



NZ Community Trust Annual Report **2019/20**



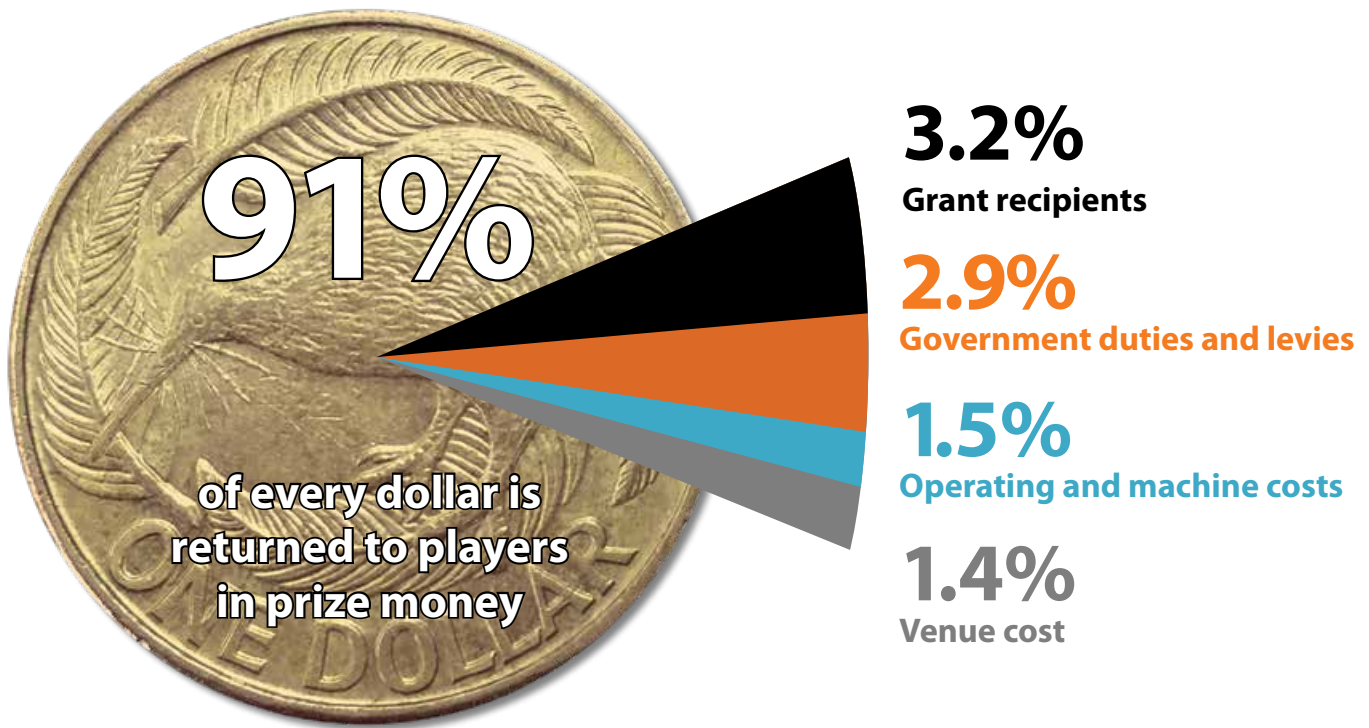


# NZCT Annual Report 2019/20

NZCT is the largest gaming society and largest funder of amateur sports participation in New Zealand. Everyone at NZCT is passionate about the work we do and we're proud of the positive contribution we make to local communities throughout the country.

**\$39.436 million surplus generated in 2019/20**

**\$29.400 million distributed to the community in 2019/20**



# Chairman's and Chief Executive's report

## ***An unprecedented year of challenges***

As ever, we are honoured to lead NZCT's Board and staff in their mission to fund amateur sport and other worthy community causes.

This year has been particularly challenging for the class 4 and hospitality sectors due to the Covid-19 global pandemic. In late March, all our venues were forced to shut during the nationwide lockdown, which meant that we had no income for the best part of 2 months. This hit us particularly hard due to a quirk of our governing legislation that meant class 4 gaming societies were unable to hold any capital as reserves.

With prudent financial management, cancellation and suspension of some grant approvals, and use of the government's wage subsidy, we were able to manage our way through the lockdown period and resume near-normal operations in late May and grant approvals in June. We wish to thank NZCT's staff and venue operators for their exceptional support during this unprecedented period of challenge. Without everyone pulling together and doing what needed to be done, our long-term survival would not have been assured.

The efforts of the Gaming Machine Association (GMANZ), of which we are part, and Hospitality New Zealand, must be recognised as they resulted in changes to government regulations that now allow us to hold a working capital ratio of 1.5:1 and have relieved us of the requirement to distribute a minimum of 40% of gaming machine proceeds to the community during the next two financial years. We are now in a much stronger position to weather future storms.

Despite these unprecedented challenges, in 2019/20 we achieved a surplus, before



Alan Isaac

distributions, of \$39.436 million, which is 41% of our total operating revenue. We were able to distribute \$28.218 million in grants to amateur sports clubs, rescue and life-saving services, education, health, the arts, and cultural and community groups across New Zealand. This is a good result under such unusual circumstances, which, no doubt, we will continue to see the consequences of for some time to come.

## ***Greater understanding of Class 4's contribution to New Zealand communities***

Critical to achieving greater awareness and understanding of the role of class 4 funding in the community is having a clear picture of the combined grants from all class 4 gaming trusts. This work has been commissioned for the third time from independent consultants KPMG, who have

collated and analysed grants data for all societies for calendar year 2019.

Their report and summary of the three-yearly trends provide an increasingly powerful and compelling illustration of the extent and impact of non-casino, non-club class 4 distributions, which totalled \$294 million in 2019, benefitting more than 9,700 organisations through over 26,300 grants.

GMANZ has also commissioned financial and economic consultants TDB Advisory to undertake a substantial piece of work to analyse the economic costs and benefits of class 4 gaming.

## ***The threat of online gambling continues to grow***

The Health Promotion Agency conducted research into people's gambling habits during the Covid-19 lockdown and found that 8% of people who gambled had used online gambling for the first time and a further 12% had increased their existing use of online gambling. Many of those people are likely to have continued gambling online post-lockdown.

We already know that an estimated \$300 million is leaving New Zealand every year for offshore gambling websites and this amount will only grow, especially if we become subject to further restrictions on class 4 gambling. Class 4 venues provide a safe environment for gamblers, due to the combined efforts of venues and their supervising staff, and societies, which operate within a strict regulatory framework. We look forward to working with GMANZ and the new Minister of Internal Affairs on the approach to the increasing threat from unregulated online gambling.



***Focusing on best-practice harm minimisation using technology***

NZCT now has facial recognition technology installed in 25 of our high-turnover venues where there are large numbers of self-excluded gamblers, to help staff to monitor their gaming rooms. We have continued to see positive results from this initiative, including a highly successful deterrent effect. The technology requires a significant and sustained investment. Accordingly, we will continue to advocate for some of our problem gambling levy to be applied to this and other technology investments, which contribute positively to harm minimisation outcomes.

***Providing a safe entertainment environment***

NZCT works hard to support our venue operators and their customers, ensuring our venues are safe entertainment environments. We continue to develop our call centre to respond quickly to venue issues, which significantly reduces machine down-time. We see this as a point of difference in the market, one which is cost-effective and provides us with flexibility that focusses on the needs of our venue operators.

Our strategy continues to be prudent investment in machines and other assets, ensuring we offer up-to-date gaming products to customers. Our approach and commitment to compliance and continual improvement in all that we do has again been recognised in our recertification of ISO 9001:2015. We are proud to lead in industry best practice and work collaboratively with sector colleagues in consultation with the regulator.



Mike Knell

***Our strong community focus and values-based principles***

NZCT's strong community focus and the values-based principles adopted throughout our organisation make working for NZCT a pleasure and a passion. We believe all young Kiwis should have equal opportunities to play sport and engage in recreational activities, which improve the health and wellbeing of our communities.

We thank our trustees, especially David Pilkington for his astuteness and fairness in chairing our Net Proceeds Committee, and Kerry Prendergast for her professional expertise chairing our Audit and Risk Committee. We also thank the dedicated members of our ten Regional Advisory Committees for their outstanding local input into the grants

consideration process, staff, operators and others who make a positive contribution to our fundraising efforts, without which we simply would not exist.

As an industry, we can all be proud of the class 4 model, which is unique in the world. It is transparent, robust and accountable, delivering greater than 90% return to players while delivering amazing benefits to local communities through the distribution of 100 per cent of gaming profits.

*Alan Isaac*  
Chairman

*Mike Knell*  
Chief Executive

# A few words from our grant recipients



## Paralympics New Zealand

**Grant #83661 - \$110,000 towards various administrative salaries and Para Swimming Performance Coach**

“With your support, we can help our athletes to achieve their goals and aspirations on the road to the Tokyo 2020 Paralympic Games and beyond. We are part of a worldwide social change movement, which uses the power of sport to positively influence community perceptions of disabled people and to promote a more diverse and inclusive society. It is crucial that everyone is given the opportunity to participate, uninhibited by a lack of options, access, and cost. Thanks to your support, we move closer to achieving this goal.”



## Sport Waitakere

**Grant #80871 - \$60,630 towards sports equipment**

“Sport Waitākere would like to thank New Zealand Community Trust for their support of this year’s Great Gearshed Revolution. 19 decile 4-6 schools received in total over 12,000 pieces of much-needed sports equipment. The deliveries started in Term 2 and have just been completed with the last delivery going into Summerland Primary. We look forward to seeing many more smiles like this in primary schools across West Auckland.”



## Central Kids

**Grant #81628 - \$10,000 towards sunshades**

“Central Kids Thames Kindergarten would like to say thank you... A large, sheltered outdoor play area means the children can continue to extend their learning opportunities as the weather gets warmer and sun comes out. Ngā mihi nui from the tamariki, whānau and all the staff at Thames Central Kids Kindergarten.”



## Poneke Kilbirnie Softball Club

**\$5,500 towards equipment, \$3,000 towards junior uniforms, \$5,000 towards junior uniforms**

“Thanks to... your funding we have been able to supply our club with new playing caps, visors and junior uniforms for both our U11 teams. This will not only make our players look sharp on the diamond but also keep them safe from the sun on those long summer days! Thanks again NZCT and all you do for our community.”



### Graeme Dingle Foundation Western Bay of Plenty

#### **Grant #83241 - \$15,000 towards Project K Wilderness Adventure and Community Challenge for 24 at-risk youth**

“We wanted to let you know how profoundly grateful we are for your continued support, especially through such a challenging and difficult year. Your generosity makes such a huge difference for the young people we work with – many of whom have had a true test of their courage and resilience in 2020. With your help we can continue to connect with and help grow and encourage our tamariki and rangatahi to reach their full potential. Nga mihi maioho.”



### StarJam

#### **Grant #82378 - \$6,000 towards salary**

“We feel honoured and proud that you want to help our young people and be a part of unleashing their potential. We... can only achieve what we do with generous support such as yours. In the recent uncertain times we faced with COVID-19, StarJam was committed to providing as much stability and support to our community of Jammers and their whanau as possible. For so many NZ youth living with disabilities, social isolation is sadly something they know all too well and we are determined that they should not feel further isolated during this period. On behalf of the Jammers, their families, the tutors and volunteers who are part of StarJam, Thank You!”



### Netball Taranaki

#### **Grant #83473 - \$197,424.17 towards salaries and vehicle leases**

“New Zealand Community Trust’s ongoing and significant contribution to salaried positions and vehicles enables netball, our community and purpose. NZCT – making netball possible for our family of 7,000 around the mountain. Tēnā rawa atu koe.”

# Funds at a glance for 2019/2020

Recipients (%)	Paid in 2019/2020	Paid in 2018/2019
\$1-\$10,000	58.0%	61.0%
\$10,001-\$50,000	32.7%	29.6%
\$50,001-\$100,000	4.9%	4.8%
\$100,001-\$500,000	4.3%	4.6%
\$500,001+	0.2%	0.1%

Recipients (Number)	Paid in 2019/2020	Paid in 2018/2019
\$1- \$10,000	725	1,215
\$10,001-\$20,000	228	340
\$20,001-\$30,000	94	121
\$30,001-\$40,000	46	76
\$40,001-\$50,000	41	52
\$50,001-\$75,000	34	44
\$75,001-\$100,000	27	51
\$100,001-\$150,000	25	35
\$150,001-\$200,000	13	32
\$200,001-\$300,000	11	15
\$300,001-\$400,000	5	8
\$400,001-\$500,000	-	2
\$500,001-\$750,000	2	-
\$750,001-\$1,000,000	-	1
\$1,000,001+	-	-
	<b>1,251</b>	<b>1,992</b>

## Number of grant applications

PAID	2019/20	
	Number	Percentage
Sport	1,281	77.9%
Health & Education	178	10.8%
Community	109	6.6%
Arts & Culture	76	4.6%
	<b>1,644</b>	<b>100%</b>

2018/19	
Number	Percentage
1,701	74.1%
331	14.4%
144	6.3%
118	5.1%
<b>2,294</b>	<b>100%</b>

DECLINED	2019/20	
	Number	Percentage
Sport	291	53.9%
Health & Education	104	19.3%
Community	100	18.5%
Arts & Culture	45	8.3%
	<b>540</b>	<b>100%</b>

2018/19	
Number	Percentage
328	43.4%
163	21.6%
171	22.6%
94	12.4%
<b>756</b>	<b>100%</b>





## ***Report of the independent auditor on the summary financial statements***

To the Trustees of New Zealand Community Trust

The summary financial statements comprise:

- the summary statement of financial position as at 30 September 2020;
- the summary statement of comprehensive revenue and expense for the year then ended;
- the summary statement of changes in equity for the year then ended;
- the summary cash flow statement for the year then ended; and
- the summary notes to the financial statements.

### ***Our opinion***

The summary financial statements are derived from the audited financial statements of New Zealand Community Trust (the “Trust”) for the year ended 30 September 2020.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with PBE FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

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### ***Summary financial statements***

The summary financial statements do not contain all the disclosures required by the Public Benefit Entity Standards (PBE Standards). Reading the summary financial statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor’s report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

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### ***The audited financial statements and our report thereon***

We expressed an unmodified audit opinion on the audited financial statements in our report dated 4 December 2020.

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### ***Information other than the summary financial statements and auditor’s report***

The Trustees are responsible for the annual report. Our opinion on the summary financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### *Responsibilities of the Trustees for the summary financial statements*

The Trustees are responsible, on behalf of the Trust, for the preparation of the summary financial statements in accordance with PBE FRS-43: *Summary Financial Statements*.

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### *Auditor's responsibility*

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Our firm carries out other services for the Trust in the area of agreed upon procedures in respect of the Trust's application for a gambling licence under the Gambling Act 2003. The provision of these other services has not impaired our independence as auditor of the Trust.

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### *Who we report to*

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

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*PricewaterhouseCoopers*

Chartered Accountants  
15 December 2020

Wellington



New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2020

<b>SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
<b>REVENUE</b>		
Gaming machine profit	95,656	109,661
Government Wage Subsidy Grant	278	-
Interest received	7	10
Net gain on disposal of property, plant and equipment	440	324
Other revenue	12	22
<b>Operating revenue</b>	<b>96,393</b>	<b>110,017</b>
<b>EXPENDITURE</b>		
Administration expenses	6,004	6,213
Depreciation and amortisation	8,450	8,230
Gaming machine duty	22,001	25,222
Gaming operation expenses	5,350	6,927
Venue payments	15,152	17,452
<b>Operating expenditure</b>	<b>56,957</b>	<b>64,044</b>
<b>SURPLUS FOR THE YEAR</b>	<b>39,436</b>	<b>45,973</b>
<b>DISTRIBUTION TO THE COMMUNITY</b>	<b>28,218</b>	<b>44,998</b>
<b>INCREASE/(DECREASE) IN COMMUNITY EQUITY</b>	<b>11,218</b>	<b>975</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain on property revaluation	-	657
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>11,218</b>	<b>1,632</b>
<b>SUMMARY STATEMENT OF CHANGES IN COMMUNITY EQUITY</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Equity at the beginning of the year	13,659	12,027
Change in equity	11,218	1,632
<b>Equity at the end of the year</b>	<b>24,877</b>	<b>13,659</b>



New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2020

<b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Community equity	23,554	12,336
Property revaluation reserve	1,323	1,323
<b>EQUITY</b>	<b>24,877</b>	<b>13,659</b>
Current assets	17,195	4,427
Non current assets	19,337	20,835
<b>Total assets</b>	<b>36,532</b>	<b>25,262</b>
Current liabilities	11,655	11,603
Non current liabilities	-	-
<b>Total liabilities</b>	<b>11,655</b>	<b>11,603</b>
<b>NET ASSETS</b>	<b>24,877</b>	<b>13,659</b>

<b>SUMMARY CASH FLOW STATEMENT</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Net Cashflow from operating activities	18,828	9,131
Net Cashflow from investing activities	(6,512)	(7,854)
Net Cashflow from financing activities	-	-
Net (decrease) in cash and cash equivalents	12,316	1,277
Cash and cash equivalents at start of year	1,565	288
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>13,881</b>	<b>1,565</b>



**New Zealand Community Trust**

# Summary Financial Statements

For the year ended 30 September 2020

## SUMMARY NOTES TO THE FINANCIAL STATEMENTS

- 1** The New Zealand Community Trust (the "Trust") is a charitable trust domiciled in New Zealand and registered under the Charitable Trusts Act 1957. The Trust raises funds through the operation of gaming machines primarily for the promotion of amateur sport and community purposes in New Zealand.
- 2** The financial statements of the Trust for the year ended 30 September 2020 have been prepared in accordance with NZ GAAP, Tier 1 PBE Standards and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities. The functional and presentation currency for the Trust is New Zealand Dollars, rounded to the nearest thousand.
- 3** The summary financial statements have been extracted from the full financial statements. The financial statements of the New Zealand Community Trust including Statement of Comprehensive Revenue and Expenses, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement. The summary financial statements do not include all the disclosures contained in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.
- 4** A copy of the financial statements may be obtained on request from the Trust's office (Telephone 0800 446 928), P O Box 10857, Wellington.
- 5** On 11 March 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. On 25 March 2020 New Zealand moved to an Alert Level 4 lockdown and non-essential businesses closed for a 7-week period. On July 1st in response to COVID-19 a number of amendments to the Gambling Act (Net Proceeds) Regulations 2004 were promulgated, suspending the effects of regulations 10 and 11 for the remainder of each Class 4 society's financial years ending in 2020 and 2021. This has meant that Class 4 societies are no longer obligated to return 40% to the community for these periods but must continue to distribute as much as possible while maintaining a maximum working capital ratio of 1.5:1 at the end of each quarter. The Board did not foresee any issues which would prevent the Trust from meeting these obligations and operating on a going concern basis through the remainder of 2020 or for the 2021 year.
- 6** On 23 March 2020 the Trust submitted documentation in order to secure the COVID-19 wage subsidy provided by the Ministry of Social Development. This subsidy was used to cover wages during the Alert Level 4 shutdown and during the Alert Level 3 shutdown as bars and restaurants were unable to open for normal business, meaning the Trust received reduced income throughout those periods. The Trust has adopted the accounting policy PBE IPSAS 23 Revenue from non-Exchange transactions when accounting for and disclosing the government wage subsidy grant.

## New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2020

- 7 The Trust maintains an interest register in which the Trustees record all parties and transactions which they have an interest. At the time of discussion and approval of the grants the relevant trustee noted their involvement and excluded themselves from the decision making process. During the year the Trust made grant distributions to and purchased goods and services from the following organisations that were on the Trustee's register of interests:

<b>Grant Distributions</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Alex Moore Park Sport & Community Inc	-	150
Auckland Rugby League	-	43
Basin Reserve Trust	-	125
Boulcott's Farm Heritage Golf Club	-	2
Christchurch Football Club	36	-
Christchurch Football Club Netball Club Inc	-	5
Christchurch Metropolitan Cricket Assn	50	50
Cricket Wellington Inc	360	180
Johnsonville Cricket Club	5	20
Mary Potter Hospice	-	130
Miramar Golf Club	-	5
Netball NZ Inc	583	305
New Zealand Rugby Union	-	30
No 5 District federation of NZ Football	639	301
NZ Cricket Inc	-	90
NZ Rugby League	195	195
NZ Rugby Union	-	30
Queen Margaret College	-	10
Riccarton Cricket Club	20	20
Royal NZ Ballet	40	30
Royal NZ Plunket Society	-	10
Wellington Free Ambulance Board	100	-
Wellington Hockey	128	128
Wellington Rugby League	95	100
<b>Goods or Services Purchased</b>		
Peter Dale – reimbursement of travel expenses incurred on NZCT business	1	1

The complete breakdown of this disclosure can be found in Note 18 of the full financial statements.

New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2020

**8** Capital Commitments at balance date are:

	<b>2020</b> \$000	<b>2019</b> \$000
Capital Purchase commitments	3,292	1,467

The nature of the commitments relate to orders in place for the purchase of Plant and Equipment both existing and planned new venues to NZCT.

**9** Multi Year Grant Commitments at balance date a re:

	<b>2020</b> \$000	<b>2019</b> \$000
Multi Year Grant commitments	900	1,795

In special circumstances the Trust may approve a multi-year grant, enabling an organisation to implement a specific project that provides long-term benefits to its local community. A multi-year commitment can be for up to four years, though the Trust generally will not commit beyond a three year period. Each instalment beyond year one must be reconfirmed before payment and will be conditional on the availability of funds, assurance that the funds will continue to be used as intended and desired outcomes are being achieved.

**10** The annual full financial statements of New Zealand Community Trust have been audited by PricewaterhouseCoopers who have issued an unmodified audit opinion in respect to the financial statements on 4 December 2020.

**11** The Trustees authorised the publication of these Summary Financial Statements on 17 November 2020.

**12** These Summary Financial Statements are in compliance with PBE FRS-43: Summary Financial Statements.

**13** There are no events subsequent to reporting date that require disclosure in the full financial statements.

Approved on behalf of the Board:



Alan Isaac  
Chairman



Kerry Prendergast  
Trustee

