



TAUPO RSA TRUST BOARD

ANNUAL REPORT

2018

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TAUPO RSA TRUST INCORPORATED
FINANCIAL REPORTS
for the Year Ended 31 December 2018

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TAUPO RSA TRUST BOARD

DIRECTORY / ENTITY INFORMATION

as at 31 December 2018

Legal Name	Taupo RSA Trust Board	
Other Name of Entity	Taupo RSA Trust Incorporated	
Nature of Business	Registered Charitable Trust & Incorporated Society	
Registration Number	CC 38069	
Entity's Purpose or Mission	<p>The Trust's purpose is to pursue the objectives of its Deed of Trust:</p> <ul style="list-style-type: none"> (a) To assist indigent, aged, sick or infirm Ex-Returned Servicemen and Ex-Servicemen and their wives, widows and dependants. (b) To assist aged or infirm or disabled indigent persons in special circumstances. (c) To assist any public charity or any organisation dispensing charity or relieving or caring for the aged or sick or infirm in special circumstances. (d) To contribute to the benefit of Returned & Service Associations and NZ military cadet units. (e) To contribute to any medical research fund or to any school fund or to the education of any person or persons. (f) Any other charitable purpose as defined in Section 61(A) of the Charitable Trusts Act 1997 or in any statutory modification thereof in special circumstances 	
Entity's Structure	The Board of Trustees consist of seven members appointed for a period of three years.	
Trustees	Graeme Williams Garry Lough Peter Bell Barry Calder John Carter Randy Stone Diane Wilson	Chairman Secretary / Treasurer Property Trustee Education Trustee Welfare Trustee
Main Sources of Revenue	Trust receives income from one commercial and five residential (pensioner) properties, dividends from its share portfolio, interest from financial investments and cash donations.	
Main Methods Used to Raise Funds	Property Rentals, Dividends, Interest and public donations though annual Poppy Day collections.	
Entity's Reliance on Volunteers & Donated Goods or Services	The Trust relies on volunteers for collection of Poppy Day funds. The Trust doesn't receive donated goods or services.	
Bankers	ANZ Bank, 105-107 Tongariro Street, Taupo 3330	
Auditor	Absolute Auditing Limited, PO Box 16475, Tauranga 3147	

TAUPO RSA TRUST BOARD

DIRECTORY / ENTITY INFORMATION - Continued

Accounting Year	31 December	
Inland Revenue Number	066-276-767	
Registered Office	67 Horomatangi Street, Taupo	
Postal Address	PO Box 2358, Taupo 3351	
Contact Details	(07) 378-7476 (021) 275-4280 admin@tauporsa.co.nz www.tauporsatrust.co.nz	Taupo RSA Office Secretary / Treasurer email website

TAUPO RSA TRUST BOARD

STATEMENT OF SERVICE PERFORMANCE

for the Year Ended 31 December 2018

Description of the Entity's Outcomes The Trust's key outcome in terms of its operations is:

- a. The provision welfare support and administration to its beneficiaries; being, former returned and service personnel, their widows/widowers and dependants.
- b. Welfare, Education and support grants to community welfare organisations, education providers and quasi-military organisations.
- c. The provision of pensioner residential accommodation.

Number of Members

Unknown

Description of Outputs (2017 in Brackets)	Assisted		Amount
	Ind	Org	
Assistance from General Funds	9 (9)	3 (3)	\$ 7,159.18 (\$13,889.81)
Assistance from Poppy Funds	12 (5)	1 (0)	\$11,212.51 (\$ 6,463.16)

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TAUPO RSA TRUST BOARD

STATEMENT OF FINANCIAL PERFORMANCE - GENERAL FUNDS For The Year Ended 31 December 2018

	Notes	2018	2017
GROSS OPERATING	5		
PROPERTY			
RSA Club			
Revenue			
Lease	8 & 9	4,000.00	6,250
		4,000.00	6,250
Expenses			
Maintenance & Development		645.02	1,383
Insurance		615.30	0
Rates		1,627.79	0
Depreciation	2b	0.00	0
		2,888.11	1,383
Total RSA Club		1,111.89	4,867
Flats			
Revenue			
Rentals		28,600.00	27,970
		28,600.00	27,970
Expenses			
Rates		8,548.51	8,449
Repairs & Maintenance		4,250.33	2,326
Insurance		3,304.00	3,384
Depreciation & Disposal	2b	310.22	0
		16,413.06	14,158
Total Flats		12,186.94	13,812
Property Income (Expenditure)		13,298.83	18,679
BENEFICIARIES			
Education			
Revenue			
Interest Received		5,213.36	3,789
		5,213.36	3,789
Expenses			
Bursaries	7	5,000.00	5,000
Essays	7	200.00	800
		5,200.00	5,800
Education Income (Expenditure)		13.36	(2,011)
Returned & Service			
Revenue			
Interest Received		5,320.80	6,263
		5,320.80	6,263
Expenses			
Grants	7	1,850.48	2,355
Taupo Cadet Unit	7	108.70	1,300
Widows / Widowers Christmas Parcels	7	0.00	2,435
		1,959.18	6,090
Returned & Services Income (Expenditure)		3,361.62	173

The accompanying notes form part of the financial statements.
These financial statements should be read in conjunction with the attached Audit Report



TAUPO RSA TRUST BOARD**STATEMENT OF FINANCIAL PERFORMANCE - GENERAL FUNDS Continued**

	Notes	2018	2017
Community			
Revenue			
Interest Received		0.00	0
		0.00	0
Expenses			
Grants		0.00	0
		0.00	0
Community Income (Expenditure)		0.00	0
Beneficiaries Income (Expenditure)		3,374.98	(1,838)
GROSS OPERATING INCOME (EXPENDITURE)		16,673.81	16,841
OVERHEADS			
Revenue			
Interest Received - ANZ & ASB		2,438.66	1,792
Interest Received - RSA Loans		13,343.86	2,993
		15,782.52	4,785
Expenses			
Advertising, Marketing & Communications		0.00	552
Audit & Accountancy	13	2,100.00	2,217
Bank Fees		38.75	188
Communications		520.00	745
Depreciation	2b	0.00	0
Insurance		830.00	780
Legal		0.00	275
Miscellaneous		0.00	880
Office Administration		302.39	361
Subscriptions		44.44	44
Valuations		1,800.00	2,706
		5,635.58	8,748
Overheads Income over (Expenditure)		10,146.94	(3,963)
NET INCOME (EXPENDITURE)		26,820.75	12,878
TOTAL REVENUE - Increase (Decline)	1	58,916.68	20.1
			49,057

The accompanying notes form part of the financial statements.
 These financial statements should be read in conjunction with the attached Audit Report



TAUPO RSA TRUST BOARD

STATEMENT OF FINANCIAL PERFORMANCE - POPPY FUND For The Year Ended 31 December 2018

REVENUE	Notes	2018	2017
Donations			
Poppy Day	1	13,265.60	16,599
General		520.00	182
		<u>13,785.60</u>	<u>16,781</u>
Interest			
ANZ - Current Account		36.30	50
Investments		600.07	0
		<u>636.37</u>	<u>50</u>
Total Income		<u>14,421.97</u>	<u>16,831</u>
EXPENDITURE			
Grants			
Welfare		11,212.51	6,473
Hospital & Travel		0.00	240
Pensions		0.00	0
Equipment R&M		3,414.52	117
		<u>14,627.03</u>	<u>6,830</u>
Administration			
Accountancy & Audit		709.00	460
Poppy Day Support		0.00	307
		<u>709.00</u>	<u>767</u>
Total Expenditure		<u>15,336.03</u>	<u>7,597</u>
TOTAL INCOME OVER (EXPENDITURE)		<u>(914.06)</u>	<u>9,234</u>

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TAUPO RSA TRUST BOARD

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED as at Year Ended 31 December 2018

ASSETS	Notes	2018	2017
Current Assets			
Current Account - General - ANZ		173,300.43	7,252
Current Account - Poppy - ANZ		1,603.49	7,403
Savings Account - General - ANZ		556.39	142
Accounts Receivable		0.00	0
GST Receivable		2,600.64	1,569
Prepayments		14,861.14	2,973
		192,922.09	19,337
Term Assets			
Share Portfolio	6	61,399.80	61,400
Term Deposits - General		30,000.00	350,000
Term Deposits - Poppy		25,000.00	20,000
Term Loans - Taupo RSA Club	4 & 11	383,210.92	215,349
		499,610.72	646,748
Fixed Assets			
As per Schedule (at Book Value)	10	2,362,279.75	2,362,590
Total Assets		3,054,812.56	3,028,676
LESS LIABILITIES			
Current Liabilities			
GST Payable		0.00	0
Accounts Payable - General Fund		2,496.75	2,592
Accounts Payable - Poppy Fund		825.00	500
Income in Advance	9	180,000.00	180,000
Total Liabilities		183,321.75	183,092
NET ASSETS (LIABILITIES)		2,871,490.81	2,845,584
REPRESENTED BY:			
Trust Capital			
Retained Earning - General Funds		1,523,915.32	1,497,095
Retained Earning - Poppy Fund		25,778.49	26,693
EH Oliver Education Fund		90,000.00	90,000
Capital Reserve - Land & Buildings		1,231,797.00	1,231,797
TOTAL SHAREHOLDERS FUNDS (DEFICIT)		2,871,490.81	2,845,584

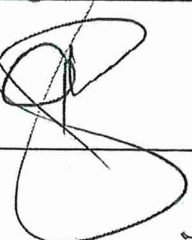
For and on behalf of the Trustees:

Trustee



Date 12/6/2019..

Trustee



Date 12/06/2019..

The accompanying notes form part of the financial statements.
These financial statements should be read in conjunction with the attached Audit Report

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TAUPO RSA TRUST BOARD

STATEMENT OF MOVEMENT IN CAPITAL - CONSOLIDATED For The Year Ended 31 December 2018

	Notes	2018	2017
General Funds			
Equity at Start of Period		1,497,094.57	1,484,216
General Fund - Net Surplus (Deficit)		26,820.75	12,878
		1,523,915.32	1,497,095
Prior Period Adjustment		0.00	0
Share Portfolio - Revaluation		0.00	0
General Funds - Retained Earnings		1,523,915.32	1,497,095
Poppy Fund			
Equity at Start of Period		26,692.55	17,459
Poppy Fund - Net Surplus (Deficit)		(914.06)	9,234
Poppy Fund - Retained Earnings		25,778.49	26,693
PLUS:			
EH Olliver Education Fund		90,000.00	90,000
Land & Buildings		1,231,797.00	1,231,797
CAPITAL AT END OF PERIOD		2,871,490.81	2,818,892

TAUPO RSA TRUST BOARD

STATEMENT OF CASH FLOWS - CONSOLIDATED For The Year Ended 31 December 2018

	Notes	2018	2017
Cash Flows from Operating Activities	15		
Cash was received from:			
Property Rentals		32,600.00	
Poppy Day Collection		13,265.60	
Donations		520.00	
Interest - Bank & Term Deposits		636.37	
Net GST		1,617.42	
		<u>48,639.39</u>	0
Cash Was Applied to:			
Payments suppliers and providers		18,990.95	
Payments of grants and to beneficiaries		14,627.03	
Prepayments - 67 Horomatangi Street		14,861.14	
		<u>48,479.12</u>	0
Net Cash Flows from Operating Activities		160.27	0
Cash Flows from Investment Activities			
Cash was received from:			
Dividends		4,050.26	
Interest - Current Account		94.68	
Interest - Taupo RSA Inc Loan		13,343.86	
Interest - Term Deposits		8,827.88	
		<u>26,316.68</u>	0
Cash was applied to:			
Payments of grants, scholarships & to Beneficiaries		7,159.18	
Net Loans to Taupo RSA Inc		167,862.26	
Trust Administration		5,635.58	
		<u>180,657.02</u>	0
Net Cash Flows from Investment Activities		(154,340.34)	0
Net Increase (Decrease) in Cash		(154,180.07)	0
Opening Cash		384,640.38	384,640
Closing Cash		<u>230,460.31</u>	<u>384,640</u>
This is represented by:			
Banks Accounts & Term Deposits		<u>230,460.31</u>	<u>384,640</u>

TAUPO RSA TRUST BOARD

SCHEDULE OF FIXED ASSETS & DEPRECIATION - CONSOLIDATED For The Period Ended 31 December 2018

	Original Cost	Open WDV	Additions		Disposal		Profit / Loss	Depreciation		Accum Dpcn	Closing WDV
			Date	Cost	Date	Cost		Rate	Amt		
Land											
Pensioner Flats	159,000.00	159,000.00									159,000.00
RSA Club	1,380,000.00	1,380,000.00									1,380,000.00
	1,539,000.00	1,539,000.00		0.00		0.00	0.00		0.00	0.00	1,539,000.00
Property											
Pensioner Flats x 5	503,457.45	408,936.51						0 DV		94,520.94	408,936.51
Heatpumps x 5	9,347.83	4,380.71						0 DV		4,967.12	4,380.71
RSA Club Rooms	510,234.00	407,635.03						0 DV		102,598.97	407,635.03
	1,023,039.28	820,952.25		0.00		0.00	0.00		0.00	202,087.03	820,952.25
Chattels											
Stoves x 4		310.22			Dec18	0.00	(310.22)	0 DV			0.00
	0.00	310.22		0.00		0.00	(310.22)		0.00	0.00	0.00
Software											
Website	4,730.45	2,327.50						0 DV		2,402.95	2,327.50
	4,730.45	2,327.50		0.00		0.00	0.00		0.00	2,402.95	2,327.50
	2,566,769.73	2,362,589.97		0.00		0.00	(310.22)		0.00	204,489.98	2,362,279.75

TAUPO RSA TRUST BOARD

SCHEDULE OF TERM INVESTMENTS - CONSOLIDATED as at The Period Ended 31 December 2018

Investments				Transactions			as at 31/12/2018		
	Qty	Price	Value 31/12/17	Purch/ Tfr	Sale	Price	Qty	Price	Value
Term Deposits									
Poppy - ANZ	1.00	20,000.00	20,000.00	5,000.00		1.00	25,000.00	1.00	25,000.00
Trust - ANZ	1.00	350,000.00	350,000.00	30,000.00	(350,000.00)	1.00	30,000.00	1.00	30,000.00
			350,000.00	35,000.00	(350,000.00)		55,000.00		55,000.00
Term Loans									
Taupo RSA Inc	1.00	215,348.66	215,348.66	176,884.00	(9,021.74)		383,210.92	1.00	383,210.92
			215,348.66	176,884.00	(9,021.74)		383,210.92		383,210.92
Shares									
Genesis Energy	3,108.00	2.10	6,526.80	0.00			3,108.00	2.10	6,526.80
Meridan Energy	12,225.00	2.60	31,785.00	0.00			12,225.00	2.60	31,785.00
Mighty River Power	7,800.00	2.96	23,088.00	0.00			7,800.00	2.96	23,088.00
			61,399.80	0.00	0.00		23,133.00		61,399.80
			626,748.46	211,884.00	(359,021.74)		461,343.92		499,610.72

TAUPO RSA TRUST BOARD
NOTES TO FINANCIAL STATEMENTS
for the Year ended 31 December 2018

1. Revenue

Total General Fund Revenue for the year amounted to \$58,916.68, a 20.1% increase (Last Year \$49,057 – (0.9%)). This was due to a combination of, the continued significant 'Rent Holiday' given to the Taupo RSA Inc but offset with reduced spending on beneficiary support and consolidating the Taupo RSA Inc loan to achieve a more appropriate level interest on this significant 'investment'/ loan.

A total of \$13,265.60 was collected through the 2018 Poppy Day Appeal, a 20% decrease on last year (\$16,599.20),

2. Statement of Accounting Policies

Taupo RSA Trust Board has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, except for certain items for which specific accounting policies have been identified.

a. Changes in Accounting Policies

No depreciation has been charged on the fixed assets this year. With this exception all policies have been applied on bases consistent with those used in previous years.

b. Fixed Assets & Depreciation

Land is recorded at Government Valuation as at a 1 July 2010. Buildings are recorded at Government Valuation as at a 1 July 2010 less accumulated depreciation until the 31 December 2016 and then no further depreciation has been accounted for as noted above in the change of accounting policy.

All other fixed assets are recorded at cost price less accumulated depreciation until the 31 December 2016 and then no further depreciation has been accounted for as noted above in the change of accounting policy note.

c. Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis, but included in the Accounts Receivable and Payable. The Pensioner Flats are GST exempt.

d. Income Tax

The Trust is exempt from income tax.

e. Investments

Investments are stated at Market Value as at 31 December 2015.

f. Receivables

Receivables are stated at their estimated realisable value.

g. Rents

Tenant's rentals are reviewed and adjusted annually.

TAUPO RSA TRUST BOARD

NOTES TO FINANCIAL STATEMENTS – Continued

3. Audit

The financial statements have been subject to audit; please refer to the Auditor's Report.

4. Taupo RSA Inc Loan

On 17 March 2017, the Executive Committee of the Taupo RSA Club Inc & Taupo RSA Inc placed the Association and Club into voluntary Administration and appointed a Board of Management to oversee the affairs of the Association and Club. This was done with the consultation and endorsement of the Trustees. The Secretary/Treasurer, Mr Garry Lough, of the Trust along with Mr Richard Cairns (a member of the Taupo RSA) were appointed as the Board of Management.

In November 2017, the Associations various loans were consolidated into one loan and the total consolidated loan was \$215,349. Although the Taupo RSA Inc is repaying this consolidated loan; further cash advances have been made to this loan to enable the Taupo RSA Inc to clear all term debt and operating creditors. There will be no further extensions on this loan. The loan as at 31 Dec 18 is: \$383,210.92

The Taupo RSA Inc ceased trading (Bar and Gaming) on 30 September due to continued trading losses caused by the failure of its membership to support the Taupo RSA. The Taupo RSA Inc continues its membership and welfare support functions, in addition to the advocating of the establishment, by the District Council of a 'Club Hub' in Taupo.

The Trustees, throughout 2018, took this exceptional decision of making advances to this loan, knowing it couldn't be repaid, to protect the name and reputation of the Returned Services Association within Taupo and wider central North Island. In addition, the Trustees also supported the position of the Board of Management, in regard to being a significant player in the establishment of a 'Club Hub' and in doing so needed the good name of the RSA to be intact.

It is intended to review the status of this loan in 2019, once the sale of the Horomatangi Street property has been sold.

5. Summary of Revenue & Expenditure

REVENUE

Revenue from Donations, Fundraising and other such revenue:

Made up of:	
Poppy Fund Appeal	13,265.60
General Donations	520.00
Total Revenue from Donations, Fundraising and other such revenue	13,785.60

Revenue from Providing Goods and Services

Made up of:	
RSA Club Lease	4,000.00
Flats Rental	28,600.00
Total Revenue from Providing Goods and Services	32,600.00

Revenue from Interest, dividends and other investment revenue

Made up of:	
Term Deposit & Bank Interest	12,972.82
RSA Loan Interest	13,343.86
Poppy Day Interest and Investments	636.37
Total Revenue from Interest, dividends and other investment revenue	26,953.05

TAUPO RSA TRUST BOARD

NOTES TO FINANCIAL STATEMENTS – Continued

EXPENDITURE

Costs related to providing Goods and Services

Made up of:	
RSA Club Expenses	2,888.11
Flats Expenses	16,102.84
Overhead Expenses	3,535.58
Total Costs related to providing Goods and Services	22,526.53

Grants and Donations made

Made up of:	
Education Bursaries & Essays	5,200.00
Returned & Service	1,959.18
Poppy Fund Welfare Support	14,627.03
Total Grants and Donations made	21,786.21

Other Expenses

Made up of:	
Flats Depreciation and Disposal	310.22
Overheads Audit	2,100.00
Poppy Funds Audit	709.00
Total Other Expenses	3,119.22

TOTALS

Revenue	73,338.65
Expenditure	47,431.96
Excess Income over (Expenditure)	25,906.69

6. Share Portfolio

The following shares were purchased to diversify investment and improve returns:

Company	Shares	Yield	Value
Genesis Energy	3,108	4.2%	6,527
Mighty River Power Limited / Mercury Energy	7,800	7.4%	31,785
Meridian	12,225	8.7%	23,088
			61,400

The shares are recorded at the market value as at 31 December 2015 and have not been revalued.

7. Grants & Gifts

The following grants and gifts were made during the year:

Tauhara College	3 x Bursaries	2,250
	ANZAC Essay Competition	100
Taupo Nui-a-Tia College	3 x Bursaries	2,250
	ANZAC Essay Competition	100
Taupo Cadet Unit	1 x Bursary	500
	Achievement	109
Returned & Service	Welfare Assistance	1,850
		\$7,159

TAUPO RSA TRUST BOARD

NOTES TO FINANCIAL STATEMENTS – Continued

8. **Rent on Taupo RSA Property.** The Taupo RSA Inc recommenced monthly rent payments in December 2017, however, in May 2018, at the request of the Board of Management a further 'rent holiday' was granted from May to December 2018.

9. **Sale of 67 Horomatangi Street.**

The Trustees, in consultation with the Board of Management, decided to sell the RSA Club property as it couldn't provide a realistic return on the investment. In its current layout and location, it was unsuitable as a standalone club facility and it would be too expensive to redevelop the current building due to new earthquake proofing building code.

The Trust has agreed a sale and received a deposit; the sale date of 6 December 2018 was, through mutual agreement, deferred until 6 June 2019. The Trust received a deposit of \$180,000 in 2017.

10. **Capital Valuation of Properties**

The Taupo District Council triennial revaluation of District Properties revalued the Trusts properties as:

RSA Club Building / Horomatangi Street:	\$2,000,000
RSA Pensioner Flats / Taharepa Road:	\$ 627,000

11. **Contingent Liabilities**

As at balance date there is a probable Contingent Liability of approximate \$383,000, being the Taupo RSA Inc Loan. The Trustees are considering options regarding write-off, partial remittance, continuing repayments.

12. **Related Parties**

Garry Lough, the Secretary/Treasurer of the Trust is a Director of Ninetyblack Ltd. Contracts have been awarded to Ninetyblack Ltd; these contracts have been let based on competitive quotes and vigorous assessment by the Trustees. Garry Lough was excused when discussion and decisions on these contracts were decided.

Garry Lough, the Secretary/Treasurer of the Trust is also a member of the Taupo RSA Inc's Board of Management. He identifies subjects that are a conflict of interest and offers advice on both sides of the subject and then doesn't participate in the decision-making process.

13. **Audit Fee**

In the preparation of these financial statements a provision for an audit fee to be charged in respect of these financial statements has been brought into account, as a creditor, based on the Auditor's quote.

14. **Subsequent Events**

As previous recorded in the 2017 Notes, the financial position of the Taupo RSA Inc was not strong. As a result, a Board of Management was appointed to manage the Association to determine if its situation can be rectified or if the Association will be closed. The Trustees have oversight of the Board of Management and are receiving regular updates on their progress.

The Taupo RSA Inc negotiated with the Taupo District Council and various Taupo clubs for the RSA to co-locate itself and its trading activities. This proved difficult as a short-term solution, however, the option of co-location within a community 'club hub' is still an option in the 2019 and 2020 period.

TAUPO RSA TRUST BOARD

NOTES TO FINANCIAL STATEMENTS – Continued

The Board of Management, in conjunction with the Executive Committee and the Trustees, determined, in September 2017, that the Taupo RSA Inc was unable to continue commercial trading and so ceased its trading activities (Bar, Restaurant and Gaming). The Association continues to provide Membership and Welfare support services, through its office, currently located at 67 Horomatangi Street.

The Trustees have given the Taupo RSA Inc an undertaking that it will provide financial support to the 'new' Taupo RSA and to fund capital improvements to an existing Taupo Club's building as a condition of co-location; on the basis that the Trust will hold ownership or lien rights over such building to protect its investment.

15. Statement of Cash Flow Comparatives

In the Statement of Cash Flows, there are no comparatives amounts as 2018 is the first year that the Trust has produced the Statement.

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TAUPO RSA TRUST BOARD

CHAIRMAN'S ANNUAL REPORT

Little changed for the Trust in 2018 in financial terms. With little to no rent being paid for the use of the Trust owned land and buildings, income was reliant on rent from the flats and other investments. In the long term, this would inhibit the Trust's ability to fulfil its welfare charter.

THE CLUB

From January – October 2018, the Taupo RSA Club continued to trade under the daily guidance of a Board of Management.

Co-location negotiations with the Taupo Bowls Club and the Taupo Golf Club were unsuccessful. Likewise, support from the Taupo District Council was not forthcoming. Sadly, in October 2018, the Club had to cease trading and close its doors.

THE TRUST

The purchaser of the land and buildings requested an extension to the settlement until 7 June 2019. This was agreed to on the basis that it would allow the Club enough time to liquidate its assets.

A residual problem of unpaid debts remained in relation to the Club. All creditors were paid, thereby leaving no ill will on the part of local businesses. However, the total bills and repayment of years of accumulated debt amounted to \$383,211.

With no income forthcoming from the ownership of the land and buildings, Trustees remain comfortable with the decision to sell and are pleased to report the RSA's name has not been tarnished in Taupo.

It is difficult to foresee circumstances under which the Trustees will ever be able to finance any future attempts by the Club to re-establish itself in the Taupo community without the support of the Taupo District Council.

THE POPPY FUND


Management of the Poppy Fund continues and this arrangement is working well.

CONCLUSION

2018 continued to challenge the management of the Trust, its assets and its popularity amongst Club members.

However, given the outcome regarding the closure of the Club, the decision to sell the Land and buildings at 67 Horomatangi St, Taupo is justified.

I would like to thank the Board of Management for their efforts to keep the Club solvent and the Trustees for their support in assisting the Trust to fulfil its obligations in assisting eligible beneficiaries.


G.R. WILLIAMS
 Chairman

Intentional Blank

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PO Box 16475, Bethlehem, Tauranga 3147
Phone (027) 430 8707

INDEPENDENT AUDITOR'S REPORT

To the members of Taupo RSA Trust Board Inc.

Opinion

We have audited the Performance Report of Taupo RSA Trust Board Inc., which comprises of the Statement of Financial Position as at 31 December 2018, and the Statement of Financial Performance, Statement of Cash Flows for the year then ended, and notes to the Performance Report, including a summary of significant accounting policies. Note the Statement of Service Performance is excluded from the opinion.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report the accompanying Performance Report pages 9 to 23 give a true and fair view of the financial position of Taupo RSA Trust Board Inc. as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not For Profit) Standard issued in New Zealand by the New Zealand Accounting Standards Board.

Basis for Qualified Opinion

Audit Report Qualification – Opening Balance Qualification

A disclaimer opinion was issued on the Performance Reports for the year end 31 December 2017 and therefore we unable to satisfy ourselves by alternative means concerning opening balances and thus are unable to express an opinion on balances carried forward from prior years and their effect on current period balances.

As the opening balances enter into the determination of the financial performance and Statement of Financial Position, we were unable to determine whether adjustments might have been necessary in respect of the profit for the previous year reported in the income statement and the retained earnings reported in the Statement of Financial Position.

Audit Report Qualification – Club Debt

As detailed in note 4 of the Performance Report there is material uncertainty over the collectability of the money owing (\$383,211) from the Taupo RSA Club Incorporated, as a result of significant financial issues the Club has experienced.

Audit Report Qualification – Non-Compliance with the Reporting Standards

The valuation of Shares and Fixed Assets are not currently reported at cost which is non-compliant with the Reporting Standards. They have been revalued at various dates as disclosed in Note 2 Statement of Accounting Policies.

The Reporting Standards also require that Fixed Assets are depreciated, however the Trustees decided to stop depreciating assets (as detailed in the Notes to the Accounts).

Removing the valuations and depreciating assets will have a material impact on the values of the shares, fixed assets and also the Equity of the Taupo RSA Trust Board Incorporated.

Audit Report Qualification – Control over Cash Income

Control over certain cash income, such as Raffle Sales prior to being recorded in the financial books is limited and there are no practical audit procedures to determine the effects of this limited control.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Performance Report* section of our report. We are independent of the Society 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 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 interests in, Taupo RSA Trust Board Inc.

Other Information

The Trustees are responsible for the other information. The other information comprises the Entity Information and Statement of Service Performance but does not include the Performance Report and our Auditor's Report thereon. Our opinion on the Performance Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Performance Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Performance Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Trustees Responsibilities for the Performance Report

The Trustees are responsible on behalf of the entity for determining that the Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) framework is acceptable in the entity's circumstances and, for:

- (a) identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the Statement of Service Performance;
- (b) the preparation and fair presentation of the Performance Report which comprises:
 - the Entity Information;
 - the Statement of Service Performance; and

- the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows,
- Statement of Accounting Policies and Notes to the Performance Report in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board, and
- (c) for such internal control as the Trustees determine is necessary to enable the preparation of a Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Performance Report, the Trustees are responsible on behalf of the entity for assessing the entity'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 the Trustees either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the Performance Report as a whole is 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 ISAs (NZ) 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 this Performance Report.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Performance Report, 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.
- 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 Performance Report 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 Society to cease to continue as a going concern.

We communicate with those charged with governance 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.

Absolute Auditing Ltd

Sarah Dillon
Absolute Auditing Ltd
New Zealand
25 June 2018

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Phone (027) 430 8707

28 June 2019

Trustees
C/O Garry Lough
Taupo R.S.A Trust Board Incorporated
PO Box 2358
TAUPO, 3351

Dear Trustees,

Taupo R.S.A Trust Board Incorporated - Audit Management Letter 31 December 2018

We have now completed the audit of your Performance Report for the year ended 31 December 2018 and would like to thank Garry Lough for his assistance during the process.

The primary aim of our audit is to form an opinion as to whether your Performance Report fairly reflects the results of your organisation's activities for the reporting period and its financial position at balance date. The audit report expresses this opinion.

In forming our audit opinion, we conducted detailed tests of selected transactions and reviewed the key controls in place to ensure the effective operation of your accounting systems and internal controls. To ensure you receive maximum benefit from our audit we provide feedback from our evaluation of your systems and highlight areas of possible weakness or where we believe improvements can be made. That is the major purpose of this letter.

Required Communications

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any instances of fraud involving management or any other frauds that have caused a material misstatement in the Performance Report.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the Performance Report.

We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.

Specific Matters

There are a number of matters arising and observations from our audit work which we now bring to your attention:



- **Audit Report Qualification – Control over Cash Income**
Control over certain cash income, including Donations prior to being recorded in the financial books is limited and there are no practical audit procedures to determine the effects of this limited control.
- **Audit Report Qualification – Club Debt**
As detailed in note 4 of the Performance Report there is material uncertainty over the collectability of the money owing (\$383,211) from the Taupo RSA Club Incorporated, as a result of significant financial issues the Club has experienced.
- **Audit Report Qualification – Non-Compliance with the Reporting Standards**
The valuation of Shares and Fixed Assets are not currently reported at cost which is non-compliant with the Reporting Standards. They have been revalued at various dates as disclosed in Note 2 Statement of Accounting Policies.

The Reporting Standards also require that Fixed Assets are depreciated, however the Trustees decided to stop depreciating assets (as detailed in the Notes to the Accounts).

Removing the valuations and depreciating assets will have a material impact on the values of the shares, fixed assets and also the Equity of the Taupo RSA Trust Board Incorporated.

Specific Matters

There are a number of matters arising and observations from our audit work which we now bring to your attention:

- **Loan to the Club**
As noted above we have placed an Audit Qualification on the loan provided to the Taupo RSA Club Incorporated as there is uncertainty surrounding the collectability of the debt. We are aware that the Trustees will be discussing this following the sale of the Club buildings and recommend that the Trustees ensure that any decision made regarding the Debt is in line with the powers provided to Trustees as per the Trust Deed.

We will follow up the decision during our next audit.

- **Minutes**
Our audit found that the minutes do not always provide a transparent record of the approval of expenditure. Due to the limited segregation of duties within the Trust the minutes are an important control to record that the Trustees are approving all expenditure items.

We recommend that the financial section of the minutes be enhanced to ensure that all expenses paid are detailed within the minutes (either in advance or in retrospect where it has been necessary to pay/authorise them between meetings).

- **Going Concern Risk**
Our audit did not identify any issues with going concern of the Trust.

Finally, each year we will raise for your consideration areas identified as potential risk areas for the Trust which have been risk accepted by the Trustees in the past.

- **Risk Accepted Observations**

The following observation has been risk accepted by the Trustees:

- **Cheque Signatories**

The Treasurer has responsibility for all financial transactions (such as bank reconciliations and the preparation of the financial statements). To maintain effective internal controls and ensure sufficient segregation of duties exist, the Treasurer's role should not be a Cheque Signatory.

However, removing the Treasurer as a cheque signatory would cause operational issues for the Trust and therefore the risk has been accepted. We note that a compensating control is that the Treasurer and one other cheque signatory approve the payments. We recommend that if the opportunity arises where there is two totally independent people available to act as signatories the Trustees update the signatories.

Summary of Unadjusted Errors to the Performance Report

We requested that interest owing at balance date totalling \$465 be accrued, however as an adjustment has not been made in the past and moving forward next year the interest will be paid out monthly, the Trustees elected not to make this adjustment.

Requested changes to the fixed assets and share valuations (depreciation and valuations) were requested, however the Trustees accepted the qualification on the accounts (as detailed above).

Summary of Identified Adjustments and changes to the Performance Report

A small change was done to the audit fee accrual and changes to the format to ensure that they are compliant with the Public Benefit Entity Simple Format Reporting Accrual (Not-For-Profit) framework. These changes were incorporated into the final signed Performance Report.

Please find attached a copy of the signed Performance Report and the signed letter of representation. We look forward to working with you again next year.

Yours sincerely,



Sarah Dillon - Director
Absolute Auditing Ltd



