa.

We will build our reputation as a creative and vibrant organisation, encouraging experimentation. Te Manawa will act as a testing ground for prototyping ideas.

- **Objective 2: Audience-focused experiences that attract and engage visitors**

Te Manawa's multi-layered experiences champion the uniqueness of our region. We will focus on developing and hosting vibrant exhibitions, spanning and interconnecting art, heritage and science, that attract visitors, contributing to the city's liveability and sense of place. We will carry out creative marketing to build visitation, third-party investment, and Te Manawa's profile.

Through our exhibitions, both conventional and challenging, Te Manawa builds a national reputation. Digital engagement will help attract physical visitors but also provide for our collections and activities to be enjoyed and interacted with by those in our community who cannot visit our facilities.

By caring for its collections, Te Manawa provides access to the region's diverse cultural heritage. Existing collections are brought to life so residents and visitors can engage with the history of the Manawatū and New Zealand.

- **Objective 3: Curiosity focused learning and engagement experiences**

Te Manawa, as a gathering place, builds tolerance and connections among Palmerston North's diverse cultures – one community, many cultures. We will ensure that Te Manawa enhances creativity, gives visibility to diverse viewpoints, and supports an inclusive community. We will provide opportunities to incubate ideas through collaboration and experimentation, leveraging opportunities to co-create with local communities.

Te Manawa opens doors for different conversations and engages people in learning experiences that are relevant and meaningful to them. Te Manawa, through its links to education, research institutes and local technology industries, develops science and technology-focussed exhibitions of local and national interest.

Our relationship with Rangitāne o Manawatū, as mana whenua, will evolve in line with their post-settlement aspirations. Te Manawa, in partnership with Rangitāne, protects its taonga, tells its stories and moves forward under the principles of Te Tiriti o Waitangi

## Te Manawa Statement of Intent 22/23 – 24/25

Strategic Goal 1 A collaborative and future-focused organisation:	Strategic Goal 2 Audience-focused experiences that attract and engage visitors:
<ol style="list-style-type: none"> <li>1. Continue to maintain strong relationships with Rangitāne at governance levels and through activity-based approaches, such as Te Rangi Whenua redevelopment,.</li> <li>2. Develop and implement a partner-based exhibition designed to tour nationally</li> <li>3. Develop short and long-term fundraising projects to realise the goal of sustainable external funding for programmes and experiences (2022-24).</li> <li>4. Trial and review one environmentally-focused project by end of 22/23. [project foci: solar or wind power; biodiverse garden]</li> <li>5. Develop a business continuity plan that responds to public health crises and the effects of climate change, and identifies their impacts on Te Manawa strategic objectives.</li> <li>6. Mirror the PNCC carbon reduction target of 30% reduction in green house gases by 2031</li> <li>7. Undertake visitor and market research (VMR) so observed patterns of visitation on site, via digital channels, and off-site can inform audience-focussed experience development and scheduling, and marketing approaches. [FY2022-25]</li> <li>8. Care for, add to and make accessible Te Manawa collections so Te Manawa enhances reputation as trustworthy, &amp; collections development responds to societal changes in Manawatū. (FY23-24 oral history project, FY24-25 childhood in museums project &amp; outputs) - SG 2</li> <li>9. Implement the Relationship Strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Complete redevelopment of <i>Te Awa</i> long-term exhibition (June 2023) (contributes to SG a, b)</li> <li>2. Implement high profile international exhibition that drives local and national visitation and results in economic benefit to Manawatū (2023-24) (contributes to SG a, b)</li> <li>3. Commence development of new Te Manawa-developed touring experience (2023-24) (contributes to SG a, c)</li> <li>4. Develop 5-year implementation plan for Collections online platform including option of shared hosting with Manawatu Heritage for specific themes and media (2022-23) (SG a, c)</li> <li>5. Implement collections online (2022-25) (SG a, c)</li> <li>6. Evaluate success of Exhibitions Strategy and application of ‘Culture segments’ or similar audience development programme (2023-24 (SG a)</li> <li>7. Develop two new digital creative projects (by end of 2022/23 – SG a, b), and two more by end of 2023/24. (SG a, c) Te Urungi Project</li> <li>8. Develop one innovative experience that will enhance either visitor numbers or community wellbeing (SG a - c) [alpacas]</li> <li>9. Re-open discussions with PNCC to address previously identified risks and problems to ensure the art gallery building is brought up to minimum international standards for climate control, display infrastructure, storage and security by 24/25</li> </ol>

<p><b>Strategic Goal 3</b>  <b>Curiosity focused learning and engagement experiences:</b></p> <ol style="list-style-type: none"> <li>1. Increase the impact of learning programmes and activities in formal and informal environments through Te Rangahau Curiosity Centre (2022-24).</li> <li>2. Implement a communications and marketing plan for learning activities (2022-23).</li> <li>3. Deliver two creative Te Rangahau Curiosity Centre linked events (by end of 2022/23).</li> <li>4. Trial a curiosity-based outreach learning offer in a formal education setting.</li> <li>5. Evaluate our learning response to regional and national priorities including NZ Histories and Matariki</li> <li>6. Support implementation of phase 1 of Rangimārie project, a dual venue cultural tourism project undertaken by Rongomau Productions Ltd (by end of 2022/23). Phase 1 includes training for Front of House staff to confidently engage with visitors, and co-creation of activities linked to Te Rangī Whenua.</li> <li>7. Evaluate digital education offerings against barrier reduction objectives</li> </ol>	<b>Targets</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
	<b>Visitor Numbers</b>	130,000	140,000	140,000
	<b>TM Experiences Off-Site</b>	25,000	30,000	30,000
	<b>Online Experience Engagement</b>	1,000	2,000	4,000
	<b>External Revenue Target</b>	\$947,180	\$1,075,602	\$1,029,938
	<b>KPI's Audience Satisfaction</b>	95%	95%	95%

# How we operate

We aim to provide a hub for significantly growing the city's levels of learning and engagement, social cohesion and wellbeing, civic pride and vibrancy, and national reputation. We work to:

- open doors for different conversations;
- enhance through creativity;
- build a profile of and champion the uniqueness of our region;
- connect people with each other and unlock the riches of our treasures and stories;
- incubate ideas through collaboration and experimentation;
- amplify possibilities and potential, with and for our communities;
- challenge boundaries and respond proactively to change;
- develop a well-informed community armed with knowledge and understanding.

We are committed to staff development and provide training, performance reviews and development plans.

Our staff are qualified and experienced, and we adhere to rigorous and inclusive processes to ensure the best experience of, by and for the public.

## Working with our partners

Te Manawa has relationships with a number of organisations that work alongside us supporting us in the achievement of our goals.

### **Rongomau Productions Ltd**

Rongomau Productions is a commercial arm of Rangimārie which provides Kaihautū services and advice to Te Manawa, as we strive to honour our partnership and treaty obligations.

We manage the relationship with Rongomau by way of a contract for services and quarterly reports to the board and regular meetings with the CEO.

### **The Founding Societies**

These societies are the 'founding societies' whose operations were devolved into Te Manawa on its formation. The societies continue to support and guide our operations in their specialist areas.

### **Te Manawa Arts Society**

The Te Manawa Arts Society (TMAS), was responsible for the collection of what many regard as the highest quality collection of New Zealand contemporary art from the mid 20<sup>th</sup> century. This collection, which is still owned by TMAS, forms the foundation of the collection held at and exhibited by Te Manawa. TMAS continues to participate in acquisition decisions and often supports those financially.

The relationship with TMAS is governed by an MOU allied to a custody agreement. Regular dialogue takes place between the two organisations.

### **The Science Centre Inc**

The Science Centre Inc and the Science Centre Trust are the organisations that promote science at Te Manawa. Work is currently underway to strengthen this relationship as we move out of a COVID enforced closedown. In the past a number of exhibitions have been developed and promoted together, Sunlight : Ihi Kōmaru being our last large science based exhibition. This was both financially supported by, and validated by, members of the Science Centre Inc.

The relationship is again governed by an MOU. Work is currently underway to further strengthen this relationship.

### **The Museum Society**

This society again supports the work of Te Manawa, once again governed by an MOU. Joint activities are undertaken around events of historical significance and shared interests.

### **The New Zealand Rugby Museum**

This museum within a museum, holds a collection of historical and cultural significance. It was incorporated into Te Manawa under an MOU signed in 2012.

Te Manawa provides accommodation, utilities and front of house support free of charge under an MOU, and lease for the premises, which is currently being renewed.

## **Working together**

### **Half-Yearly Report**

By the end of February each year, Te Manawa Museums Trust will provide the Council with a half-yearly report complying with s 66 of the Local Government Act 2002. The report will include the following information:

- Chief Executive's commentary on operations for the relevant six-month period.
- Comparison of Te Manawa Museums Trust's performance with the objectives, planned activities and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity and statement of cashflows.

# Annual Report

By 30 September each year, Te Manawa Museums Trust will provide the Council with an annual report complying with s 67–69 of the Local Government Act 2002. Financial statements and audit clearance will be provided in early August to ensure timely availability of Council’s annual report.

The annual report will contain the information necessary to enable an informed assessment of the operations of Te Manawa Museums Trust, and will include the following information:

- Chief Executive’s commentary on operations for the relevant year.
- Comparison of Te Manawa Museums Trust’s performance to the objectives, planned activities and performance targets set out in the SOI, with an explanation of any material variances.
- Financial statements incorporating a statement of financial performance, statement of financial position, statement of changes in equity, statement of cashflows, statement of accounting policies and notes to the accounts.
- Auditor’s report on the financial statements and the performance targets.
- Any other information that the Trustees consider appropriate.

## Signature

This Statement of Intent was approved by the Te Manawa Museums Trust Board on 26 May 2022

A handwritten signature in black ink, appearing to read 'John Fowke', written over a faint horizontal line.

John Fowke, Chair, Te Manawa Museums Trust Board

# Te Ara Tahua

## Statement of Intent (Financials)

BUDGET FOR THE YEARS ENDED 30 JUNE 2023, 2024 AND 2025

TE MANAWA MUSEUMS TRUST

# Contents

<b>Budget Assumptions and Comments</b>	<b>15</b>
<b>Prospective Statement of Comprehensive Revenue and Expenses</b>	<b>18</b>
<b>Prospective Statement of Financial Position</b>	<b>19</b>
<b>Prospective Statement of Cash Flows</b>	<b>20</b>
<b>Statement of Accounting Policies</b>	<b>21-32</b>

# Budget Assumptions and Comments:

## Revenue

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

#### PNCC Operating Grant

2022/23: \$3,329,511 (2021/22 plus 2.0%)

2023/24: \$3,396,101 (2022/23 plus 2.0%)

2024/25: \$3,464,023 (2023/24 plus 2.0%)

### 2. Interest Revenue:

Interest Income has been based on average bank balances remaining between \$519k and \$742k (the approximate required level to preserve Te Manawa tagged reserves) with weighted average bank interest rates forecast at 0.6%.

### 3. Other Operating Revenue:

Other Operating Revenue is expected to increase from the 2021/22 budget, with higher targets for fundraising and sponsorship as the result of the appointment of a role with responsibility for increasing external revenue.

### 4. Net Collection Movements

The forecast level of donated collection assets is maintained level from prior years. (\$15,000).

The prospective financial statements do not provide for a forecast net movement in the market value of collection, due to data not being readily available for assumptions regarding the future market value of collections assets. Revaluation of collection assets is a non-cash item. The next revaluation of the Art Collection will take place during the final quarter of the 2023/24 financial year, and the next Heritage Collection revaluation is to take place during the 2024/25 financial year. The revaluation of the art collection conducted during the 2020/21 year resulted in an increase in the value of the art collection of \$1,526,862

## Expenditure

### 5. Payroll:

The Payroll budget for all years incorporates requirements of the remuneration system adopted by Te Manawa.

### 6. Operating Expenditure:

Operating costs have been budgeted for the next three years based on current contractual commitments, as well as anticipated maintenance costs (i.e. cleaning, repairs and maintenance, security and administrative costs).

### 7. Occupancy Costs:

Te Manawa has received notice of some suppliers' intention to increase costs. An inflation adjustment of 2.5% has been applied across most expense categories.

### 8. PNCC Leases and Service Level Agreements:

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

## 9. Depreciation:

The forecast depreciation for the next financial years is based on the planned plant and equipment additions and the upgrade of the semi-permanent exhibition (Te Awa).

## 10. Operating Surplus/(Deficit) after Collection Movements:

A net surplus has been budgeted for each of the three years covered by the financial statements 2022/23 (\$0.20k) 2023/24 (\$1.03k) and 2024/25(\$0.84k)

Prudent management of operating expenditure will be required to achieve the budgeted results. Revenue generation opportunities will be sought to ensure that operating cash surpluses are produced going forward.

## **STATEMENT OF FINANCIAL POSITION:**

### 11. Cash & Short-Term deposits:

Cash & Cash Equivalents (including term deposits with a maturity of up to 3 months) are budgeted to remain relatively consistent at between \$519k and \$742k. This is enough to meet the Trust's current budgeted obligations and commitments.

### 12. **STATEMENT OF CASHFLOWS:**

Forecast net cash flows from operating activities are enough to cover the planned capital expenditure for the three financial years.

### 13. **STATEMENT OF CASH BALANCES & RESERVES:**

Careful managing of resources will be required to maintain positive untagged reserves over next years, in order to both meet our operational costs and gradually increase our semi-permanent and touring exhibition capabilities. There is also an increased reliance on third party revenue to meet the forecast level of operating costs and allow for the strategic reserves to be built up.

The tables below indicate the way Te Manawa intends to gradually build up its strategic reserves within the constraint of maintaining positive untagged reserves.

#### **Te Manawa Museums Trust Endowment Fund Forecast**

<b>Endowment Fund</b>	<b>Balance 1/7/20</b>	<b>Actual at 30/06/21</b>	Budget transfers in/(out)	<b>2021/22 Budget</b>	Budget transfers in/(out)	Budget transfers in/(out)	<b>2022/23 Budget</b>
Clevely Fund	10,874	10,874	-	10,874	-	-	10,874
<b>Total Endowment Funds</b>	<b>10,874</b>	<b>10,874</b>	-	<b>10,874</b>	-	-	<b>10,874</b>

The Semi-permanent exhibition reserve is designed for the purpose of securing funding for future semi-permanent exhibition refresh and/or internally developed and built Te Manawa touring shows.

<b>Specific Reserves</b>	<b>Balance 1/7/20</b>	<b>Actual at 30/06/21</b>	Budget transfers in/(out)	<b>2021/22 Budget</b>	Budget transfers in/(out)	Budget transfers in/(out)	<b>2022/23 Budget</b>
Collection Development	16,362	<b>26,023</b>		<b>16,362</b>	-	-	<b>26,023</b>
Historical Building Maintenance	22,081	<b>22,081</b>	-	<b>22,081</b>	-	-	<b>22,081</b>
Semi-Permanent Exhibition Development Reserve	299,674	<b>332,535</b>		<b>332,535</b>	-		<b>332,535</b>
<b>Total Specific Reserves</b>	<b>338,117</b>	<b>380,639</b>	-	<b>370,978</b>	-	-	<b>380,639</b>

**Te Manawa Museums Trust**

**Prospective Statement of Revenue and Expenses**

For the Three Years Ended 30 June 2023, 2024 & 2025

	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
PNCC Operational Grant	3,231,908	3,264,227	3,329,511	3,396,101	3,464,023
MDC Grant	20,000	20,000	20,000	20,000	20,000
Interest Received	6,922	5,400	8,400	7,930	7,858
Fundraising & Sponsorship		320,000	537,050	646,865	695,421
Other Revenue	645,788	309,345	381,730	367,512	239,080
<b>Total Revenue</b>	<b>3,904,618</b>	<b>3,918,972</b>	<b>4,276,691</b>	<b>4,438,408</b>	<b>4,426,382</b>
<b>Expenditure</b>					
Personnel Costs	1,965,076	2,373,074	2,403,587	2,431,799	2,460,802
Museum Activities	1,278,177	915,423	1,142,445	1,271,663	1,222,968
Occupancy Costs	169,841	266,988	279,168	286,384	289,686
PNCC Leases & SLA's	79,738	79,738	81,738	81,738	81,738
Depreciation/Amortisation	265,037	291,600	302,550	298,788	303,336
Assets Written Off	53,728	-	-	-	-
<b>Total Operating Expenditure</b>	<b>3,811,597</b>	<b>3,926,823</b>	<b>4,291,488</b>	<b>4,452,371</b>	<b>4,440,530</b>
<b>Operating Surplus/(Deficit) Before Collection Movements</b>	<b>93,021</b>	<b>(7,851)</b>	<b>(14,797)</b>	<b>(13,963)</b>	<b>(14,148)</b>
<b>Collection Movement Income</b>					
Custodial Assets	8,397	-	-	-	-
Donated Assets	36,294	15,000	15,000	15,000	15,000
<b>Collection Movement Expense</b>					
Custodial Assets Returned	-	-	-	-	-
Collection Assets Deaccessioned	(4,687)	-	-	-	-
<b>Net Collection Movements</b>	<b>40,004</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Net Surplus/(Deficit) Before revaluation</b>	<b>133,025</b>	<b>7,149</b>	<b>203</b>	<b>1,037</b>	<b>852</b>
<b>Other Comprehensive Revenue and Expenses</b>	1,526,862	-	-	-	-
<b>Total Comprehensive Revenue and Expense</b>	<b>1,659,887</b>	<b>7,149</b>	<b>203</b>	<b>1,037</b>	<b>852</b>

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

## Te Manawa Museums Trust

### Prospective Statement of Financial Position

As at 30 June 2023, 2024 & 2025

Notes	Actual	Budget	Budget	Budget	Budget
	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$
<b>Assets</b>					
<i>Current Assets</i>					
Cash & Cash Equivalents 11	575,682	284,425	401,874	305,736	161,212
Short Term Deposits	665,728	615,689	340,358	255,003	358,306
Stock of Merchandise	36,043	50,000	32,000	32,000	32,000
Receivables	27,121	20,000	18,000	20,000	20,000
Interest Receivable	1,856	1,500	2,000	2,500	2,600
Prepayments	9,726	50,000	25,000	15,000	15,000
<b>Total Current Assets</b>	<b>1,316,156</b>	<b>1,021,614</b>	<b>819,232</b>	<b>630,239</b>	<b>589,118</b>
<i>Fixed Assets</i>					
Information Technology	54,662	70,726	43,708	48,516	44,722
Property Plant & Equipment					
Exhibitions	335,455	436,348	490,814	472,540	452,770
Furniture & Fittings	67,259	58,678	70,097	76,123	76,591
Leasehold Improvements	50,203	46,094	46,555	46,555	47,021
Plant & Equipment	261,390	319,859	452,144	512,415	534,570
Collection Assets (Owned)	7,941,927	8,374,712	7,975,767	8,030,385	8,095,385
Collection Assets (Custodial)	9,044,116	8,265,209	9,044,114	9,044,114	9,044,114
Work in Progress	223,149	30,000	12,105	15,000	15,000
<b>Total Fixed Assets</b>	<b>17,978,161</b>	<b>17,601,627</b>	<b>18,135,304</b>	<b>18,245,648</b>	<b>18,310,172</b>
<i>Other Non-Current Assets</i>					
Intangible Assets - Software	8,346	140,112	6,029	21,712	3,397
<b>Total Non-Current Assets</b>	<b>17,986,507</b>	<b>17,741,739</b>	<b>18,141,333</b>	<b>18,267,360</b>	<b>18,313,569</b>
<b>Total Assets</b>	<b>19,302,663</b>	<b>18,763,353</b>	<b>18,960,567</b>	<b>18,897,599</b>	<b>18,902,688</b>
<i>Current Liabilities</i>					
Payables Under Exchange Transactions	411,325	328,823	419,552	423,747	427,984
Income Received in Advance)	130,975	30,000	30,000	30,000	30,000
Provisions	-	-	-	-	-
Employee Benefits	241,229	201,860	260,619	195,619	195,619
Interest Payable	-	-	-	-	-
GST Payable (Receivable)	-	55,000	58,000	55,000	55,000
Current Portion of Term Liabilities	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>783,529</b>	<b>615,683</b>	<b>768,171</b>	<b>704,366</b>	<b>708,603</b>
<i>Non-Current Liabilities</i>					
Employee Benefits	3,255	3,266	3,266	3,266	3,266
<b>Total Non-Current Liabilities</b>	<b>3,255</b>	<b>3,266</b>	<b>3,266</b>	<b>3,266</b>	<b>3,266</b>
<b>Total Liabilities</b>	<b>786,784</b>	<b>618,949</b>	<b>771,437</b>	<b>707,632</b>	<b>711,869</b>
<i>Equity</i>					
Trust Equity	10,664,372	10,715,074	10,722,223	10,724,226	10,725,263
Retained Surplus Current Year	133,025	7,149	2,203	1,037	852
Asset Revaluation Reserve	7,326,968	7,073,190	7,073,190	7,073,190	7,073,190
Specific Reserves 13	380,640	338,117	380,640	380,640	380,640
Endowment Funds 13	10,874	10,874	10,874	10,874	10,874
<b>Total Trust Funds</b>	<b>18,515,879</b>	<b>18,144,404</b>	<b>18,189,130</b>	<b>18,189,967</b>	<b>18,190,819</b>
<b>Total Liabilities and Trust Funds</b>	<b>19,302,663</b>	<b>18,763,353</b>	<b>18,960,567</b>	<b>18,897,599</b>	<b>18,902,688</b>

**Te Manawa Museums Trust**

**Prospective Statement of Cash Flows**

For the Three Years Ended 30 June 2023, 2024 & 2025

Notes	Actual	Budget	Budget	Budget	Budget
	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Cash was provided from:					
PNCC Grants	3,231,908	3,264,227	3,329,511	3,396,101	3,464,023
Fundraising Activities	5,000	320,000	537,050	646,865	695,421
Other Revenue	720,174	279,454	381,730	367,512	259,080
MDC Grants	20,000		20,000	20,000	20,000
Interest	7,088	5,400	8,400	7,930	7,858
	3,984,170	3,869,081	4,276,691	4,438,408	4,446,382
Cash was disbursed to:					
Payroll	1,439,707	2,373,074	2,403,587	2,421,799	2,460,802
Suppliers	1,963,631	1,270,809	1,503,283	1,717,590	1,672,154
Interest	-	-	-	-	-
GST	-69,217	-	58,000	50,000	50,000
Net Change in working Capital	-	-	-	-	-
	3,334,121	3,643,883	3,964,870	4,189,389	4,182,956
<b>Net Cash Flows from Operating Activities*</b>	<b>650,049</b>	<b>225,198</b>	<b>311,821</b>	<b>249,020</b>	<b>263,426</b>
<b>Cash Flows from Investing Activities</b>					
Cash was provided from:					
Sale of Assets	-	-	-	-	-
Cash was disbursed to					
Change in short Term Investments	51,483	600,000	500,000	-	75,000
Purchase of Intangible Assets - Software	0	120,000	-	24,000	25,000
Purchase of Leasehold Improvements	2,431	30,000	5,000	5,000	5,000
Purchase of Information Technology	35,525	56,770	40,000	25,600	27,000
Purchase of Exhibitions	430,055	185,000	201,000	200,000	200,000
Purchase of Furniture & Fittings	25,915	10,000	10,000	35,558	20,950
Purchase of Plant & Equipment	122,386	168,910	168,910	30,000	5,000
Purchase of Collection Assets	100,735	78,500	50,000	25,000	50,000
Work in Progress			-	-	-
	768,530	1,249,180	974,910	345,158	407,950
<b>Net Cash Flows from Investing Activities</b>	<b>(768,530)</b>	<b>(1,249,180)</b>	<b>(974,910)</b>	<b>(345,158)</b>	<b>(407,950)</b>
Net Increase/(Decrease) in Cash Held	(118,481)	(1,023,982)	(663,089)	(96,138)	(144,524)
Opening Cash Balances	694,163	1,308,407	1,064,963	401,874	305,736
<b>Closing Total Cash Balances</b>	<b>575,682</b>	<b>284,425</b>	<b>401,874</b>	<b>305,736</b>	<b>161,212</b>

# Notes to the Prospective Financial Statements

## Statement of Accounting Policies

### REPORTING ENTITY

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

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

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

### BASIS OF PREPARATION

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

## Statement of Compliance

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

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Trust qualifies as a Tier 2 Public Sector PBE reporting entity as it is not publicly accountable and as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

The reporting period for these prospective financial statements are the years ending 30 June 2023, 30 June 2024 and 30 June 2025. The prospective financial statements are presented in New Zealand dollars, unless otherwise stated.

### **Measurement Base**

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

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

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

## **Significant Accounting Policies**

### **Revenue**

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

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

### **Revenue from Non-exchange transactions**

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

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

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

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

### **Grants**

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

Revenues from non-exchange transactions with Council/other government/non-government entities are measured at fair value and recognised when the event occurs and the asset recognition criteria are met, if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Trust and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount if conditions of the grant are not met, deferred income is recognised instead of revenue, and recognised as revenue when conditions of the grant are satisfied.

### ***Rendering of services***

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

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

### ***Vested or donated physical assets***

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

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

### ***'In Kind' Sponsorship***

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

### ***Volunteer Services***

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

## **Revenue from Exchange transactions**

### ***Sales of goods***

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

### **Interest Income**

Interest income is recognised using the effective interest method.

### **Advertising Costs**

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

## **Borrowing Costs**

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

## **Depreciation and amortisation**

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

## **Leases**

### ***Finance Leases***

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

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

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

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

### ***Operating Leases***

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

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

## **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

## **Debtors and other receivables**

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

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

## **Financial Assets**

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

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

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

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

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

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

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

### *b) Loans and Receivables*

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

### *c) Held to Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

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

#### *d) Financial Assets at Fair Value through Other Comprehensive Revenue and Expense*

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

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

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

#### **Impairment of financial assets**

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

#### *Loans and receivables, and held-to-maturity investments*

Impairment is established when there is evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

#### *Financial assets at fair value through other comprehensive revenue and expense*

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

#### **Inventories**

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

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

## Property, Plant and Equipment

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

### *Additions*

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

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

### *Disposals*

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

### *Work in Progress*

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

### *Subsequent costs*

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

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

#### (a) Furniture, Equipment and Exhibits

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

##### *Depreciation*

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

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

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

## (b) Collection Assets

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

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

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

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

### *Revaluation*

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

The Heritage Collections assets are revalued to fair value as determined from market-based evidence by an independent valuer. Trust's policy is to revalue the Heritage Collection assets every four years to ensure that their carrying amount does not differ materially from fair value.

All other asset classes are carried at depreciated historical cost.

### *Accounting for Revaluations*

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

## **Intangible Assets**

### *Recognition and measurement*

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

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

### *Software acquisition and development*

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

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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

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

#### *Subsequent expenditure*

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

#### *Amortisation*

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

The estimated useful lives are as follows:

Software: 1 to 7 years, Website: 3 to 5 years

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

### **Impairment of property, plant and equipment and intangible assets**

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

#### *Value in use for non-cash-generating assets*

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

#### *Value in use for cash-generating assets*

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

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

### **Creditors and Other Payables**

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

## **Borrowings**

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

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

## **Employee Entitlements**

### *Short-term employee entitlements*

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

### *Long-term employee entitlements*

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

## **Provisions**

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

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

## **Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

## **Income Tax**

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

## Equity

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

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

### *Restricted reserves*

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

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

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

## Critical Accounting Estimates and Assumptions

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

### *Property, Plant and Equipment Useful Lives and Residual Values*

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

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

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

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

# Public Benefit Entity Prospective Financial Statements (PBE FRS 42)

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

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

The Trust is a Council Controlled Organisation, as defined in the Local Government Act 2002. The Trust's principal activities are outlined within this Statement of Intent.

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

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

*(iii) Bases for assumptions, risks and uncertainties*

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

*(iv) Cautionary Note*

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

*(iv) Other Disclosures*

The draft prospective financial statements have been authorised by the Board for delivery to the Palmerston North City Council on 24 February 2022. The Trust is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Statement of Intent is prospective and as such contains no actual operating results.