

Médecins Sans Frontières New Zealand Charitable Trust

Annual Report

For the year ended 31 December 2019

Annual report

For the year ended 31 December 2019

Contents

	Page
Auditor's report	3
Trust information	5
Trustee's report	6
Statement of comprehensive revenue and expenses	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the Trustees of Médecins Sans Frontières New Zealand Charitable Trust

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Médecins Sans Frontières New Zealand Charitable Trust on pages 5 to 19, which comprise the statement of financial position of the Charitable Trust as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Charitable Trust, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 19 present fairly, in all material respects, the financial position of the Charitable Trust as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

This report is made solely to the Charitable Trust Trustees. Our audit has been undertaken so that we might state to the Charitable Trust Trustees those matters 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 Charitable Trust and the Charitable Trust Trustees, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Charitable Trust.

Emphasis of Matter: Subsequent Events - Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 9 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Trustees in the preparation of the financial report. As set out in Note 9, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.



Building a better working world

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

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 our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon 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.

Those charged with governance responsibilities for the financial statements

Those charged with Governance are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing on behalf of the entity the Charitable Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Charitable Trust or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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 conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a horizontal line underneath.

Ernst & Young
Sydney
27 April 2020

Trust Information


Charitable Trusts incorporation:	2637615
Registration date:	9 March 2016
Charities registration number:	CC53189
Registration date:	17 March 2016
Trustees:	Katrina Marie Penney Matthew Charles Reid Maurine Elizabeth Hilton-Thorp
Settlor:	Médecins Sans Frontières Australia Limited
Registered Office:	118 Stone Wall Rise Maungatapere Whangarei 0179
Postal Address:	PO Box 6241 Victoria St West Auckland 1141
Auditors:	Ernst & Young Australia

Trustees report

For the year ended 31 December 2019

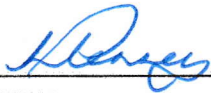
The Board of Trustees have pleasure in presenting the Annual Report of the Médecins Sans Frontières New Zealand Charitable Trust, incorporating the financial statements and auditors' report, for the year ended 31 December 2019.

For and on behalf of the board who authorise the financial statement for issue:



Trustee

27th April 2020



Trustee

27th April 2020

Statement of comprehensive revenue and expenses

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue	3	2,539,604	1,178,261
Social mission costs			
Field Costs	8	(2,055,874)	(847,309)
Other expenses			
Fundraising expenses		(2,827,626)	(2,004,190)
Administration expenses	8	<u>(539,578)</u>	<u>(201,105)</u>
		(3,367,204)	(2,205,295)
Net deficit for the year from continuing operations		<u>(2,883,474)</u>	<u>(1,874,342)</u>

The above statement of comprehensive revenue and expenses should be read in conjunction with the accompanying notes.

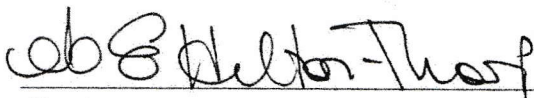
Statement of financial position

As at 31 December 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents		978,384	1,074,252
Trade and other receivables		<u>124,747</u>	<u>56,582</u>
		<u>1,103,131</u>	<u>1,130,834</u>
Non-current assets			
Intangible assets	5	<u>2,006</u>	<u>10,918</u>
Total assets		<u>1,105,137</u>	<u>1,141,752</u>
Trade and other payables	6	<u>203,389</u>	<u>1,343,878</u>
Total liabilities		<u>203,389</u>	<u>1,343,878</u>
Net assets		<u>901,746</u>	<u>(202,126)</u>
Equity			
Settled Equity		6,974,226	2,986,880
Retained Surplus	7	<u>(6,072,480)</u>	<u>(3,189,006)</u>
Total Equity		<u>901,746</u>	<u>(202,126)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

For and on behalf of the Board of Trustees who authorised these financial statements for issue on 27th April 2020.



Trustee



Trustee

Statement of changes in equity

For the year ended 31 December 2019

	Note	Settled Equity \$	Retained Surplus \$	Total \$
Balance at 1 January 2018		980,565	(1,314,664)	(334,099)
Net (deficit) for the year		-	(1,874,342)	(1,874,342)
Settled equity	8	2,006,315	-	2,006,315
Balance at 31 December 2018		<u>2,986,880</u>	<u>(3,189,006)</u>	<u>(202,126)</u>
Net (deficit) for the year		-	(2,883,474)	(2,883,474)
Settled equity	8	3,987,346	-	3,987,346
Balance at 31 December 2019		<u>6,974,226</u>	<u>(6,072,481)</u>	<u>901,746</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

As at 31 December 2019

	2019 \$	2018 \$
Operating activities		
Receipts from donors/supporters	2,505,430	1,152,953
Payments to suppliers and employees	(2,064,539)	(1,354,125)
Payments for field costs	(2,055,874)	(847,309)
Interest Received	19,115	-
	<u> </u>	<u> </u>
Net cash flows used in operating activities	<u>(1,595,869)</u>	<u>(1,048,481)</u>
Investing activities		
Investment in intangible assets	5 <u> </u> -	<u> </u> -
Net cash flows used in investing activities	<u> </u> -	<u> </u> -
Financing activities		
Settled funds	<u> </u> 1,500,000	<u> </u> 2,006,315
Net cash flows from financing activities	<u> </u> 1,500,000	<u> </u> 2,006,315
Net increase in total cash and cash equivalents	(95,869)	957,834
Cash and cash equivalents at beginning of period	<u> </u> 1,074,252	<u> </u> 116,418
Cash and cash equivalents at end of period	<u> </u> 978,384	<u> </u> 1,074,252

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

For the year ended 31 December 2019

1. Corporate Information

The financial statement of Médecins Sans Frontières New Zealand Charitable Trust (the Trust) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of trustees.

The Trust was created under a deed of trust and incorporated under the Charitable Trusts Act 1957 and registered under the Charities Act 2005 on 17 March 2016.

The Trust domiciled in New Zealand and was established to raise funds for the purpose of promoting the development of health infrastructure, training of medical staff and promotion of health in developing countries.

The Trust was incorporated under the Charitable Trusts Act 1957 on 9 March 2016 and commenced operations during April 2017.

Related Party Support

The financial report has been prepared on going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

In making this assessment, the Trustees have considered the commitment of Médecins Sans Frontières Australia Limited that it will continue to provide financial support to ensure the Trust is able to meet its debts and when they fall due.

2. Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the Charities Act 2005 which require compliance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP the Trust is a public benevolent entity (PBE) as its objective is to provide goods or services for community or social benefits rather than making a financial return.

The Trust has elected to report in accordance with Tier 2 PBE Standards Reduced Disclosure Regime ("PBE Standards RDR") as it is not publicly accountable and is not large.

The financial statements are presented in the Trust's functional currency, New Zealand dollars, and all values are rounded to the nearest dollar unless stated otherwise.

b) Statement of Compliance

The financial statements have been prepared in accordance with PBE Standards RDR.

c) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign exchange gains

and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in revenue and expenses.

d) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance date. Changes in the expected useful life are accounted for prospectively by changing the amortisation period or method, as appropriate. The amortisation expense on intangible assets with finite lives is recognised in revenue and expenses in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to intangible assets is as follows:

- Software – finite, amortised on a straight-line basis over 3 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in revenue and expenses when the asset is derecognised.

e) Impairment of non-financial assets

Intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets subject to amortisation and all other non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amounts are the higher of an asset's fair value, less costs to sell and value in use.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

f) Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through revenue and expenses, directly attributable transaction costs. Subsequently the Trust applied the following accounting policies for financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities at amortised cost consist of trade and other payables (note 6).

Trade payables and other payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and usually paid within 30 days of recognition. Trade payables are not discounted given their short-term nature.

g) Impairment of financial assets

Financial assets are assessed for indicators or impairment at balance date. Financial assets are impaired where there is objective evidence, as a result of one or more events occurring after initial recognition; the estimated future cash flows have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance provision. When a trade receivable is uncollectible, it is written off against the allowance provision. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon similar evidence the Trust will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in revenue and expenses.

In a subsequent period the amount of the impairment loss decreased, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed.

h) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

Revenue from fundraising

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when the Trust gains control, economic benefits are probable, and the amount of the donation can be measured reliably.

Legacies & Bequests

Legacies and Bequests are recognised when received.

Donations-in-kind and voluntary assistance

Donations-in-kind for items received and/or services provided at discount are recorded at the fair value of the items or services received, where identifiable.

Voluntary assistance may be provided to the Trust by office volunteers. The time donated by office volunteers are not recognised as the revenue received, and services provided, cannot be accurately measured but estimated only.

i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST except:

- when the GST incurred is not recoverable from the taxation authority; and
- receivables and payables, which are stated with the amount of GST included.

j) Income Tax

The Trust is a registered charity under the Charities Act 2005 and is therefore exempt from income tax.

k) Significant accounting judgements estimates and assumptions

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions which effect the reported revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

Notes to the financial statements

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
3	Revenue		
	Donations and bequests	2,505,357	1,176,845
	Sales	176	780
	Bank Interest	19,115	-
	Donations in Kind	14,957	636
		<u>2,539,604</u>	<u>1,178,261</u>
4	Expenses		
	Net deficit for the year includes the following expenses:		
	Administrative service charge	8 539,578	201,105
	Net foreign exchange (gain)/loss	(28,314)	(39,086)
	Amortisation	5 8,912	8,912
5	Intangibles		
		Computer software	
		\$	
	<i>Cost</i>		
	Balance at 1 January 2019	26,740	
	Additions	<u>-</u>	
	Balance at 31 December 2019	<u>26,740</u>	
	<i>Accumulated depreciation & impairment</i>		
	Balance at 1 January 2019	15,822	
	Amortisation	<u>8,912</u>	
	Balance at 31 December 2019	<u>24,734</u>	
	Net book value at 31 December 2018	10,918	
	Net book value at 31 December 2019	2,006	

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	\$	\$
6 Trade and other payables		
Trade payables - third party	120,290	74,921
Trade payables - related party	8 -	1,230,710
Accruals	83,098	38,246
	<hr/>	<hr/>
Total trade and other payables	<u>203,389</u>	<u>1,343,877</u>
7 Retained Surplus	2019	2018
	\$	\$
Balance at the beginning of the financial year	(3,189,006)	(1,314,664)
Net (deficit)/surplus	(2,883,474)	(1,874,342)
	<hr/>	<hr/>
Balance at end of financial year	<u>(6,072,480)</u>	<u>(3,189,006)</u>

Notes to the financial statements

For the year ended 31 December 2019

8 Related Parties

The Trust was established to give effect to the charitable purposes (Note 1) and to represent Medecins Sans Frontieres in New Zealand.

Transaction with related parties

During the year, the Trust provided services and supported the field operations of Medecins Sans Frontieres International entities.

	Field Costs \$	Expense recharges \$	Other Expenses	Amounts Payable \$
31 December 2019				
Medecins Sans Frontieres entities	2,055,874	539,578	717,058	-
	<u>2,055,874</u>	<u>539,578</u>	<u>717,058</u>	<u>-</u>
31 December 2018				
Medecins Sans Frontieres entities	847,309	201,105	1,029,605	1,230,710
	<u>847,309</u>	<u>201,105</u>	<u>1,029,605</u>	<u>1,230,710</u>

During the year Medecins Sans Frontieres Australia Limited ("MSFA") contributed \$3,987,346 of settled equity as shown in the statement changes in equity on page 7 (2018: \$2,006,315). This consists of the following 3 balances:

- A cash contribution of \$1,500,000 (2018: \$2,006,315). This has been reflected in the increase in equity, as agreed by the Trustees and documented in the Policy Paper "Funding of MSFNZ by MSFA";
- Forgiveness of the loan balance owed to MSFA as at 31 December 2018 of \$1,230,710. The loan balance is a result of the recharge of expenses relating to administrative support and payment for other expenses. In prior years this was treated as an intercompany loan. This loan was forgiven in 2019 pursuant to an MSFA Board Resolution; and
- The recharge of administrative support and payment of other expenses from MSFA to MSFNZ of \$1,256,636. From 1 January 2019, all administrative support including payment of other expenses provided by MSFA to MSFNZ is treated as an equity contribution rather than a loan on the basis that there is no obligation for MSFNZ to repay these amounts. This is supported by an MSFA Board Resolution.

Terms and conditions of transactions with related parties

Sales to, and purchase from, related parties are recorded on normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash or netting.

For the year ended 31 December 2019, the Trust has not made any allowance for impairment loss relating to amounts owed to related parties (2018: \$nil).

Notes to the financial statements

For the year ended 31 December 2019

Terms and conditions of transactions with related parties

Sales to, and purchase from, related parties are recorded on normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash or netting.

For the year ended 31 December 2019, the Trust has not made any allowance for impairment loss relating to amounts owed by related parties (2018: \$nil)

Key management and trustee remuneration

Key management and trustee are not remunerated by the Trust. Key management are employees of a related party.

9 Events after balance date, commitments and contingent liabilities

Subsequent events after balance date

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and are evidence of conditions that existed at the end of the reporting period. As the COVID-19 pandemic occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Capital Commitments

There was no capital commitments at 31 December 2019 (2018: \$nil).

Commitments and Contingencies

The Trust has no other commitments and contingencies at 31 December 2019 (2018: \$nil).

Notes to the financial statements

For the year ended 31 December 2019

10 Detailed Income Statement for the year ended 31 December 2019

The following disclosure has been made to satisfy the requirements of the Charities Act 2005. Non-monetary income and expenses are disclosed separately, unlike the Income Statement where they are included in the relevant income or cost line.

	2019 \$	2018 \$
Revenue:		
Donation and gifts		
Monetary	2,505,357	1,176,845
Non-monetary (in-kind)	14,957	636
Sales	176	780
Bank Interest	<u>19,115</u>	
Total revenue	<u>2,539,604</u>	<u>1,178,261</u>
Expenses:		
International Aid and Development Programs Expenditure		
International programs		
Funds to international programs	2,055,874	847,309
Fundraising costs	2,827,626	2,003,554
Accountability and administration	524,621	201,105
Non-monetary expenditure (in kind)	<u>14,957</u>	<u>636</u>
Total International Aid and Development Programs Expenditure	<u>5,423,078</u>	<u>3,052,604</u>
(Shortfall)/excess of revenue over expenses	<u><u>(2,883,474)</u></u>	<u><u>(1,874,342)</u></u>