



ESSENTIAL
ASSURANCE
SERVICES PTY LTD

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8 July 2022

The President
Black Head Surf Life Saving Club Incorporated
PO Box 55
HALLIDAYS POINT NSW 2430

Dear Sirs,

Re: Review – Year Ended 30 April 2022

We have completed our review of Black Head Surf Life Saving Club Incorporated for the year ended 30 April 2022.

The Auditor's Responsibilities in Relation to the Financial Report Audit

As set out in our engagement letter dated 4 June 2021 our responsibility as the auditor of Black Head Surf Life Saving Club Incorporated is to express an opinion on the financial report based on our review. Our review has been conducted in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to review engagements and plan and perform the review to obtain reasonable assurance whether the financial report is free from material misstatement.

A review involves procedures to obtain evidence about amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation and fair presentation of the financial report in order to design review procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.

A review includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Board of Management Responsibility for the Financial Report

The Association's Board of Management are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Act 2012.

This responsibility includes designing and implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Risk Assessment, Planned Scope and Timing of the Audit

We assessed the risk associated with the audit of the Association in 2022 as low.

Our work encompassed:

- Reviewing the controls over the completion of the Financial Statements. This work encompassed selecting a sample of:
 - expenses incurred throughout the year by agreeing to invoices to determine if amounts recorded were supported by third party documentation;
 - agreeing the funding received to bank statements and funding agreements.
- Reviewing the value, completeness and existence of assets and liabilities at 30 April 2022. This work encompassed:
 - Agreement to third party documentation of balances such as creditors, bank balances, investments, asset additions;
 - Recalculation of accruals and prepayments and other assets and liabilities;
- A review of the Financial Statements and associated disclosure notes.

These procedures are planned, designed and amended throughout the review based on our findings to ensure that the financial report is not materially misstated. Our review uses the concept of materiality in assessing whether errors or omissions noted during the review require adjustment by the Board of Management to ensure the financial report is not materially misstated.

We also use evidence gathered subsequent to year end to the date of the review report to make an assessment of the Association's ability to continue as a going concern.

As part of our review process, we will request from management and, where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the review.

Significant Findings from the Audit

Statement of Comprehensive Income

Deficit after tax at 30 April 2022 was \$53,728 (2021: Deficit \$62,503)

RECONCILIATION OF MANAGEMENT PROFIT BEFORE TAX TO FINANCIAL STATEMENT DEFICIT BEFORE TAX AT 30 APRIL 2022

	\$	\$
Management deficit per Xero		(82,061)
Year end adjustments		
Increase in surplus		
- correct hall hire income	2,000	
- adjust prepayments	257	
- grant / capital equipment capitalisation	<u>85,293</u>	87,550
Decrease in surplus		
- adjust year end bar stock	6,772	
- correct GST	809	
- correct accounts payable	1,700	
- depreciation	<u>49,936</u>	59,217
Deficit before tax per financial statements		<u>(53,728)</u>

Comments on income and expenditure

	2022	2021
	\$	\$
Total Revenue	267,303	163,705

This represents a 63.28% overall increase in revenue. This was a result of:

- A decrease in bar sales of \$10k – less COVID restrictions.
- An increase of \$10k in hall hire income
- Fundraising income was of a similar level to 2021
- Memberships were \$12k less than 2021.
- An increase in grant income of \$129k – this is a result of the adjustments for the deferral of grant income to match the expenses relating to the grants. There is still \$74k in deferred income relating to the Club renovations and the expenses for the toilet block have been expensed this year.

Total Expenditure	321,031	226,208
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This represents a 41.92% overall increase in expenses.

Items of note included:

- A decrease of \$17k in equipment purchases compared to 2021.
- \$153,031 of expenses re the toilet block included as an expense as the only \$61k of the grant was received this year with the remainder treated as income in the prior years
- A 26k decrease in repairs and maintenance.

Statement of Financial Position

A summary of movements in each Statement of Financial Position category is set out below for your information.

	2022	2021
	\$	\$
<i>Current Assets</i>		
Cash & Cash Equivalents	117,347	163,824
Trade & Other Receivables	68,445	58,575
Financial Assets	77,435	75,335
Inventories	14,916	21,689
<i>Non Current Assets</i>		
Property, Plant & Equipment	808,938	859,768
<i>Current Liabilities</i>		
Trade & Other Payables	12,767	26,087
Deferred Income	74,859	99,921

At 30 April 2022 the Association has current assets (\$278,143) in excess of current liabilities (\$87,626).

Significant changes in the balance sheet have occurred in the following areas when compared to 2021:

- Cash & Cash Equivalents – a net decrease of \$46k – mainly due to the expenditure on the toilets where funds were received in the prior year.
- Trade and Other Receivables – Trade debtors included the \$68k for the final payment of the toilet block grant.
- Financial Assets – The term deposit has increased by \$2k during the year after the reinvestment of \$2k of interest.
- Plant & Equipment – This has decreased due to the net effect of the write off of depreciation of \$49,936 and the purchase of assets during the year.
- This included disability beach access equipment. All other capital expenditure was funded by grants and was expensed during the year.
- Trade and Other Payables – \$14k less than 2021 due to timing of payments.
- Deferred Income – carry forward of unspent infrastructure grant of \$75k.

Statement of Cashflows

	2022	2021
	\$	\$
Cashflow from Operations	(45,271)	60,439
Cashflow from investing activities	894	(40,451)

During the year there has been:

- An increase in grants and subsidies received of \$145k due to bushfire recovery grants of \$45,711, last instalment of toilet block funding of \$61,125, Service NSW small business grant of \$10,500, CLEG Funding of \$15,000, ATV grant of \$10,397 etc.
- An increase of \$255,000 in payments to suppliers and employees – mainly due to the payment for the toilet block construction of \$153k and the expenditure related to other grants received.
- An increase in funds invested of \$2k which was the reinvestment of interest

Overall, there has been a decrease of \$44k in cash on hand at 30 April 2022.

Audit Opinion

In forming our review opinion we need to consider whether the association has positive current assets to current liabilities, the cashflow of the business for 2021/2022 and actual results to the date of the audit report. Based on these matters we have concluded that the Association is a going concern.

We will be issuing an unqualified review opinion for the review for the year.

Matters Noted During the Review

We noted the following matters during the review that require the Board of Management's attention:

- **Job Costing in Xero**
During the reconciliation of the Xero invoices to the monies spent on specific grants we noted that the job costing function is not being fully utilised. This function allows for the allocation of income and expenses re grant funding / projects to be tagged and separate profit and loss reports produced to allow full and complete reporting of grant expenditure.

We recommend this be utilised for all grants received.

- **GST**
We noted some minor differences with GST claimed on 2 invoices selected for testing. We have made the Treasurer aware of these and recommend an adjustment be made on the Club's next BAS.
- **Bar Financial Summaries**
We noted 2 Bar Financial Summaries on 7/11/21 and 4/2/22 where the total per the summary and the amount banked to the bank account did not agree. We recommend those reconciling the cash at the bar and funds bank take care to ensure all funds noted are banked or an unders / overs is recorded so that the financial records support the banking.

We wish to express our appreciation to Stuart Horsburgh for his assistance in the completion of our work and for the manner in which the records were maintained and presented to us.

Yours faithfully



Rhonda Futterleib