

**Palmerston North Bridge Club Inc**  
**Financial Statements**  
**For the Year Ended 31 December 2018**

**Profit and Loss**  
**Palmerston North Bridge Club Inc.**  
**1 January 2018 to 31 December 2018**

31 Dec 18                      31 Dec 17

**Income**

**Other Income**

500 Evenings Income	\$1,057	\$1,352
Bar Receipts - Playing Sessions	\$1,560	\$1,580
Bar Receipts - Tournaments	\$1,402	\$1,057
Book Sales	\$26	\$0
Bridge Lesson Fees Received	\$0	\$682
Donations Received	\$150	\$0
Grants Received	\$13,000	\$0
Interest Income	\$3,023	\$1,953
Room Hire	\$8,277	\$6,875
Sale of Playing Supplies	\$92	\$39
<b>Total Other Income</b>	<b>\$28,585</b>	<b>\$13,539</b>

**Subscriptions**

Subscriptions Received	\$12,818	\$13,549
<b>Total Subscriptions</b>	<b>\$12,818</b>	<b>\$13,549</b>

**Table Money**

Friday Lunchtime Table Money	\$3,138	\$3,689
Junior Table Money	\$3,196	\$2,802
Monday Open Table Money	\$7,547	\$8,104
Multigrade Table Money	\$5,950	\$6,324
Summer Afternoon Table Money	\$989	\$1,280
Summer Bridge Table Money	\$795	\$970
Table Cards	\$353	\$191
Tuesday Table Money - Open/Teams	\$2,209	\$2,163
<b>Total Table Money</b>	<b>\$24,175</b>	<b>\$25,522</b>

**Tournaments**

Christmas Cheer Entry Fees	\$4,283	\$4,035
Intermediate / Junior Tournament Entry Fees	\$678	\$887
North Island Teams Entry Fees	\$6,470	\$0
Open Tournament Entry Fees	\$1,235	\$1,426
Raffle Income - Christmas Cheer	\$417	\$0
Raffle Income - Intermediate / Junior Tournament	\$114	\$161
Raffle Income - Open Tournament	\$156	\$0
Raffle Income - Spring/Winter Tournament	\$130	\$270
Spring/Winter Tournament Income	\$652	\$570
Sunday Social	\$0	\$45
<b>Total Tournaments</b>	<b>\$14,136</b>	<b>\$7,393</b>

<b>Total Income</b>	<b>\$79,713</b>	<b>\$60,002</b>
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<b>Less Cost of Sales</b>		
Bar - cost of goods sold	\$512	-\$477
Bar Purchases	\$2,325	\$2,096
<b>Total Cost of Sales</b>	<b>\$2,837</b>	<b>\$1,619</b>

<b>Gross Profit</b>	<b>\$76,877</b>	<b>\$58,383</b>
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**Less Operating Expenses**

**Costs of Events**

Christmas Cheer Catering	\$3,745	\$2,663
Christmas Cheer Directors Fee	\$0	\$300
Christmas Cheer Prizes	\$0	\$984
Christmas Cheer Sundry	\$0	\$155
Intermediate / Junior Tournament Catering	\$480	\$538
Intermediate / Junior Tournament Directors Fee	\$200	\$350
North Island Teams Expenses	\$4,087	\$0
Open Tournament Catering	\$887	\$777
Open Tournament Directors Fee	\$200	\$0
Raffle expenses - Intermediate/Junior Tournament	\$0	\$48
Raffle Expenses - Open Tournament	\$48	\$0
Raffle Expenses - Spring/Winter Tournament	\$42	\$111
Spring/Winter Tournament Catering	\$444	\$210
Spring/Winter Tournament Directors Fee	\$150	\$150
Spring/Winter Tournament Prizes	\$23	\$0
Spring/Winter Tournament Sundry	\$0	\$10
<b>Total Costs of Events</b>	<b>\$10,306</b>	<b>\$6,297</b>

**Employment costs**

ACC Levies	\$149	\$78
Daytime Director	\$8,125	\$6,850
Honoraria	\$3,100	\$3,375
KiwiSaver Employee contributions	\$34	-\$34
Kiwisaver Employer contribution	\$317	\$264
Multigrade Director	\$1,250	\$1,930
Novice Director	\$250	\$1,405
Salaries & Wages	\$9,228	\$6,967
Summer Director	\$200	\$295
<b>Total Employment costs</b>	<b>\$22,653</b>	<b>\$21,130</b>

**Other Expenses**

Audit Fees	\$2,032	\$1,800
Bank Fees	\$65	\$110
General Expenses	\$37	\$290
Interest Expense	\$1,682	\$6
Postage, Printing & Stationery	\$3,921	\$1,445
<b>Total Other Expenses</b>	<b>\$7,736</b>	<b>\$3,650</b>

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<b>Playing Costs</b>		
Advertising	\$160	\$761
Bridge lessons expenses	\$300	\$1,091
Hostess	\$264	\$379
Library	\$137	\$91
Master Points	\$5,139	\$1,613
NZ Bridge Levies	\$3,843	\$1,620
Playing Supplies	-\$1,471	-\$1,559
Prizegiving	\$0	\$230
Prizes - Sessions	\$365	\$369
Prizes and Trophies	\$279	\$312
<b>Total Playing Costs</b>	<b>\$9,015</b>	<b>\$4,908</b>
<b>Premises Costs</b>		
Bar/Food Licenses	\$587	\$569
Building Compliance	\$1,008	\$566
Cleaning	\$1,872	\$2,631
Computer expenses	\$2,300	\$1,228
Household	\$1,249	\$1,565
Insurance	\$4,871	\$4,415
Light, Power, Heating	\$4,649	\$4,341
Rates	\$4,107	\$3,076
Repairs and Maintenance	\$3,368	\$1,967
Security	\$493	\$482
Telephone & Internet	\$1,131	\$1,097
<b>Total Premises Costs</b>	<b>\$25,633</b>	<b>\$21,936</b>
<b>Total Operating Expenses</b>	<b>\$75,342</b>	<b>\$57,922</b>
<b>Operating Profit</b>	<b>\$1,535</b>	<b>\$461</b>
<b>Non-operating Expenses</b>		
Depreciation	\$16,302	\$16,067
<b>Total Non-operating Expenses</b>	<b>\$16,302</b>	<b>\$16,067</b>
<b>Net Profit</b>	<b>-\$14,768</b>	<b>-\$15,606</b>

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**Movements in Equity  
Palmerston North Bridge Club Inc.  
For the Year ended 31 December 2018**

	31 Dec 18	31 Dec 17
<b><u>Equity at start of period</u></b>	<b><u>\$569,442</u></b>	<b><u>\$585,048</u></b>
<b>Surplus and Revaluations</b>		
Net Surplus	-\$14,768	-\$15,606
<b>Total Surplus and Revaluations</b>	<b><u>-\$14,768</u></b>	<b><u>-\$15,606</u></b>
<b><u>Equity at end of period</u></b>	<b><u>\$554,674</u></b>	<b><u>\$569,442</u></b>

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**Balance Sheet**  
**Palmerston North Bridge Club Inc.**  
**As at 31 December 2018**

31 Dec 2018      31 Dec 2017

**Assets**

**Bank**

Palmerston North Bridge Cheque	\$10,395	\$4,938
PNBC Serious Saver Account	\$13,930	\$18,339
Term Dep 4 April 2018 3.35%	\$0	\$22,000
Term Deposit 26 Feb 2018 3.60%	\$24,435	\$23,176
<b>Total Bank</b>	<b>\$48,760</b>	<b>\$68,453</b>

**Current Assets**

Accounts Receivable	\$1,365	\$1,623
GST	\$28	\$15
Interest Due	\$729	\$1,682
Inventory	\$3,707	\$2,703
Prepayments	\$2,859	\$3,062
<b>Total Current Assets</b>	<b>\$8,688</b>	<b>\$9,085</b>

**Fixed Assets**

Building	\$419,256	\$419,256
Electronic Equipment	\$12,376	\$12,376
Less Accumulated Depreciation on Electronic Equipment	-\$10,514	-\$9,011
Furniture and Fittings	\$64,458	\$64,458
Improvements	\$81,034	\$62,482
Land	\$250,000	\$250,000
Less Accum Depn on Building	-\$213,141	-\$204,756
Less Accum Depn on Furniture and Fittings	-\$58,831	-\$57,425
Less Accum Depn on Improvements	-\$39,524	-\$34,517
Office Equipment	\$3,478	\$3,478
Less Accumulated Depreciation on Office Equipment	-\$3,478	-\$3,478
<b>Total Fixed Assets</b>	<b>\$505,113</b>	<b>\$502,864</b>

<b>Total Assets</b>	<b>\$562,561</b>	<b>\$580,402</b>
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**Liabilities**

**Current Liabilities**

Accounts Payable	\$2,531	\$1,345
Accrued Creditors	\$3,725	\$1,725
Income In Advance	\$0	\$7,000
PAYE Payable	-\$87	\$136
Wages Payable - Payroll	\$1,718	\$754
<b>Total Current Liabilities</b>	<b>\$7,886</b>	<b>\$10,959</b>

<b>Total Liabilities</b>	<b>\$7,886</b>	<b>\$10,959</b>
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<b>Net Assets</b>	<b>\$554,674</b>	<b>\$569,442</b>
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**Equity**

Current Year Earnings	-\$14,768	-\$15,606
Retained Earnings	\$569,442	\$585,048
<b>Total Equity</b>	<b>\$554,674</b>	<b>\$569,442</b>

Treasurer W. H. [Signature]

Dated 26/3/19

President [Signature]

Dated 26/3/19

These financial statements are to be read in conjunction with the notes to the accounts and audit report



**Palmerston North Bridge Club Inc**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**1. Statement of Accounting Policies**

These are the financial statements of the Palmerston North Bridge Club Inc an Incorporated Society established under the Incorporated Societies Act 1908. The special purpose financial statements of Palmerston North Bridge Club Incorporated have been prepared in accordance with the accounting policies of the society for the benefit of its members.

**Measurement System**

The measurement system adopted is that of historical cost

**Property, Plant and Equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant or equipment is disposed of, the gain or loss recognized in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the asset.

**Depreciation**

Depreciation has been charged against the operation of the Society in the statement of financial performance. The following rates have been used:

Building	2% straight line
Electronic Equipment	0-33% straight line
Improvements	10% diminishing value, 13% for new carpet
Office Equipment	30% straight line
Furniture and Fittings	20% diminishing value

**Taxation**

The Entity is exempt from payment of income tax as it is treated by the IRD as a body promoting amateur games and sport under section CW46 of the Income Tax Act 2007. Accordingly, no income tax has been provided for.

**Goods and Services Tax (GST)**

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables which are shown inclusive of GST.

**Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous year.

**Inventory**

Inventories are stated at the lower of cost and net realisable value. The inventory figure in the financial accounts is made up as follows:

Bar Stocks	\$632	Bar Stocks	\$1,144
Playing Supplies	<u>\$3,075</u>	Playing Supplies	<u>\$1,559</u>
Total 2018	<u>\$3,707</u>	Total 2017	<u>\$2,703</u>





**2. Statement of Commitments & Contingent Liabilities**

There are no commitments or contingent liabilities, 2017 Nil.

**3. Investments**

The Club has no investments other than funds held at the ANZ. Investments are carried at cost.

**4. Security**

The ANZ holds a mortgage over the land and buildings of the Club. There has been no drawdown of this mortgage as at 31 December 2018.

**5. Related Party Transactions**

2018: NIL, however, the Honorarium for the Treasurer William Laing has been accrued.

2017: Debbie was the Treasurer during 2017 and also prepared the 2017 Financial Statement. During the financial year, Debbie was paid an honorarium of \$1,200. Liz was the Secretary during 2017 and was paid an honorarium of \$600.

**6. Grants Received**

Pub Charity	\$5,000
NZ Community Trust	\$2,000
Eastern & Central Trust	\$4,000
Lion Foundation	<u>\$2,000</u>
Total	<u>\$13,000</u>

Grants received are not recognised in the Profit and Loss until the requirements have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

**7. Bank Accounts**

Bank balances on the Balance Sheet comprise bank balances (including term deposits).

**8. Prior Period Adjustment**

2018: Nil

The 2016 financial statements did not include an inventory of playing supplies at 31 December 2016 that was undertaken in the 2016 financial year. This resulted in the expenses for the 2016 year being overstated by \$1,559, and the inventory at 31 December 2016 understated by \$1,559. 2017 expenditure has been adjusted in the current year to reflect this.





26 March 2019

The Committee  
Palmerston North Bridge Club  
PO Box 852  
PALMERSTON NORTH

Dear Committee Members,

**AUDIT OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

The 2018 audit of the financial statements of the Palmerston North Bridge Club Inc ("the club") is now complete. The signed audit report and financial statements are enclosed.

We have conducted our audit in accordance with International Standards on Auditing (New Zealand), with the objective of expressing an opinion on the financial statements prepared by management in accordance with the accounting policies of the society for the benefit of its members. The engagement team and the firm have complied with relevant ethical requirements regarding independence.

It is our responsibility to provide those charged with governance with timely observations arising from the audit that are significant and relevant to the committee's responsibility to oversee the financial reporting process. This management letter allows us to communicate with those charged with governance as well as management.

Based on significant findings and other matters which arose during the course of the audit, we have the following comments and recommendations to make:

**1. AUDIT REPORT**

The Audit Report on the 2018 financial statements is a modified audit report and contains the following matters that the committee needs to consider further.

*(a) QUALIFICATION – COMPLETENESS OF INCOME*

Due to the nature of the organisation, there are no practical audit procedures that we can complete to ensure that all income, other than Grants, Subscriptions Received and Interest income to the club are received, prior to being recorded. Consequently, we were unable to determine whether any adjustments to these amounts or their related balances were necessary.

The result of this is a standard comment that appears in your audit report. However, it is the committee's responsibility to ensure that it has appropriate procedures in place so that all income is accounted for in the club's financial records.

*(b) QUALIFICATION – NON ATTENDANCE AT STOCKTAKE*

As we did not attend a stock-take, we have been unable to confirm the quantities of stock on hand at 31 December 2018. A comment to this effect has been included in the audit report.

***SUGGESTION:***

*That the committee note the audit procedure used and the modifications in the Auditors Report.*

**2. LEGISLATIVE COMPLIANCE RESPONSIBILITIES**

It is the responsibility of management, with the oversight of those charged with governance, to ensure that the club's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the club's financial statements.

There are a number of specific legislative provisions that we review each year as a result of our requirements as auditor. However, the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

During the course of the audit this year, we noted no instances of non-compliance with the laws and regulations that have come to our attention.

***SUGGESTION:***

*That the committee continues to monitor its compliance with all applicable legislative provisions.*

**3. FRAUD**

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the club and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honesty and ethical behaviour which can be reinforced by an active oversight by those charged with governance. The auditor is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

During our audit, we have not identified a fraud or obtained information that indicates that a fraud may exist. Additionally, we have not identified any other matters related to fraud that are, in our judgement, relevant to the committee's responsibilities that should be brought to the committee's attention.

***SUGGESTION:***

*That the committee continues to ensure that appropriate internal controls are in place for the prevention and detection of fraud.*

**4. REVIEW OF INTERNAL CONTROLS**

Internal controls and appropriate segregation of duties are a critical part of any accounting system. These are the responsibility of management, and the risks associated with any lack of segregation of duties must always be assessed to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

One of the key items to indicate that a check has occurred is the evidencing by use of a signature; e.g. invoices that are paid should be signed as approved for input into the system by a cheque signatory as sighted and approved, expenditure listings should be approved for payment, timesheets signed as approved by the supervisor. The use of a signature by an "authorised" staff member clearly shows that the transaction has occurred (goods or services received) or is approved for action through the accounting system.

As part of the audit process we reviewed and enquired about the accounting procedures and internal control processes that are in place. Because of the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with New Zealand Auditing Standards.

***Bank Payment Authority***

As noted in previous years, there is one signatory required to release payment from the Club's online banking facility. As good practice, we recommend two signatories be required to make any external payment.

We understand that the Committee has made some progress in changing to a business banking facility, however this was not finalised in 2018.

***Budget Process***

A budget process helps ensure the committees involvement around monitoring and reporting of operations during the year. We suggest that the committee consider being involved with the setting, adoption and reporting against yearly budgets.

***Annual Stocktake***

We note that no process is in place to ascertain the year end cost balance of inventory. This could result in the financial statements not reflecting the correct values of trading income, expenses and stock balances. We recommend that a year - end stocktake is performed.

**5. ADJUSTMENTS IDENTIFIED IN THE AUDIT**

In performing our audit and finalising the financial statements, all identified adjustments have been made. Other than stated in this letter, there are no other matters or adjustments outstanding that require your attention.

**CONCLUSION**

Please pass on our thanks to Sue and William for their cooperation and support during the audit.

If you have any questions with respect to the items contained in this letter please do not hesitate to contact us. We look forward to working with you again next year.

Yours sincerely,



David Kelly  
Audit Partner



## INDEPENDENT AUDITOR'S REPORT

### *To the Members of Palmerston North Bridge Club Incorporated*

#### **Qualified Opinion**

We have audited the financial statements of the Palmerston North Bridge Club Incorporated on pages 1 to 8 which comprise the balance sheet as at 31 December 2018 and the statement of profit and loss, statement of movements in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 1 to 8 which present the financial position of the Palmerston North Bridge Club Incorporated as at 31 December 2018, and the statement of profit and loss for the year then ended, are prepared, in all material respects, in accordance the accounting policies as described on pages 7 and 8.

#### **Basis for Qualified Opinion**

Palmerston North Bridge Club Incorporated has Inventory (bar stock and playing supplies) on hand in the balance sheet and Cost of Sales included in the statement of profit and loss. We were unable to obtain sufficient appropriate audit evidence for the carrying amount of Inventory because we did not attend the physical stock count at year-end. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Control over Income, other than Grants, Subscriptions Received and Interest Income, prior to being recorded is also limited and there are no practical audit procedures to determine the effect of this limited control. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Financial Statements* 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 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 qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Palmerston North Bridge Club Incorporated.

#### **Restriction on Responsibility**

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state to the members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Committees' Responsibilities for the Financial Statements**

The committee are responsible for determining that the accounting policies on pages 7 and 8 are acceptable in the club's circumstances, and for such internal control as the committee 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, the committee are responsible on behalf of the club for assessing the club'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 committee either intend to liquidate the club or to 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 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 decisions of users taken on the basis of these financial statements.

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 club's internal control.
- conclude on the appropriateness of the use of the going concern basis of accounting by the committee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the club to cease to continue as a going concern.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the committee 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.



**Cotton Kelly**  
**26 March 2019**