

**The Fred Hollows
Foundation NZ**



**Auditor's report and full financial
statements
FOR THE YEAR ENDED JUNE 2008**

Contents

Page

Who we are and What we do	1
Directory	2
Chairman's Report	3
Auditor's Report	4
Pie Chart Analysis	5
Statement of Financial Performance	6
Statement of Changes in Accumulated Funds	7
Statement of Financial Position	8
Notes to the Financial Statements	9-15
Acknowledgements	16

Who we are and what we do

The Fred Hollows Foundation NZ is a not-for-profit organisation dedicated to reducing avoidable blindness and vision impairment in developing countries, particularly in the Pacific region. We work with local people to promote access to high quality eye care and good health. We do this by training, equipping and assisting local eye health professionals to deliver quality eye health services in their own communities.

We are absolutely focused on reducing blindness and vision impairment in the communities in which we work. That is why we exist and every decision we make is based on this outcome.

We are proudly a Kiwi health and development organisation that wants to change peoples' lives for the better. Inspired by the work and example of the late New Zealander Professor Fred Hollows, and latterly by our first Patron, Sir Edmund Hillary, we aim to make a difference and achieve real results. We are practical and appropriate in the work that we do. With our partners and supporters, we strive to bring about great and positive change in the communities in which we work.

Improving health care in developing countries is achieved through education and capacity building over a long period of time. The Fred Hollows Foundation NZ is prepared and well-placed to make those long term commitments.



Skolastika Kanega after sight-restoring cataract surgery during a surgical outreach visit to Kirakira hospital in Makira-Uvala Province, Solomon Islands, 2008. Surgical team, L to R: Eye Nurse Judith [surname], Dr John Szetu, Dr Claude Posala, Dr Nola Pikacha (photo: Kristian Frires)

Directory

Board Members

Brent Impey (Chair)	Chief Executive Officer, CanWest New Zealand Ltd
Richard Griffin	Director of Government Relations, Television New Zealand
John McElhinney	Chief Executive Officer, The Radio Network Ltd
Andrew Want	Chair, The Fred Hollows Foundation Australia
Mary O'Regan	Partner, O'Regan & Lynch
Aseta Redican	General Manager, Pacific Health, Auckland District Health Board
David Walden	Managing Director, Whybin\TBWA
Martin Simons	Chief Executive Officer, APN New Zealand National Publishing

Staff

Carmel Williams	Executive Director
Debbie Thomson	General Manager
Garry Brian	Medical Director
Jacqui Ramke	Program Manager
Renee du Toit	Education Director
Anna Palagyi	Education Manager
Janie Elliott	PNG Program Manager
Helen Duff	Financial Accountant
Louisa Semmons	Programs Logistic Co-Ordinator
Gillian Moore	Administrator
Daksha Patel	Data Entry & Fundraising Assistant
Andrea Walker	Marketing & Fundraising Coordinator

The Fred Hollows Foundation NZ is grateful to the following organizations for providing their services free of charge:

Auditor



Lawyer



2008 Report from the Chair of The Fred Hollows Foundation NZ

The 2007-2008 Annual Report reflects another year of solid growth as The Fred Hollows Foundation NZ (FHFNZ) forges ahead with its objectives to improve eye health and prevent blindness in our wide Pacific neighbourhood. The greater stability in the Pacific region this year allowed us to consolidate our two newly established training centres – in Madang (PNG) and Suva (Fiji) – and start one new training program in Timor-Leste.

I am especially pleased to be able to report that at the end of this 2008 academic year, just three years after commencing our postgraduate training for Pacific and Timorese eye nurses and eye doctors, we will have 43 graduates. Each of these graduates (39 eye nurses or technicians and 4 doctors) receives ongoing support from The Foundation, which can mean provision of essential equipment so they can work effectively in their own communities, visits from our team to help them set up their services, or involvement in the Pacific regional network of graduates so they do not feel isolated and dispirited. Each of these eye care professionals is now working directly to fight blindness, organise and deliver cataract surgery, measure vision and provide spectacles.

The comprehensive approach we take to this work was applauded in the Government's New Zealand Agency for International Development's (NZAID) independent evaluation of the Pacific Regional Program this year. "The FHFNZ has adopted an innovative approach to this programme, in terms of focusing on the sustainable development of services and the people who deliver those services, in a way that best meets the needs of the Pacific." The report concluded that FHFNZ has "developed blindness prevention programmes of 'inestimable value' and the benefits will become increasingly evident during the next 5-10 years and beyond."

This evaluation found that the Pacific program was providing "value for money" and an organisational review by KOHA, NZAID's 'Partnership for community development' unit, also concluded that the financial aspects of FHFNZ's work are clear and well-managed, and the Foundation is well-served by its Finance, Administration and Logistics team.

Which leads me to comment on this year's financial report: I am pleased to draw your attention to the continuing financial growth that enables our work to continue and to expand. For each of the past six years, I have been able to report growth in income, and once again this trend holds in the 2007-08 year. The income of \$2,803,766 is 21% higher than in the previous year. Pleasingly, the organisation remains efficient, with only 15% of revenue spent on fundraising and administration expenditure (\$449,452). This year, with encouragement from the Board and myself, the Foundation spent more than it earned, with \$2,475,486 going towards our Pacific programmes. As a not-for-profit organisation, it is important our funds are doing what our donors expect: eliminating blindness and vision impairment. We therefore carefully maintain a balance between adequate funds held in cash reserves, and expenditure levels which achieve our objectives. At year end, the Foundation reported \$1,206,379 in accumulated funds.

NZAID has continued to support aspects of our work in PNG, the Pacific and Timor-Leste. This year that contribution was \$1,043,706 (37% of total revenue). We thank NZAID for this funding, and its recognition of the value of the work the Foundation undertakes. We trust, as stated in the Pacific evaluation, that the Pacific program has provided further value for NZAID in terms of the positive impact of FHFNZ in 'branding' New Zealand as making a positive contribution in the Pacific.

This year we also commenced a partnership with The Fred Hollows Foundation in Australia through which they will fund a new building in Timor-Leste to deliver FHFNZ programs in eye care service, surgery and training. We thank the Australian Foundation for this financial support.

I wish to thank my fellow directors on The Fred Hollows Foundation NZ Board for their expertise, time and support to the governance of the organisation. We are pleased to advise that The Foundation is successfully registered and compliant with the newly formed Charities Commission.

Once again, The Board joins with me in thanking Carmel Williams and her dedicated team in Auckland and throughout the Pacific and Timor-Leste. We wish to make special mention of Dr John Szetu, the Director of the Pacific Eye Institute, whose tireless dedication to reducing blindness was this year acknowledged with a regional award by the International Agency for the Prevention of Blindness. We are privileged to have had Dr Szetu as a key person in our Pacific programs for six years.

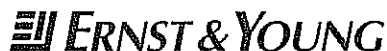
Thanks also to all our corporate supporters, especially to Ernst & Young who provide audit and financial services at no cost to the Foundation, and similarly to DLA Phillips Fox for legal advice, provided again at no cost. To our many friends in the media throughout New Zealand, we are most grateful for your generous donation of media space, air and television time to The Foundation. This support plays a huge role in keeping our fundraising and administration expenses as low as they are, and which in turn results in so many more people having their sight restored.

Finally, as in previous years, I save my last round of thanks to the public of New Zealand who are the mainstay of our financial support. This year, donations from the public amounted to \$1,646,093. Without each and every one of the people who contributed to us, there would be 48 fewer eye care workers saving sight and restoring vision around the Pacific region. Thanks to you, there are now thousands of people who have had sight restored through surgery and provision of spectacles in the Pacific region. I thank you all.



Brent Impey
Chair
The Fred Hollows Foundation NZ

Auditor's Report



Chartered Accountants

Auditor's Report

To the Members of the Fred Hollows Foundation NZ

We have audited the financial statements on pages 6 to 15. The financial statements provide information about the past financial performance of the Foundation and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 9 and 10.

This report is made solely to the members of the Foundation, as a body, in accordance with the generally accepted accounting practice in New Zealand and the Rules of the Fred Hollows Foundation NZ. Our audit has been undertaken so that we might state to the members of the governing body 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 Foundation and the members of the governing body, for our audit work, for this report, or for the opinions we have formed.

Governing Body's Responsibilities

The members of the governing body are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the Foundation as at 30 June 2008 and its financial performance for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the governing body and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the governing body in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Foundation's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 6 to 15:

- comply with generally accepted accounting practice in New Zealand; and
- fairly present the financial position of the Foundation as at 30 June 2008 and its financial performance for the year ended on that date.

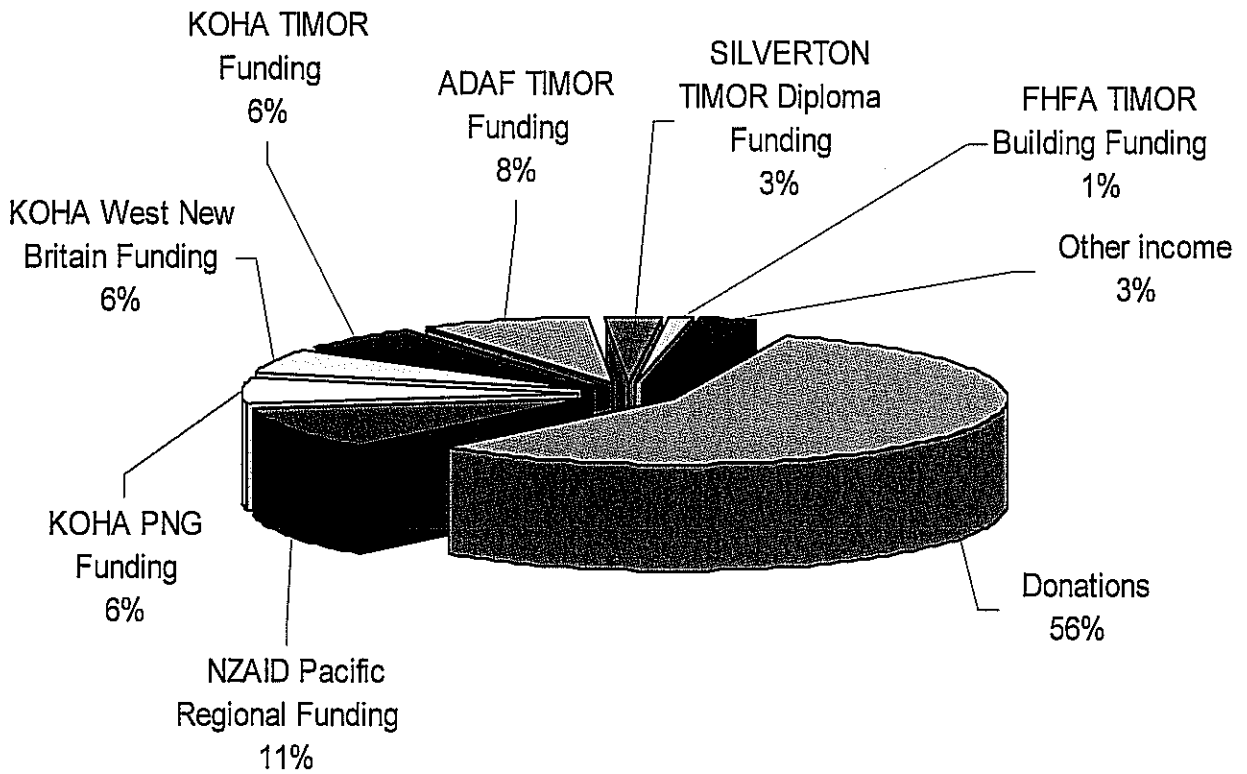
Our audit was completed on 25 November 2008 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads 'Ernst & Young'.

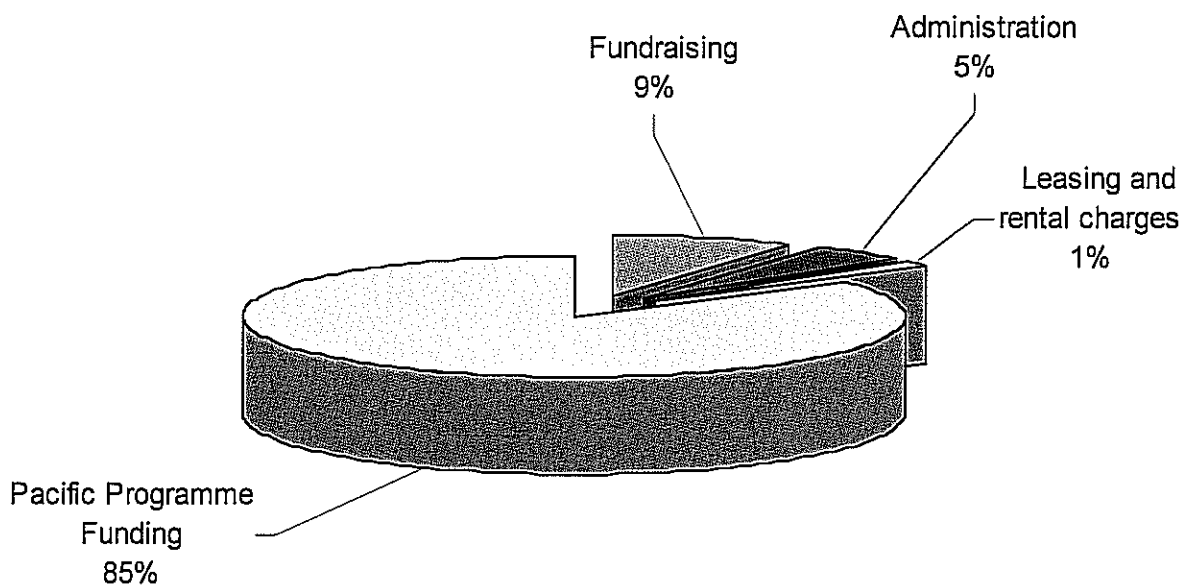
Auckland

Pie Chart Analysis

Total Revenue - 30 June 2008



Total Expenditure - 30 June 2008



Statement of Financial Performance

For the year ended 30 June 2008

	Note	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
Revenue			
Donations	2	1,570,133	1,473,565
NZAID Funding	9	308,110	374,350
NZAID/KOHA PNG Funding		172,714	172,152
NZAID/KOHA WNB Funding		162,259	-
KOHA/TIMOR Funding		170,197	157,275
ADAF/TIMOR Funding		230,426	39,810
SILVERTON TIMOR Diploma Funding		80,440	-
FHFA TIMOR Building Funding		33,528	-
Other income	3	75,960	106,152
Total operating revenue		2,803,766	2,323,304
Less Expenses			
Fundraising		262,071	231,565
Administration		130,604	119,746
Depreciation	4	10,922	8,603
Interest and finance charges		926	830
Leasing and rental charges	10	42,736	37,672
(Gain)/Loss on disposal of fixed asset		2,192	-
Total Admin Expenses		449,451	398,416
Research & Development		0	8,942
Pacific Programme Funding	5,9	2,475,486	1,939,838
Total Programme & Research & Dev.		2,475,486	1,948,780
Total Programme & Admin expenses		2,924,937	2,347,196
Operating surplus before income tax		(121,171)	(23,892)
Taxation expense	6	-	-
Net (loss)/surplus after income tax		(121,171)	(23,892)

Statement of Changes in Accumulated Funds

For the year ended 30 June 2008

	Note	Year ended 30 June 2008	Year ended 30 June 2007
		\$	\$
Accumulated funds at beginning of period		1,327,550	1,351,442
Net (loss)/surplus after tax		(121,171)	(23,892)
Total recognised revenue and expenses		(121,171)	(23,892)
Accumulated funds at end of period		1,206,379	1,327,550

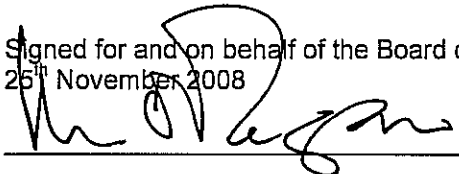


Statement of Financial Position

As at 30 June 2008

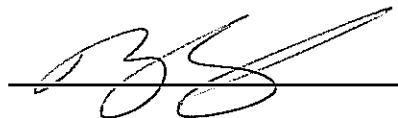
	Note	30 June 2008 \$	30 June 2007 \$
Current Assets			
Cash at Bank	7	1,509,976	1,519,277
Accrued Interest		6,725	4,015
Receivables		29,923	-
Prepayments		8,612	7,065
GST Refund		6,307	6,646
Total Current Assets		<u>1,561,543</u>	<u>1,537,003</u>
Non Current Assets			
Property, Plant & Equipment	8	71,517	22,400
		<u>71,517</u>	<u>22,400</u>
Total Assets		<u><u>1,633,060</u></u>	<u><u>1,559,403</u></u>
Current Liabilities			
Trade Payables		189,400	204,593
Accruals		210,664	14,367
Employee Entitlements		26,617	12,893
Total Current Liabilities		<u>426,681</u>	<u>231,853</u>
Accumulated Funds		1,206,379	1,327,550
Total Funds Employed		<u><u>1,633,060</u></u>	<u><u>1,559,403</u></u>

Signed for and on behalf of the Board of Trustees who authorised the issue of these financial statements on the 25th November 2008



Trustee

25. 11. 2008 Date



Trustee

25/11/2008 Date

Notes to the Financial Statements

Year ended 30 June 2008

1. Statement of Accounting Policies

Reporting Entity

The Fred Hollows Foundation (NZ) is a charitable trust registered under the Incorporated Charitable Trust Act 1957.

The financial statements of The Fred Hollows Foundation (NZ) have been prepared in accordance Generally Accepted Accounting Standards in New Zealand

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the foundation.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position have been applied:

i) Donation Income

Donation income is recognised on a cash basis, when received by the Foundation, except when the income is specifically designated to a project when accrual accounting is adopted.

ii) Amounts Receivable

All amounts receivable are stated at their estimated realisable value.

iii) Goods and Services Tax

All amounts are shown exclusive of goods and services tax except for receivables and payables that are stated inclusive of goods and services tax.

iv) Foreign Exchange

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary liabilities are translated at the closing rate, and exchange variations arising from these transactions are recognised in the statement of financial performance.



Notes to the Financial Statements (continued)

vi) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost, including costs directly attributable to bringing the asset to its working condition.

All leasehold improvements have been capitalised and depreciated over the period the Foundation is expected to benefit from their use.

When an item of property, plant and equipment is disposed of, the difference between net disposal proceeds and the carrying amount is recognised as a gain, or loss, in the statement of performance.

Depreciation is provided for on a straight line basis on all property, plant and equipment at depreciation rates calculated to allocate the assets' cost over their estimated useful lives.

Major depreciation rates are as follows:

Office Equipment & Furniture and Fittings	10% pa
Leasehold Improvements	33% pa
Computer Equipment	33% pa

vii) Leases

The Fred Hollows Foundation NZ lease office's and a photocopier.

Operating lease payments (office's), where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease. The current lease expires on 31st October 2008 and has been extended to continue until 30 November 2008. The Foundation has signed a new lease agreement and consequently, will be moving to a new location effective 1 December 2008.

Operating leases (photocopier), where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

viii) Employee Entitlements

A liability for annual leave has been accrued and recognised in the statement of financial position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

ix) Differential Reporting

The Foundation qualifies for differential reporting as it is not publicly accountable and it is not large as defined in the framework for differential reporting.

The Foundation has taken advantage of all available differential reporting exemptions.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in the previous year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

2. Donations Received

	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
Bequests	372,068	469,752
Significant Donations > \$10,000	151,725	126,000
All other donations	1,046,340	877,813
Total donations received	<u>1,570,133</u>	<u>1,473,565</u>

3. Other Income

	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
Interest received	69,486	71,313
Merchandise sales *	3,180	4,182
Special Events	-	-
Various Other Income	3,294	30,657
Total other income	<u>75,960</u>	<u>106,152</u>

* Merchandising sales consists of sales of books, pens and Christmas cards. Merchandise purchases are not defined as a donation.

4. Depreciation

	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
Computer equipment	7,223	5,837
Office equipment	1,570	1,531
Furniture and fittings	1,020	975
Leasehold improvements	1,109	260
Total Depreciation	<u>10,922</u>	<u>8,603</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

5. Programme Funding

The Fred Hollows Foundation (NZ) eye care programs in the Pacific involve the training of Pacific eye care workers, management support of eye care programs and purchasing equipment for Pacific clinics. Any assets purchased for the establishment of Fred Hollows Foundation (NZ) programs in Pacific region are recorded as an expense in the year incurred as it is unlikely that these assets would ever be returned to the Foundation. Any assets which are donated to the clinics and over which The Fred Hollows Foundation (NZ) retains no ownership rights, are also recorded as expenses in the year of donation.

6. Income Tax

The Foundation is exempt from income tax on income, other than profits arising from a self conducted business, derived for charitable purposes.

7. Cash at Bank

	30 June 2008	30 June 2007
	\$	\$
Donations Account	58,838	603,077
Operating Account	277,811	103,599
Pacific Eye Care Fund Account	326	326
Regional Pacific Programme Account	89,060	79,209
Petty Cash	931	693
KOHA Account	296,755	197,776
Timor Leste USD Account	6,128	-
Term Deposit Account	780,127	534,597
	<u>1,509,976</u>	<u>1,519,277</u>

Notes to Financial Statements (continued)

For the year ended 30 June 2008

8. Property, plant and Equipment

	30 June 2008	30 June 2007
	\$	\$
Computer Equipment	78,243	33,921
Less Accumulated Depreciation	33,582	26,360
	<hr/> 44,661	<hr/> 7,561
Office Equipment	19,673	15,312
Less Accumulated Depreciation	6,581	6,652
	<hr/> 13,092	<hr/> 8,660
Furniture and Fittings	13,305	9,799
Less Accumulated Depreciation	4,327	3,858
	<hr/> 8,978	<hr/> 5,941
Leasehold Improvements	30,526	24,869
Less Accumulated Depreciation	25,740	24,631
	<hr/> 4,786	<hr/> 238
Net Book Value	<hr/> 71,517 <hr/>	<hr/> 22,400 <hr/>



Notes to the Financial Statements (continued)

For the year ended 30 June 2008

9. NZAID Funding for the Regional Pacific Prevention of Blindness Programme

In the year ended 30 June 2006, The Foundation and NZAID signed a letter of variation to the contract for the Regional Pacific Prevention of Blindness Programme. This increased the funding by \$362,234 over the next two years, extending the programme to 2008.

	30 June 2008	30 June 2007
Opening Balance	-	-
Donations Received (GST Exclusive)	311,254	374,350
Donations Distributed	(321,127)	(422,749)
Funds from Fred Hollows Foundation (NZ)	9,873	48,399
Net Undistributed Donations	<u>-</u>	<u>-</u>

In 2008 the Pacific Regional Program expenses exceeded NZAID funding for this programme. The remaining expenses have been borne by The Fred Hollows Foundation (NZ), therefore as at 30 June 2008 there are no amounts owing to NZAID.



Notes to the Financial Statements (continued)

For the year ended 30 June 2008

10. Operating Lease Commitments

The Fred Hollows Foundation (NZ) operates from leased offices at 62-64 Valley Mt Eden, Auckland. In the 2006 financial year the lease was renewed in November 2005 for another three years.

The Fred Hollows Foundation (NZ) leases a photocopier from Rent Plus Ltd. The photocopier was upgraded and the lease renewed in May 2005

Leases under non-cancellable operating leases:

	30 June 2008	30 June 2007
	\$	\$
Building		
Current	12,686	35,652
Non-current	-	11,884
Total Building	<u>12,686</u>	<u>47,536</u>
Photocopier		
Current	3,106	2,852
Non-Current	5,695	8,082
Total Photocopier	<u>8,801</u>	<u>10,934</u>
Total operating lease commitments	<u>21,487</u>	<u>58,470</u>

11. Capital Commitments

There are no capital commitments at the balance sheet date (2007: \$nil).

12. Remuneration of Board Members

The Board of The Fred Hollows Foundation (NZ) provide governance services on a honorary basis. No money or benefits have been given to any member for their time and services.

13. Auditor's Remuneration

Ernst & Young provides audit services to the value of \$20,000 to The Fred Hollows Foundation (NZ) on an honorary basis.



Acknowledgements and Thanks

The Foundation's Board of Trustees, staff and partners would like to acknowledge the generous contributions, support and encouragement given to our work during the past year by the thousands of individuals, families, businesses, organizations, community groups, service clubs and schools who made a donation to The Fred Hollows Foundation NZ this year. Our sight-saving work would not be possible without you.

Special thanks to the members of The Foundation's Miracle Club who pledge a monthly gift or annual donation. These regular donations give The Foundation the luxury of planning ahead. We are also extremely grateful to those who created a living memorial by including The Foundation as a beneficiary in their estates.

We are indebted to the following people and organizations for their unstinting efforts to help realise our vision of a world where no-one is needlessly blind.

Community, Service Groups and Schools

We are grateful to all the community and service groups who continue to support us. There are too many to list here, but we would like to make special mention of all schools who participated in our Make a Spectacle of Yourself fundraising day, particularly Palmerston North Boys High School, St Peter's College, Northcote College and ACG Strathallan, and to all Lions clubs throughout New Zealand who supported our work this year.



Rotary clubs around New Zealand provide valuable support under the Rotarians Down Under Joint Partnership.

Trusts, Foundations and Major Gifts

The Foundation would particularly like to thank the following organizations and individuals for their significant contributions: The David Ellison Charitable Trust, The David & Doreen Nicol Charitable Trust, H B Williams Turanga Trust, The Hugh Green Trust, the Keith Hay Trust, The Pacific Development & Conservation Trust, The Springhill Charitable Trust & Frimley Foundation, The Thanksgiving Trust, and the West Georgia Trust.

Businesses

Of the many businesses that kindly supported The Foundation this year, we would like to make special mention of Kumfs Shoes, Alpine & Leisure, CMP Medica (NZ) Ltd, Sandvik NZ, Crombie Lockwood, Mercury Printz, Final Solutions, PC King, Zest Kitchen, Montana and Optic Mix. The following organizations were instrumental in the success of our national public appeal: the New Zealand Herald, APN Digital, Mediaworks, the Radio Network, Oggi, Juggernaut, Adshel, Media People, the BBC World Service and Acxiom.

Volunteers

A big thank you to Monique Bakker and her family, and the many optometrists who promote and sell our pens. The Foundation would also like to thank Sandy Scheltema and Angela Wylie, of the Melbourne Age, and Kristian Frires who have taken wonderful photographs on The Foundation's behalf and continue to allow us to use them free of charge, and Michael Jones, for his promotion of our work this year.

Media

The Foundation would like to acknowledge the New Zealand media for their ongoing support. Each year we receive thousands of dollars worth of free media space for our print media, television and radio community service announcements.



The New Zealand Agency for International Development contributes to The Foundation's work in the Pacific.

Corporate Partners

Donations to The Fred Hollows Foundation NZ go further thanks to the support of our corporate partners.

