



# **2023 Financial Statements**

**The University of  
Auckland Foundation  
& Group**

## Contents

Directory .....	3
Statement of responsibility.....	5
Statement of comprehensive revenue and expenses .....	6
Statement of financial position.....	7
Statement of changes in equity .....	8
Statement of cash flows.....	9
Notes to the financial statements.....	10
Independent auditor's report .....	24

## Directory

As at 31 December 2023

### THE FOUNDATION GROUP (“Group”)

#### Charities Number

The University of Auckland Foundation (“Foundation”)	CC10985
The University of Auckland Medical and Health Sciences Foundation	CC30871

### TRUSTEES

Mr David Carter (Chair)  
Mr David Bridgman (from 2 June 2023)  
Ms Miriam Dean (from 2 June 2023)  
Mr Roger France  
Ms Elizabeth Hickey (up to 31 December 2023)  
Mr Jonathan Mason  
Ms Alice Mew (from 2 June 2023)  
Dr Arthur Morris  
Mr Geoff Ricketts (up to 10 March 2023)  
Ms Sarah Roberts (up to 8 December 2023)  
Ms Lyndy Sainsbury

Trustees represent a combination of persons appointed by the University of Auckland Council, University Alumni who are not current staff or Council members, and general members of the public who are not on the University Council. Non-Council members form the majority of Trustees. The governance structure includes two committees covering audit and risk, and investment

### AUDITOR

Ernst and Young  
2 Takutai Square  
Auckland 1010

### SOLICITOR

TGT Legal  
Level 7, 3-13 Shortland Street  
Auckland 1140

### BANKER

Bank of New Zealand  
Cnr Queen and Shortland Streets  
Auckland 1010

### ADDRESS

University House  
19A Princes Street  
Auckland 1010

### PRINCIPAL ACTIVITY

To raise, receive and steward funds, and make grants according to the wishes of the original donor, for (1) the advancement of knowledge and the dissemination thereof by teaching and research, (2) assisting students to pursue courses of study at the University of Auckland, and (3) general advancement of the University of Auckland

**SOURCE OF FUNDS**

The Foundation engages with potential and actual donors. Donors include individuals, commercial entities, or other charitable organisations. Endowment gifts are managed to maintain their real value over time with the intent of making available sustainable grants to the University in accordance with the wishes of the donor. Gifts for current use are used to make grants to the University in accordance with the wishes of the donor

**VOLUNTEERS**

The Trustees generously volunteer their time and expertise to the Foundation for no compensation. The University of Auckland makes available staff to provide operational support to the Foundation, and incurs some operational expenditure, without reimbursement from the Foundation

## Statement of responsibility

- The trustees and management of the University of Auckland Foundation accept responsibility for the preparation of the Financial Statements and the judgements used in them.
- The trustees and management of the University of Auckland Foundation accept responsibility for establishing and maintaining a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In the opinion of the trustees and management of the University of Auckland Foundation, the financial statements for the year ended 31 December 2023 fairly reflect the financial position and operations of the University of Auckland Foundation.
- The trustees of the University of Auckland Foundation have reviewed these financial statements at their meeting on 1 March 2024 and formally adopted these financial statements for issue on 1 March 2024.



TRUSTEE



TRUSTEE

## Statement of comprehensive revenue and expenses

For the year ended 31 December 2023

	Notes	Group		Foundation	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Revenue</b>					
Gifts and legacies	2	37,601	34,230	17,999	17,784
Gain on investments	3	35,914	(30,461)	25,799	(22,016)
<b>Total revenue</b>		<b>73,515</b>	<b>3,769</b>	<b>43,798</b>	<b>(4,232)</b>
<b>Expenses</b>					
Distributions and grants	4	24,642	20,377	15,497	9,531
Administration costs	5	820	1,058	664	744
<b>Total expenses</b>		<b>25,462</b>	<b>21,435</b>	<b>16,161</b>	<b>10,275</b>
<b>Net surplus</b>		<b>48,053</b>	<b>(17,666)</b>	<b>27,637</b>	<b>(14,507)</b>
<b>Total comprehensive revenue and expense</b>		<b>48,053</b>	<b>(17,666)</b>	<b>27,637</b>	<b>(14,507)</b>

The accompanying Notes to the Financial Statements on pages 10 to 23 form part of and should be read in conjunction with these financial statements.

## Statement of financial position

For the year ended 31 December 2023

	Notes	Group		Foundation	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Current assets</b>					
Bank and treasury accounts		10,913	6,073	7,177	4,176
Term deposits less than 90 days		11,339	5,137	6,784	3,070
Term deposits 90 to 365 days		17,450	14,502	10,754	9,215
Derivative financial instruments		2,321	4,114	1,664	2,989
<b>Total current assets</b>	10	<b>42,023</b>	<b>29,826</b>	<b>26,379</b>	<b>19,450</b>
<b>Non-current assets</b>					
Long term bank deposits		27,510	27,829	16,358	17,389
Managed investments		342,420	302,941	238,338	214,404
<b>Total non-current assets</b>	10	<b>369,930</b>	<b>330,770</b>	<b>254,696</b>	<b>231,793</b>
<b>Total assets</b>		<b>411,953</b>	<b>360,596</b>	<b>281,075</b>	<b>251,243</b>
<b>Current liabilities</b>					
Accounts payable		4,072	288	2,235	153
Grants payable		56,328	56,808	31,471	31,355
<b>Total current liabilities</b>	10	<b>60,400</b>	<b>57,096</b>	<b>33,706</b>	<b>31,508</b>
<b>Net assets</b>		<b>351,553</b>	<b>303,500</b>	<b>247,369</b>	<b>219,735</b>
<b>Trust equity</b>	7	<b>351,553</b>	<b>303,500</b>	<b>247,369</b>	<b>219,735</b>

The accompanying Notes to the Financial Statements on pages 10 to 23 form part of and should be read in conjunction with these financial statements.

## Statement of changes in equity

For the year ended 31 December 2023

	Notes	Group		Foundation	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Trust equity as at 1 January		303,500	321,166	219,735	234,246
Total comprehensive revenue and expense		48,053	(17,666)	27,637	(14,507)
Transfer from/(to) controlled entity*	9		-	(3)	(4)
<b>Trust equity as at 31 December</b>	<b>7</b>	<b>351,553</b>	<b>303,500</b>	<b>247,369</b>	<b>219,735</b>

\* The University of Auckland Medical & Health Sciences Foundation

The accompanying Notes to the Financial Statements on pages 10 to 23 form part of and should be read in conjunction with these financial statements.



## Statement of cash flows

For the year ended 31 December 2023

	Notes	Group		Foundation	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>					
Gifts and legacies		37,191	33,863	17,708	17,524
Interest received		1,398	2,150	845	1,475
Distributions and grants		(21,439)	(23,679)	(13,393)	(12,636)
Payments to suppliers		(188)	(326)	(196)	(322)
Net cash provided by/(used in) operating activities	8	16,962	12,008	4,964	6,041
<b>Cash flows from investing activities</b>					
Sale of financial assets		28,825	24,084	17,574	13,042
Purchase of financial assets		(34,745)	(41,608)	(15,823)	(21,857)
Net cash provided by/(used in) investing activities		(5,920)	(17,524)	1,751	(8,815)
<b>Cash flows from financing activities</b>					
Net cash provided by/(used in) financing activities		-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,042</b>	<b>(5,516)</b>	<b>6,715</b>	<b>(2,774)</b>
Cash and cash equivalents as at 1 January		11,210	16,726	7,246	10,020
<b>Cash and cash equivalents as at 31 December</b>		<b>22,252</b>	<b>11,210</b>	<b>13,961</b>	<b>7,246</b>

The accompanying Notes to the Financial Statements on pages 10 to 23 form part of and should be read in conjunction with these financial statements.

Cash flows are classified into three sources:

### Operating activities

- Operating activities include all transactions and other events that are not investing or financing activities

### Investing activities

- Those activities relating to the acquisition holding and disposal of financial assets (being investments not falling within the definition of cash or cash equivalents).

### Financing activities

- Those activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.

Cash and cash equivalents comprise cash on hand, cash in banks and investments in highly liquid investments with original maturities of 90 days or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

## Notes to the financial statements

### For the year ended 31 December 2023

#### 1. Statement of accounting policies

##### 1.1 Reporting entity

The University of Auckland Foundation (the Foundation) and The University of Auckland Medical & Health Sciences Foundation (MHSF) together comprise the consolidated entity (the Group). Each is a charitable entity domiciled in New Zealand and registered under the Charities Act 2005. The Foundation was established by deed of trust dated 28 November 2002 and subsequently amended on 13 September 2013 and on 1 January 2021. A variation to the trust deed establishing the Medical & Health Sciences Foundation (previously the School of Medicine Foundation) granted the Foundation the power to appoint the MHSF Trustees. This power of appointment was formally accepted with effect from 1 January 2008.

The Group and Foundation are designated as Tier 1 public sector public benefit entities (PS PBE) for the purpose of complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements of the Group and the Foundation for the year ended 31 December 2023 were authorised for issue by the Trustees on 1 March 2024.

The principal activity of the Group is to assist in the raising and to undertake the stewardship of funds for charitable purposes as defined by the respective deeds of trust being every purpose that is charitable at law in New Zealand and includes the advancement of education and health care, assistance of students to pursue courses of study at The University of Auckland (the University) and the general advancement of the University.

##### 1.2 Controlling entity

These financial statements recognise that the University coordinates the fundraising and is the main beneficiary of the assets held in trust by the Foundation and Group. While the University does not have power to appoint the majority of the trustees to the Foundation board, in terms of PBE IPSAS 35 Consolidated Financial Statements it is considered to have control over the Foundation and Group by being exposed, or having the rights, to variable benefits from its involvement with the Foundation and has the ability to affect the nature and amount of those benefits through its power over the Foundation, subject to the exercise by the Trustees of their fiduciary duties.

##### 1.3 Basis of preparation

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

GST is excluded from the financial statements except for Accounts Payable which are stated inclusive of GST. The balance of GST payable to the Inland Revenue Department is included in Accounts Payable.

##### Statement of compliance

These financial statements have been prepared in accordance with NZ GAAP and the requirements of the Charities Act 2005.

These financial statements comply with Tier 1 Public Sector Public Benefit Entity (PS PBE) Standards and other applicable Financial Reporting Standards appropriate for Tier 1 not-for-profit Public Benefit Entities.

##### Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial assets and liabilities which are designated at fair value through surplus or deficit.

##### Functional and presentational currency

These financial statements are presented in New Zealand dollars (NZD) which is the functional currency for both the Foundation and MHSF. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

##### Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified, unless reclassification is impracticable. Refer to note 11.

##### Standards issued and effective

There has been one standard amendment effective 2023 that impacts the financial statements.

The External Reporting Board issued an amendment to PBE IPSAS 1 (Presentation of Financial Reports) on 18 May 2023. The amendment requires the entity to describe the services provided by its auditor or review firm and to disclose the fees incurred by the entity for those services using prescribed categories. The amendment is mandatory from 1 January 2024

for Tier 1 PBEs. These financial statements have adopted the amendment for this reporting period.

#### **Changes in accounting policies**

There have been no changes in accounting policies.

#### **Critical estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Judgements that are material are the valuation and impairment of financial instruments described in notes 10.2 and 10.3. These critical estimates and judgements rely on the advice of the Group's investment advisor and fund managers.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

#### **1.4 Basis of consolidation**

The consolidated financial statements include the financial statements of the Foundation and its controlled entity, MHSF. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements. All material inter-entity transactions and balances are eliminated on consolidation.

For financial reporting purposes the Foundation controls MHSF, as it has the power to appoint MHSF trustees and is appointed as the administrator and custodian of investments held by MHSF.

#### **1.5 Significant accounting policies**

Significant accounting policies which are pervasive throughout the financial statements or where there is no dedicated note disclosure are set out below. Other significant accounting policies which are specific to certain transactions or balances are disclosed within the particular note to which they relate.

#### **Exchange and non-exchange transactions (as defined in PBE IPSAS standards)**

Exchange transactions are transactions in which the Group receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange. Revenue from exchange transactions is recognised at fair value of consideration received or receivable.

Non-exchange transactions are those where the Group receives an inflow of resources but provides nominal (or nil) direct consideration in exchange. Revenue from non-exchange transactions is

recognised at fair value upon receipt unless there are substantive conditions in the gift agreement. If there are substantive conditions, a gift return liability is initially recognised and revenue is subsequently recognised when the conditions are satisfied. A condition is a stipulation that specifies that the resource received is to be returned to the donor if it is not consumed in the way stipulated.

Most of the Group's transactions are non-exchange in nature with the exception of the following transactions which are classified as exchange:

- Interest received
- Accounts payable
- Investment gains and losses

#### **Income tax**

The Foundation and MHSF are registered as charitable entities under the Charities Act 2005 and are exempt from income tax.

## 2. Gifts and legacies

Gifts and legacies are recognised when the control of cash, financial assets or other donated assets passes to the Group. Donated assets are recognised at their fair value on the date of the donation.

An assessment is carried out on the nature of any stipulations attached to gifts and legacies received. Stipulations may be 'conditions' or 'restrictions', as those terms are defined in PBE IPSAS 23. Where there are specific conditions that require the Group to return the resources received if they are not utilised in the way stipulated this will result in the recognition of a liability that is subsequently recognised as revenue as and when the 'conditions' are satisfied. Gift and legacies with restrictions that do not specifically require the Group to return the resources received if they are not utilised in the way stipulated are recognised as restricted revenue upon receipt.

Gifts and legacies have been received during the financial year by the Group and the Foundation for the restricted purposes as detailed below:

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Restricted purpose</b>				
Capital expenditure	825	50	50	50
Academic staff compensation	8,277	8,051	2,620	2,987
Programmes	12,354	9,407	3,320	3,150
Research	10,246	7,561	7,531	4,138
Scholarships and prizes	4,009	6,900	3,316	6,014
Student projects	289	273	281	273
Operating revenue	419	367	300	260
Multiple restrictions	1,182	1,621	581	912
<b>Total gifts and legacies</b>	<b>37,601</b>	<b>34,230</b>	<b>17,999</b>	<b>17,784</b>

The classification 'multiple restrictions' represents funds that are restricted to more than one of the purpose categories as described above. 'Programmes' are projects and centres combining staff, operational and minor equipment costs.

## 3. Gain on investments

Gain on investments include:

- interest received from term deposits, Entrepreneurial Challenge investments and fixed interest investments which is recognised on an accrual basis using the effective interest rate method;
- the movement in the Net Asset Value (NAV) of the investments held with fund managers. This is comprised of distributions recognised on declaration date, interest, realised and unrealised gains/(losses) including foreign exchange; and
- the movement in the fair value of Entrepreneurial Challenge investments.

### 3. Gain on investments (continued)

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Interest received	2,193	1,586	1,325	1,030
Change in financial assets	33,719	(32,047)	24,472	(23,046)
Dividends received	2	0	2	0
<b>Gain on investments</b>	<b>35,914</b>	<b>(30,461)</b>	<b>25,799</b>	<b>(22,016)</b>

### 4. Distributions and grants

Distributions and grants are recognised once the respective Trustees of the Foundation and MHSF have approved the grant applications from the beneficiary and donations/funds are available for distribution, and/or on payment of distributions and grants. Applications for funding are assessed to ensure that they are consistent with each entity's charitable purpose and the donors' intentions. A grants payable liability is recognised for any grants that have been approved by the Trustees but have yet to be paid to the beneficiary at year end.

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Restricted purpose</b>				
Capital expenditure	667		3	
Academic staff compensation	3,952	4,244	1,473	2,248
Programmes	7,523	8,077	4,759	3,348
Research	9,691	6,706	6,853	3,122
Scholarships and prizes	2,724	1,079	2,303	542
Student projects	85	271	106	271
<b>Total distributions and grants</b>	<b>24,642</b>	<b>20,377</b>	<b>15,497</b>	<b>9,531</b>

### 5. Administration costs

Administration costs are funded by donations received for this purpose and investment income earned on funds held for operations.

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Staff resources	294	226	212	161
Audit fees	99	95	68	67
Investment consultancy fees	390	678	358	473
Operating expenses	37	59	26	43
<b>Total administration costs</b>	<b>820</b>	<b>1,058</b>	<b>664</b>	<b>744</b>

This note should be read in conjunction with note 9 on related parties.

## 5. Administration costs (continued)

Audit fees are detailed below:

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Audit or review of the financial report	99	95	68	67
Other non-audit and non-review services				
- audit and review related services	-	-	-	-
- other assurance services and other agreed-upon procedures engagements	-	-	-	-
- taxation services	-	-	-	-
- other services	-	-	-	-
<b>Total audit fees</b>	<b>99</b>	<b>95</b>	<b>68</b>	<b>67</b>

## 6. Capital management

The Foundation and Group's capital is its net assets which are held in trust for the purposes as outlined in note 7. The objective of managing capital is to ensure net assets are managed and accounted for in accordance with conditions imposed by the donors and to provide sufficient funding to support the intended activities of the beneficiaries. The trustees have employed prudent investment and spending policies for this purpose.

Compliance with donor imposed conditions and the Group's policies are monitored by the trustees and management. During the course of the year, the Group and Foundation were in compliance with these requirements.

## 7. Trust equity

Trust equity comprises funds held both as endowments and as current use funds for specific purposes as summarised below.

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Restricted equity</b>				
Capital expenditure	316	266	316	263
Academic staff compensation	87,180	80,514	46,165	43,770
Programmes	37,812	31,909	20,133	20,695
Research	66,272	37,993	33,100	13,396
Scholarships and prizes	78,341	74,464	72,961	69,509
Student projects	1,609	1,403	1,589	1,403
Multiple restrictions	80,023	76,951	73,105	70,699
<b>Total trust equity</b>	<b>351,553</b>	<b>303,500</b>	<b>247,369</b>	<b>219,735</b>

Each application for funding is assessed to ensure consistency with the charitable purposes defined by the trust deed and the donor's intentions.

## 8. Reconciliation of net surplus and net cash flow from operating activities

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Net surplus for the year	48,053	(17,666)	27,637	(14,507)
<b>Add/(less) non cash items:</b>				
Unrealised (gain)/loss on investments	(33,625)	32,409	(24,328)	23,205
Accrued interest on bank accounts and investments	(669)	567	(449)	447
Impairment/(reversal of impairment loss) on Entrepreneurial Challenge investments		-		-
	(34,294)	32,976	(24,777)	23,652
<b>Adjust for movements in other working capital items:</b>				
Increase/(decrease) in accounts payable	3,683	(806)	1,988	(176)
Increase/(decrease) in grants payable	(480)	(2,496)	116	(2,928)
	3,203	(3,302)	2,104	(3,104)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>16,962</b>	<b>12,008</b>	<b>4,964</b>	<b>6,041</b>

## 9. Related parties

The Foundation and MHSF are independent Charitable Trusts with the University being the controlling entity and the main beneficiary from their charitable activities.

The University Council appoints two of the 10 trustees of the Foundation. The appointed trustees were Mr Jonathan Mason and Ms Sarah Roberts. Mr Jonathon Mason is a member of the University Council.

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During 2016 the Trustees entered into an agreement with the University to transfer trusts and restricted equity totalling \$19.3m held by the University to the Foundation. The funding was previously held by the University for scholarships, awards and restricted purposes as stipulated by gift records. The Foundation in accordance with transfer agreements now holds the funds for the same purposes. The transfer was recognised directly in equity as a contribution from a controlling entity for financial reporting purposes.

Trustees provide their time to the Foundations' on a volunteer basis. The University annually donates administrative and associated services to assist the Group with its operations. In 2023 this donation was assessed for the Group and Foundation respectively as \$410k and \$291k (2022: \$367k and \$260k). This donation includes the salaries of key management personnel for the Group of \$161k (2022: \$81k) and Foundation \$121k (2022: \$61k).

During the year, the trustees approved grants to the University amounting to \$24.6m (2022: \$20.4m) for the Group and \$15.5m (2022: \$9.5m) for the Foundation. At reporting date grants payable to the University amounted to \$56.3m (2022: \$56.8m) for the Group and \$31.5m (2022: \$31.4m) for the Foundation.

The Foundation was granted the power to appoint the MHSF trustees with the execution of the variation to the Trust Deed establishing MHSF. This power of appointment was formally accepted with effect from 1 January 2008. Professor John Fraser is the Dean of the Faculty of Medical and Health Sciences at the University of Auckland and a trustee on the MHSF board up to 31 December 2023. Professor Warwick Bagg commenced as the Dean of the Faculty of Medical and Health Sciences at the University of Auckland and a trustee on the MHSF board on 1 January 2024.

## 9. Related parties (continued)

The Administration and Management Agreements between MHSF and the Foundation appointed the Foundation as administrator and custodian of investments held by MHSF in the Foundation's Current Use Investment Pool (CUIP) and Endowment Investment Pool (EIP). At reporting date the Foundation's CUIP and EIP investment pools held \$129.2m in custodial assets on behalf of MHSF (2022: \$108.8m).

There were no transfers of funds from MHSF to the Foundation in 2023 (2022: nil). In line with donors' intentions, the Foundation trustees approved the transfer of funds to MHSF of \$3k (2022: \$4k).

During the year ended 31 December 2023 the Group received gifts for charitable purposes from trustees totalling \$112k (2022: \$51k) and the Foundation received \$71k (2022: \$51k). No remuneration has been paid to trustees.

## 10. Financial Instruments

### 10.1 Financial instrument categories

The Group holds financial assets/liabilities in the following specified categories:

- Financial assets held at amortised cost;
- Financial assets/liabilities at fair value through surplus or deficit;
- Financial liabilities at amortised cost.

Financial assets and liabilities are recognised when the Foundation or MHSF becomes party to a financial contract. The classification depends on the purpose of the financial asset or liability and is determined at the time of initial recognition.

The carrying value is equivalent to the fair value for all financial assets and liabilities.

#### *Financial assets held at amortised cost*

Financial assets held at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method less any impairment. Interest is recognised by applying the effective interest rate.

Financial assets held at amortised cost include cash and cash equivalents and bank term deposits. Cash and cash equivalents include cash on hand, deposits held on call with banks and other short term investments with original maturities of ninety days or less, which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. They form part of the Group's day to day cash management.

#### *Financial assets/liabilities at fair value through surplus or deficit*

The Group holds investments which have been designated as financial assets at fair value through surplus or deficit on initial recognition. These assets are stated at fair value and comprise of investments held in managed funds and foreign currency forward exchange contracts. Fair value is determined in the manner described in note 10.2. Any resultant gain or loss is recognised in the surplus or deficit in the statement of comprehensive revenue and expenses.

Foreign currency forward exchange contracts are entered into to reduce exposure to fluctuations in foreign currency denominated financial assets.



## 10.1 Financial instrument categories (continued)

All foreign currency transactions during the year are accounted for using the exchange rate in effect at the date of the transaction. Foreign currency monetary and non-monetary items are translated at the exchange rate at each reporting date. Realised and unrealised gains and losses on foreign currency are recognised in the statement of comprehensive revenue and expense in the period in which they arise.

### *Financial liabilities measured at amortised cost*

Accounts payable and grants payable are measured at amortised cost using the effective interest rate method. Refer to note 9 for grants payable to related parties.

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Financial Assets</b>				
<b>At fair value through surplus or deficit</b>				
New Zealand fixed interest*	54,312	48,425	35,813	32,700
International fixed interest*	34,454	31,192	21,727	20,410
Australasian equities*	35,568	34,701	25,492	25,208
International equities*	112,971	90,830	80,967	65,981
Emerging markets*	17,067	14,973	12,232	10,877
New Zealand Property*	27,108	29,357	18,258	20,238
Private equity* <sup>^</sup>	37,692	30,297	27,187	22,162
Private credit* <sup>^</sup>	17,018	18,124	12,197	13,166
Infrastructure* <sup>^</sup>	6,230	5,042	4,465	3,662
Derivative financial instruments**	2,321	4,114	1,664	2,989
<b>Total at fair value through surplus</b>	<b>344,741</b>	<b>307,055</b>	<b>240,002</b>	<b>217,393</b>
<b>Financial assets held at amortised cost</b>				
Operating bank account <sup>^^</sup>	5,729	2,079	4,059	1,525
Treasury call account <sup>^^</sup>	5,184	3,994	3,118	2,651
Term deposits less than 90 days	11,339	5,137	6,784	3,070
Term deposits 90 to 365 days	17,450	14,502	10,754	9,215
Long term bank deposits	27,510	27,829	16,358	17,389
<b>Total financial assets held at amortised cost</b>	<b>67,212</b>	<b>53,541</b>	<b>41,073</b>	<b>33,850</b>
<b>At amortised cost</b>				
Accounts payable	4,072	288	2,235	153
Grants payable	56,328	56,808	31,471	31,355
<b>Total Financial liabilities at amortised cost</b>	<b>60,400</b>	<b>57,096</b>	<b>33,706</b>	<b>31,508</b>

\* These assets are classified as managed investments in the statement of financial position

\*\* Derivative financial instruments comprise of foreign currency forward contracts

<sup>^</sup> The Group and Foundation are limited partners in private equity partnerships which include commitments to make periodic contributions in future periods. At the reporting date, the future commitments for these investments totalled \$51.6m for the Group (2022: \$52.4m) and \$37.0m for the Foundation (2022: \$38.1m) over an estimated remaining life for the partnerships of nine years.

<sup>^^</sup> These assets are classified as bank and treasury accounts in the statement of financial position

## 10.2 Fair value measurement hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are based on the Net Asset Value (NAV) unit price excluding adjustments for buy/sell spreads as reported by the respective fund managers. The fund managers' assessments of NAV of the managed funds through which investments are held on behalf of the Foundation and Group use the following methods:

- Level 1: the fair value is calculated using quoted prices in active markets;
- Level 2: the fair value is calculated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) in active markets and;
- Level 3: the fair value is an estimate using inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the year for the group (2022: \$29.4m from level 2 and 3) and the Foundation (2022: \$20.2m from level 2 to 3).

	Valuation Technique			Total fair value \$'000
	Quoted market price	Market observable inputs	Non market observable inputs	
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	
<b>Group 2023</b>				
New Zealand fixed interest		54,312		54,312
International fixed interest	34,454			34,454
Australasian equities		35,568		35,568
International equities	68,996	43,975		112,971
Emerging markets		17,067		17,067
New Zealand property			27,108	27,108
Private equity			37,692	37,692
Private credit			17,018	17,018
Infrastructure			6,230	6,230
Derivative financial instrument		2,321		2,321
<b>Total financial assets</b>	<b>103,450</b>	<b>153,243</b>	<b>88,048</b>	<b>344,741</b>
<b>Group 2022</b>				
New Zealand fixed interest		48,425		48,425
International fixed interest	31,192			31,192
Australasian equities		34,701		34,701
International equities	56,424	34,406		90,830
Emerging markets		14,973		14,973
New Zealand property			29,357	29,357
Private equity			30,297	30,297
Private credit			18,124	18,124
Infrastructure			5,042	5,042
Derivative financial instrument		4,114		4,114
<b>Total financial assets</b>	<b>87,616</b>	<b>136,619</b>	<b>82,820</b>	<b>307,055</b>

## 10.2 Fair value measurement hierarchy (continued)

	Valuation Technique			Total fair value \$'000
	Quoted market	Market	Non market	
	price	observable	observable	
	Level 1	inputs	inputs	
	Level 2	Level 3		
	\$'000	\$'000	\$'000	\$'000
<b>Foundation 2023</b>				
New Zealand fixed interest		35,813		35,813
International fixed interest	21,727			21,727
Australasian equities		25,492		25,492
International equities	49,450	31,517		80,967
Emerging markets		12,232		12,232
New Zealand property			18,258	18,258
Private equity			27,187	27,187
Private credit			12,197	12,197
Infrastructure			4,465	4,465
Derivative financial instrument		1,664		1,664
<b>Total financial assets</b>	<b>71,177</b>	<b>106,718</b>	<b>62,107</b>	<b>240,002</b>
<b>Foundation 2022</b>				
New Zealand fixed interest		32,700		32,700
International fixed interest	20,410			20,410
Australasian equities		25,208		25,208
International equities	40,988	24,993		65,981
Emerging markets		10,877		10,877
New Zealand property			20,238	20,238
Private equity			22,162	22,162
Private credit			13,166	13,166
Infrastructure			3,662	3,662
Derivative financial instrument		2,989		2,989
<b>Total financial assets</b>	<b>61,398</b>	<b>96,767</b>	<b>59,228</b>	<b>217,393</b>

### Valuation techniques with significant non-observable inputs (level 3)

Level 3 fair value is comprised of:

- Limited partnerships in private equity: the nature of these partnership interests is that distributions are received through the liquidation of the underlying assets of the partnership over its remaining life. The fair value of these investments has been estimated as the capital account balance with each partnership which includes an assessment of the net asset value from the managers of the underlying assets. The managers are required to adopt valuation methodologies that comply with fair value principles and industry best practice as set out in the guidelines issued by the International Private Equity and Venture Capital Valuation and European Private Equity and Venture Capital Association.
- Direct private equity investments acquired as a result of Entrepreneurial Challenge Loan conversions. The fair value of these investments has been estimated using the number of shares held and the last traded price.

## 10.2 Fair value measurement hierarchy (continued)

The following table provides a reconciliation of changes in the net fair value of NZ property, private equity, private credit, and infrastructure investments which are classified as level 3 in the fair value hierarchy:

	Group		Foundation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance at 1 January	82,820	69,664	59,228	49,978
Investments purchased	10,836	13,761	7,766	9,995
Distributions received	(5,636)	(9,431)	(4,043)	(6,530)
Gains/(losses) recognised in surplus or deficit	28	8,826	(844)	5,785
<b>Balance at 31 December</b>	<b>88,048</b>	<b>82,820</b>	<b>62,107</b>	<b>59,228</b>

## 10.3 Impairment of financial assets

Financial assets other than those at fair value through surplus or deficit are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted. Objective evidence of impairment could include default or delinquency in interest or principal payments of Entrepreneurial Challenge loans, or it becomes probable an investee will enter bankruptcy or financial reorganisation.

Prior period impairments are reversed when there is objective evidence that events adversely impacting on future cash flows have improved.

Movements in the provision for Entrepreneurial Challenge investment impairment are as follows:

	Group/Foundation	
	2023 \$'000	2022 \$'000
Balance as at 1 January	-	-
Provisions reversed during the year	-	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>

## 10.4 Risks associated with financial instruments

The Foundation and Group are exposed to a variety of financial risks, which arise from investment in financial assets (i.e. credit risk, market risk and liquidity risk).

Investments are made in accordance with the Group's Strategic Asset Allocation policies in two diversified portfolios of financial assets, the Current Use Investment Pool (CUIP) and Endowment Investment Pool (EIP). These asset allocations recognise the risks and expected returns associated with the nature of the investments held. CUIP consists of funding required in the short term and holds investments in highly liquid assets such as bank term deposits while the EIP is invested for the long term in growth and income assets.

The Trustees have established a series of policies to manage the risks associated with each investment portfolio. These are detailed in Statements of Investment Policy and Objectives (SIPO) for the respective Pools and are implemented through:

- A diversified and non-correlated range of investments across traditional and alternative classes;
- The use of a multi-fund manager approach to investments in the portfolios;
- The quarterly monitoring of fund managers' compliance with investment mandates and the SIPO by the Group's investment advisor.

### **Credit risk**

Credit risk is the risk that counterparties will default on their contractual obligations to the Group. To reduce credit exposure the Group has invested in diversified asset classes and within each of these classes there is a maximum limit that can be invested in any one institution or entity.

Cash and cash equivalents, bank term deposits and accounts receivable, are managed by the Foundation. Credit risk is managed by restricting cash and term deposits to New Zealand registered banks with a credit rating of at least Standard and Poor's A or Moody's A2. The credit ratings are monitored periodically.

New Zealand and International fixed interest securities are managed by fund managers who adopt risk management procedures aimed at limiting credit risk exposure. Their portfolios are monitored for compliance with the individual mandate requirements of each investment class.

### **Market risk**

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate due to changes in foreign currency exchange rates.

The Group holds a diversified portfolio of international fixed interest and equities investments through managed funds in the EIP. These investments are denominated in foreign currencies and accordingly are exposed to currency risk. In accordance with the EIP SIPO forward contracts have been entered into to hedge specific proportions of the currency risk. The SIPO restricts the total exposure to foreign currency to 30% of the portfolio's asset value.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the investment in New Zealand and international fixed interest bonds. This risk is managed through applying maximum limits to approved counterparties to mitigate concentration of interest rate risk.

## 10.4 Risks associated with financial instruments (continued)

### Price risk

Other price risk is the risk that the fair value or future cash flows of financial assets will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Group's investment policies acknowledge that the market prices of financial assets will fluctuate. Risk is minimised by ensuring that investment activities are undertaken in accordance with established mandated limits and the investment strategies set out in the SIPO.

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. Liquidity requirements are managed by managing the cash flows of granting activities and the duration of term deposits. In general the timing of grant obligations is at the discretion of the Group and they are not contractual obligations.

### Sensitivity Analysis

Value at risk analysis (VaR) is a tool used to measure the market risk exposure of an investment portfolio. The VaR of a portfolio estimates the potential loss that may arise over a given holding period from an adverse market movement within a specified probability (confidence) level. The VaR analysis is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recording offsetting asset class exposures and correlations between asset classes.

The VaR model used by the Group reflects that at a 95% confidence level there is a 5.0% probability over a one year period (i.e. one year in twenty probability) that the portfolio will perform in line or worse than the stated VaR. The VaR of the Group's total investment portfolio at 31 December 2023 is estimated at 6.31% (2022: 6.12%), the estimated impact of which represents a potential loss of \$25.2m (2022: \$21.6m). The VaR of the Foundation's total investment portfolio at 31 December 2023 is estimated at 6.77% (2022: 6.48%), the estimated impact of which represents a potential loss of \$18.4m (2022: \$15.9m).

This VaR analysis is performed by the Group's investment advisor, Cambridge Associates, and is based on the following underlying asset class assumptions:

	Annual Real Arithmetic Return	Standard Deviation	25th-75th Percentile Range	Annual Real Compound Return
Australasian Equity	6.5	19.0	4.1 - 9.0	4.8
Global Equity	7.5	16.5	5.4 - 9.7	6.3
Emerging Market Equity	9.5	26.3	6.2 - 12.9	6.5
Private Equity	10.0	23.1	7.1 - 13.0	7.7
Property	7.0	19.0	4.6 - 9.5	5.4
Infrastructure	6.7	16.4	4.6 - 8.9	5.5
New Zealand Fixed Interest	3.0	7.0	2.1 - 3.9	2.8
Global Fixed Interest	3.1	7.0	2.2 - 4.0	2.9
Private Credit	3.5	9.7	2.2 - 4.8	3.0
Term Deposits	2.0	2.0	1.7 - 2.3	2.0
Cash	1.0	2.0	0.7 - 1.3	1.0

#### 10.4 Risks associated with financial instruments (continued)

The relative portfolio weightings utilised for the Group's VaR calculation are as at 31 December 2023. The portfolio weights are calculated from the Group's underlying asset class exposure as at 31 December 2023. In cases where cash assets were held within an investment sector these assets have been judged as likely to be invested in that asset class and so included as an exposure to that asset class.

While VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- asset class assumptions used are equilibrium assumptions and designed as inputs to mean-variance analysis and therefore may not capture the risk of possible extreme adverse market movements;
- VaR using a 95% confidence level does not reflect the extent of losses beyond that percentile.

#### 11. Reclassification of comparative figures

Certain comparative information has been reclassified to ensure consistency with the current year presentation. This has been highlighted in the relevant notes.

#### 12. Market Volatility

Financial markets are experiencing significant volatility. The fair value of level 1 and 2 investments (as described in note 10) reflect market observable prices or inputs available as at 31 December 2023. Investments categorised within level 3 are by their nature inherently more subjective and therefore more exposed to valuation uncertainty as at 31 December 2023. Level 3 investments are a minority of the overall portfolio (21.4% of total assets). Investment values may change after 31 December. Both the Board and management continue to monitor and evaluate the appropriateness of investment policies and the valuation of the investment portfolio.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE UNIVERSITY OF AUCKLAND FOUNDATION AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Auditor-General is the auditor of The University of Auckland Foundation (the Trust) and group. The Auditor-General has appointed me, Brent Penrose, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Trust and group on his behalf.

### Opinion

We have audited the financial statements of the Trust and group on pages 6 to 23, that comprise the statement of financial position as at 31 December 2023, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust and group:

- ▶ present fairly, in all material respects:
  - ▶ the financial position as at 31 December 2023; and
  - ▶ the financial performance and cash flows for the year then ended; and
- ▶ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards.

Our audit was completed on 1 March 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

### Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Trust and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare of financial statements that are free from material misstatement, whether due to fraud or error.





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In preparing the financial statements, the Trustees are responsible on behalf of the Trust and group for assessing the Trust and group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Trust or the group, or there is no realistic alternative but to do so. The Trustees' responsibilities arise from clause 20 of the Trust Deed of the Trust.

## **Responsibilities of the auditor for the audit of the financial statements**

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- ▶ We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and group's internal control.
- ▶ We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- ▶ We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust and group to cease to continue as a going concern.
- ▶ We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Trust and the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Trust and group audit. We remain solely responsible for our audit opinion.



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We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Trustees are responsible for the other information. The other information comprises the information included on pages 1 to 5, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

### **Independence**

We are independent of the Trust and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Trust and group.

A handwritten signature in black ink that reads 'Brent Penrose'.

Brent Penrose  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand