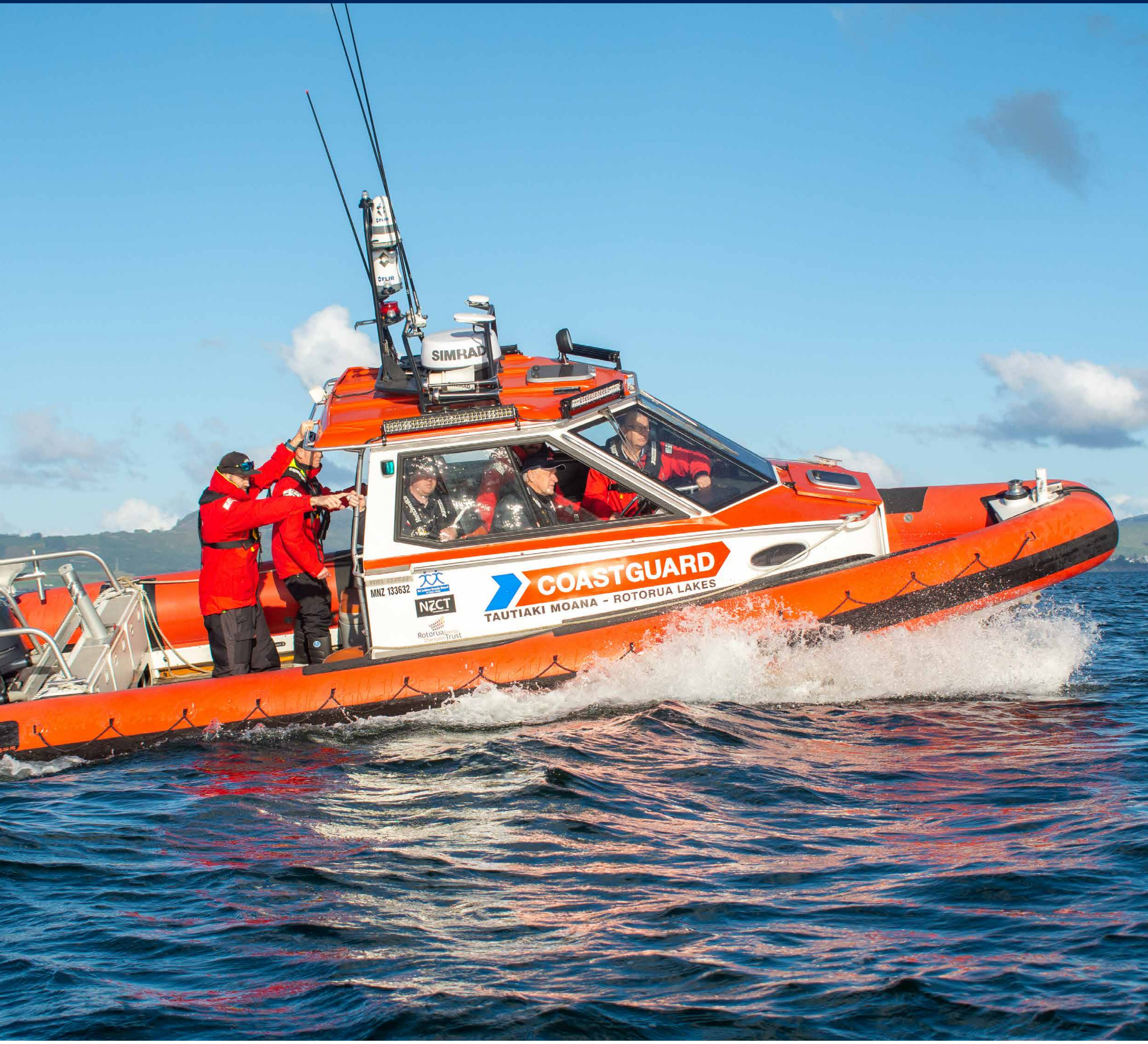
Royal New Zealand Coastguard Incorporated

Consolidated Financial Statements 2021

For the year ended 30 June 2021



THE CHARITY SAVING LIVES AT SEA

COASTGUARD NEW ZEALAND

Consolidated Financial Statements

For the year ended 30 June 2021

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For the year ended 30 June 2021

Registered Office
3 Solent Street
Auckland

Nature of Organisation
Marine Search & Rescue, Emergency Relief & Training

Charity Number
CC36138

National Board Members
Bennett Medary (President appointed 3 October 2021)
John Linn
Peter Kara
Dean Lawrence (elected 3 October 2021)
Carolyn Tapley (elected 3 October 2021)
Elizabeth Urquhart (appointed 1 February 2021)
Susan Doughty (appointed 1 February 2021)
Commodore Melissa Ross (appointed 3 October 2021)
Danny Tuato'o (appointed 3 October 2021)
Evelyn Davis (retired 3 October 2021)
Mike Purchase (retired 3 October 2021)
Aaron Wallace (retired 3 October 2021)
Dick Chapman (retired 31 March 2021)
Ross Lockwood (retired 3 October 2021)

Accountants
Bellingham Wallace Limited
470 Parnell Road, Parnell
Auckland

Independent Auditor
RSM Hayes Audit
Level 1, 1 Broadway
Newmarket, Auckland

Bankers
ASB Bank Limited
Bank of New Zealand Limited
Westpac New Zealand Limited

Solicitors
Simpson Grierson
Level 27, Lumley Centre
88 Shortland Street, Auckland

Board's Report and Statement of Responsibility

For the year ended 30 June 2021

Board's Report

The Board of Royal New Zealand Coastguard present this Annual Report, being the financial statements of the Group for the financial year ended 30 June 2021 and the independent auditor's report thereon. The consolidated financial statements comprise of Royal New Zealand Coastguard Incorporated and its controlled entities, together the 'Group', and are presented for the year ended 30 June 2021.

Statement of Responsibility

The Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated financial statements and related information.

The independent external auditors, RSM Hayes Audit, have audited the consolidated financial statements and their report appears on pages 3 and 4.

The consolidated financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board to indicate that the Group will not remain a going concern in the foreseeable future.

In the opinion of the Board:

The consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021 and their financial performance and cash flows for the year then ended.

For and on behalf of the Board:

Bennett Medary, President	22/12/2021 **Date**
John Linn, Board Member	22/12/2021 **Date**

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

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www.rsmnz.co.nz

Independent Auditor's Report

To the Members of Royal New Zealand Coastguard Incorporated

Opinion

We have audited the consolidated financial statements of Royal New Zealand Coastguard Incorporated and its controlled entities (the group), which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated statement of comprehensive revenue and expense for the year then ended;
- consolidated statement of changes in net assets/equity for the year then ended;
- consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 5 to 19 present fairly, in all material respects, the financial position of the group as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

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 consolidated financial statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have provided agreed upon procedures engagement in respect of various lotteries certification of Royal New Zealand Coastguard Incorporated to Department of Internal Affairs.

Certain staff of our firm are ordinary members of Royal New Zealand Coastguard Incorporated and its controlled entities and trade with the Group on standard membership terms. They have no governing body or management roles or influence. Except in this regard, and other than in our capacity as auditor we have no relationship with, or interests in, the group or any of its controlled entities.

Other Matters

The consolidated financial statements of Royal New Zealand Coastguard Incorporated and its controlled entities for the year ended 30 June 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 18 December 2020.

Other information

The board are responsible for the other information. The other information comprises the directory and Board's Report and Statement of Responsibility on pages 1 and 2 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 consolidated financial statements. A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

Who we report to

This report is made solely to the members, as a body. Our audit 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 Royal New Zealand Coastguard Incorporated and the members as a body, for our work, for this report, or for the opinions we have formed.

RSM

RSM Hayes Audit
Auckland

22 December 2021

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Notes	2021	2020 Restated
		$	$
Revenue from exchange transactions			
Lotteries Revenue		3,233,904	3,036,813
Subscriptions		4,264,759	3,166,496
SAR Reimbursements		280,844	383,850
Examination Fees		1,272,811	1,462,574
Sales of Publications		256,462	190,843
Sponsorship		302,222	287,359
Other Operating Revenue		1,299,241	1,245,817
		10,910,243	9,773,753
Revenue from non-exchange transactions			
Service Level Agreement Funding	**20**	3,391,946	2,440,000
Lottery Grants Board Funding	**20**	2,904,456	5,184,226
Water Safety New Zealand Funding	**20**	4,548,697	-
Donations Received		4,856,692	3,112,766
Other Grants		2,676,171	4,074,912
		18,377,962	14,811,905
Total Revenue		**29,288,205**	**24,585,658**
Expenses			
Grants Expenditure		3,148,995	3,093,994
Administrative Overheads		2,793,764	2,216,065
Board & Governance Costs		344,626	549,441
Education Costs		550,779	741,833
Lotteries Costs		2,079,754	1,979,486
Marketing & Fundraising Costs		573,859	835,582
National Office Projects		2,342,515	523,357
Personnel Costs		7,433,316	6,525,341
SAR Expenditure		10,659	177,103
Rental Expenses		632,096	401,877
Depreciation & Amortisation	**10,11**	3,037,466	2,843,486
Impairment Loss	**21**	668,317	76,000
Repairs & Maintenance		679,223	598,914
Vessel Expenditure		1,685,715	1,473,362
Loss/(Gain) on Disposal of Assets		133,407	- 51,823
Total Expenses		**26,114,490**	**21,984,019**
Surplus before net financing costs		**3,173,715**	**2,601,639**
Finance Income	**5**	607,684	453,738
Finance Costs	**5**	-	4,169
Net Finance Income		**607,684**	**449,569**
Net Surplus for the year		**3,781,399**	**3,051,208**
Other Comprehensive Revenue and Expenses		-	-
Total Comprehensive Revenue and Expenses for the year		**3,781,399**	**3,051,208**

These Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Consolidated Financial Statements, and the Auditor's Report.

Consolidated Statement of Changes in Net Assets/Equity

For the year ended 30 June 2021

	Asset Maintenance Reserve $	Course Development Reserve $	Accumulated Revenue and Expense $	Total Equity $
Group				
Opening equity 01 July 2019	55,163	134,092	51,267,488	51,456,743
Total Comprehensive Income	-	-	3,051,208	3,051,208
Transfers - Reserves	(6,504)	64,820	(58,316)	-
Closing equity 30 June 2020	**48,659**	**198,912**	**54,260,381**	**54,507,952**
Opening equity 1 July 2020	48,659	198,912	54,260,381	54,507,952
Transfer - Regional Development Funds	-	-	(186,945)	(186,945)
Prior Period Adjustment	-	-	(31,370)	(31,370)
Total Comprehensive Income	-	-	3,781,399	3,781,399
Transfers - Reserves	(15,659)	69,727	(54,068)	-
Closing equity 30 June 2021	**33,000**	**268,639**	**57,769,398**	**58,071,037**

These Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Consolidated Financial Statements, and the Auditor's Report.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and Cash Equivalents	**6**	12,428,687	12,062,057
Investments	**7**	14,167,324	11,181,003
Assets Held For Sale	**21**	1,702,467	-
Inventories		89,076	98,359
Prepayments and Other Assets		757,102	330,191
Receivables from Exchange Transactions	**8**	486,437	642,286
		29,631,093	24,313,897
Non-current assets			
Investments	**7**	2,917,513	1,342,240
Intangible Assets - Software	**10**	619,565	822,009
Property Plant and Equipment	**11**	35,448,072	35,462,735
		38,985,150	37,626,984
TOTAL ASSETS		**68,616,243**	**61,940,881**
LIABILITIES			
Current liabilities			
Employee Benefit Liabilities	**14**	475,482	351,152
Income In Advance	**15**	6,171,522	3,877,569
Payables from Exchange Transactions	**13**	2,851,278	2,513,935
		9,498,281	6,742,656
Non-current liabilities			
Income in Advance	**15**	1,046,924	690,274
		1,046,924	690,274
TOTAL LIABILITIES		**10,545,206**	**7,432,929**
TOTAL NET ASSETS		**58,071,037**	**54,507,952**
NET ASSETS/EQUITY			
Accumulated Funds		57,769,398	54,260,381
Asset Maintenance Reserve		33,000	48,659
Course Development Reserve		268,639	198,912
TOTAL NET ASSETS/EQUITY		**58,071,037**	**54,507,952**

For and on behalf of the Board:

22/12/2021

Bennett Medary, President **Date**

22/12/2021

John Linn, Board Member **Date**

These Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Consolidated Financial Statements, and the Auditor's Report.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $	2020 $
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES			
Receipts from exchange transactions		11,064,061	10,795,072
Receipts from non-exchange transactions		20,810,251	16,452,460
Payments to Suppliers		(14,920,235)	(13,143,084)
Payments to Employees		(7,308,987)	(6,553,058)
Net cash inflow/(outflow) from operating activities		**9,645,089**	**7,551,389**
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Interest received		234,686	388,448
Purchase/(Proceeds) of investments (net)		278,313	(377,905)
Proceeds from disposals of property, plant and equipment		1,042,410	1,422,700
Increase/Decrease in term deposits		(4,466,909)	1,073,148
Purchase of property, plant and equipment		(6,223,927)	(7,430,835)
Purchase of intangibles		(143,034)	(198,431)
Net cash inflow/(outflow) from investing activities		**(9,278,460)**	**(5,122,875)**
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Loan repayments made		-	(34,112)
Net cash inflow/(outflow) from financing activities		**-**	**(34,112)**
Net increase/(decrease) in cash and cash equivalents		366,629	2,394,402
Cash and cash equivalents at 1 July 2020		12,062,057	9,667,655
Cash and cash equivalents at 30 June 2021	**6**	**12,428,687**	**12,062,057**

These Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Consolidated Financial Statements, and the Auditor's Report.

Statement of Accounting Policies

For the year ended 30 June 2021

1. REPORTING ENTITY

The reporting entity is Royal New Zealand Coastguard Incorporated. Royal New Zealand Coastguard Incorporated (the "Society") is domiciled in New Zealand, and is a charitable organisation registered under the Incorporated Societies Act 1908 and the Charities Act 2005. DIA Charities Services registration number CC36138.

These consolidated financial statements for the year ended 30 June 2021 comprise of Royal New Zealand Coastguard Incorporated and its controlled entities, together the 'Group'. Entities are classified as being under actual or deemed control when the Society can derive benefits from and can either direct the activities of, or appoint majority board members to the other entity. Comparative figures are for the same Group.

The consolidated group comprises the following significant controlled entities:

Royal New Zealand Coastguard Incorporated
Royal New Zealand Coastguard Charitable Trust
Royal New Zealand Coastguard Boating Education Limited
Auckland Volunteer Coastguard Charitable Trust

The Group also includes 62 Units situated around the country.

The group is predominantly a marine safety organisation, providing search and rescue, education, communication and marine safety services. All entities within the Group are charitable organisations registered under the Charities Act 2005.

These consolidated financial statements have been approved and were authorised for issue by the Board on the date noted on page 7.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

b) Measurement basis

The consolidated financial statements have been prepared on the historical cost basis, and modified by the fair value measurements of non-derivative financial instruments.

c) Functional and presentation currency

The consolidated financial statements are presented in New Zealand Dollars ($), which is the functional and presentation currency, rounded to the nearest dollar.

There has been no change in the functional currency of the Group during the year.

d) Changes in accounting policy

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

Statement of Accounting Policies

For the year ended 30 June 2021

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments

The Group has entered into a number of vehicle, photocopier and office premises leases.

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the assets, that it does not retain all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Revenue recognition

Non-exchange Revenue with conditions is recognised when the conditions are satisfied. Non-exchange Revenue with restrictions is recognised upon receipt.

Whether there is control over units & regions

The Society is considered to control the units and regions as it benefits from their activities and is able to direct their activities by virtue of funding and determination of policies and procedures that must be adopted.

Non-coterminous reporting dates

The Society is required to consolidate the results, financial position and cash flows for the period covered by these financial statements. The accounting standard allows for the controlled entities reporting dates to differ from the Society by no more than 3 months. In any event, the standard requires adjustments to be made for any significant transactions in the intervening period. A number of the controlled entities as indicated in Note 1 have different reporting dates to the Society. Management have assessed that there is no need for any adjustments to the numbers consolidated, as there are no significant transactions in the intervening period.

Consistency of accounting policies

The consolidation standard requires the application of consistent accounting policies for all members of the group. The current and prior year financial statements of the controlled entities have been reviewed and adjustments made where necessary, to ensure that all material transactions have been accounted for in accordance with group policies.

The two main areas considered are depreciation and income in advance. In respect of depreciation, each of the units and regions apply their own depreciation rates and methods. All significant asset categories have been reviewed and adjustments made to comply with the group rates disclosed in Note 4.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Statement of Accounting Policies

For the year ended 30 June 2021

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset based on the assessment of management employed by the Group
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Group are listed in Policy 4(h)(iii).

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies so as to benefit from its activities. The controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all inter entity balance and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entity in all material respects are consistent with the policies adopted by the Group.

b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

i) Revenue from exchange transactions

Subscriptions

Fees and subscriptions received in exchange for monthly access to membership benefits are initially recorded as income in advance and recognised as revenue evenly over the membership period.

Interest revenue

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of comprehensive revenue and expense.

Other Revenue

All other revenue is recognised when the amount of revenue can be measured reliably, it is probable that economic benefits will flow to the Group and is measured at the fair value of the consideration received.

ii) Revenue from non-exchange transactions

Donations

Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific programmes or services or donations in-kind. Donations in-kind include donations received for services and consumables and is recognised in Statement of Comprehensive Revenue and Expense when the goods or services are received. Donations in-kind are measured at their fair value as at the date of acquisition, ascertained by reference to the expected cost that would be otherwise incurred by the Group.

Services in-kind, including volunteer time has not been given a financial value in these financial statements.

Examination Fees

Examination and course material fees are recognised upon completion of the course or when the Group has met its obligations to supply materials if no examination is involved.

Lotteries Revenue

Lotteries revenue is recognised once a lottery is drawn.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Revenue from non-exchange transactions (continued)
Grants

The recognition of non-exchange revenue from Grants depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are ‘conditions’ specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the ‘conditions’ are satisfied.

Stipulations that are ‘restrictions’ do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

c) Employee benefits
Short term employee benefits
Short-term employee benefit liabilities including employer contributions to kiwisaver at rates required by legislation are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

d) Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: fair value through surplus or deficit; loans and receivables.

The Group classifies financial liabilities at amortised cost.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and receivables.

ii) Fair value through surplus or deficit
Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. The Group's investment in managed funds fall into this category of financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

iii) Amortised cost financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities.

Financial liabilities classified as amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Financial liabilities classified as amortised cost comprise payables.

e) Impairment of financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

i) Financial assets classified as loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

f) Cash and cash equivalents

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of three months or less.

g) Short term investments

Short term investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents.

h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Statement of Accounting Policies

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Property, plant and equipment (continued)

(iii) Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value and for buildings is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives and depreciation rates are:	Straight Line	Diminishing Value
Buildings and Property Improvements	30 - 40 years	0% - 20%
Rescue Vessels & Equipment	4 - 20 years	5% - 60%
Plant & Equipment	2 - 20 years	3% - 50%
Office Equipment	2 - 25 years	4% - 50%
Motor Vehicles	3 - 11 years	10% - 30%

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Group does not hold any intangible assets that have an indefinite life.

The amortisation period and amortisation rate for the Groups' intangibles is as follows:

	Straight Line	Diminishing Value
Software	2.5 - 10 years	10% - 40%

j) Equity

Equity is the community's interest in the Group measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since the formation of the Group.

Asset maintenance reserve

This is a specific reserve created to fund the ongoing depreciation costs of the rescue vessels, the ongoing depreciation and maintenance costs of the promotional caravan and the ongoing depreciation and maintenance costs of the automatic weather stations.

Course development reserve

This is a specific reserve created to fund the ongoing development of courses.

k) Income Tax

All entities within the Group have charitable status from the Charities Commission and are therefore exempt from income tax.

l) Goods and services tax

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Operating leases

Leases that are not finance leases are classified as operating leases.

Operating leases are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

5. NET FINANCE INCOME

Finance Income Comprises:	2021 $	2020 $
Interest Received	209,932	386,763
Realised/Unrealised Gain on Investments	372,998	61,121
Dividend Income	24,754	5,854
	607,684	453,738
Finance Costs Comprises:		
Interest Expense	-	4,169
	-	4,169

6. CASH AND CASH EQUIVALENTS

Cash on Hand	20,258	5,329
Cash at Bank	12,408,429	12,056,728
	12,428,687	12,062,057

There are no restrictions over the above cash held by the Group.

7. INVESTMENTS

Current Investments		
Term Deposits	13,796,483	9,329,574
Shares and Bonds	370,841	1,851,429
	14,167,324	11,181,003
Non-current Investments		
Clarity Funds Management - Dividend Yield Fund	794,102	634,858
Clarity Funds Management - Fixed Income Fund	459,759	458,492
Shares and Bonds	1,663,652	248,890
	2,917,513	1,342,240
	17,084,837	12,523,243

The interest rates on term deposits are at current market rates and varies with maturity dates ending prior to 01 July 2022.

The above units investments are managed by professional fund managers in accordance with Royal New Zealand Coastguard Charitable Trust's investment strategy. The Jarden investments are independently managed in accordance with the Auckland Volunteer Coastguard Charitable Trust's investment strategy.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. RECEIVABLES

	2021 $	2020 $
Receivables from exchange transactions		
Trade Debtors	283,048	439,443
Sundry Debtors	203,389	202,843
	486,437	642,286

There are no amounts impaired as at year end relating to trade receivables from exchange and non-exchange transactions.

9. RELATED PARTY TRANSACTIONS AND BALANCES

The entities within the Group are controlled and managed by their boards and management teams. The majority of these provide their services on a voluntary basis. In many instances entities controlled by these parties also transact with the Group providing goods and services on normal commercial terms (as applicable to a charitable organisation). A number of these parties who represent the units have also been elected to positions on the boards of the Society. Often funding is received by the Society and passed on to the units. These transactions are not influenced by unit members on the Society boards.

The following significant transactions have occurred between the board and regional team members and the entities within the Group:

During the year the Group paid Bellingham Wallace Limited fees for services rendered totalling $106,244 (2020: $123,811). The Group also sub leases a portion of Bellingham Wallace Limited's leased office space. The total amount paid to Bellingham Wallace Limited during the year under the license to occupy totalled $31,598 (2020: $79,107). Aaron Wallace, a member of the Board at balance date of Royal New Zealand Coastguard Incorporated, and Trustee of Royal New Zealand Coastguard Charitable Trust, is a Director of Bellingham Wallace Limited.

During the year the Group purchased vessels from Naiad Inflatables (NZ) Limited totalling $21,056 (2020: $232,049). John Cowan, a member of the Board of Coastguard Boating Education, is a Director of Naiad Inflatables (NZ) Limited.

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Royal New Zealand Coastguard Incorporated, the Board of Directors of Royal New Zealand Coastguard Boating Education Limited, and the Trustees of the Royal New Zealand Coastguard Charitable Trust as well as the senior management groups of Royal New Zealand Coastguard Incorporated, and Royal New Zealand Coastguard Boating Education Limited respectively. No remuneration is paid to members of the Board.

The aggregate remuneration of the senior management groups and the number of individuals, determined on a full-time equivalent basis, receiving remuneration are as follows:

	2021	2020
Number of key management personnel:	14	14
Key management personnel remuneration:	1,943,414	1,678,403

10. INTANGIBLE ASSETS - SOFTWARE

	2021	2020
Cost	1,762,627	1,732,214
Accumulated Amortisation	(1,143,063)	(910,205)
Carrying Value	619,565	822,009

Reconciliation of intangibles

	2021	2020
Opening Carrying Value	822,009	922,174
Additions including Work in Progress	143,034	198,431
Amortisation	(345,478)	(298,596)
Closing Carrying Value	619,565	822,009

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings and Property Improvements	7,820,586	1,736,517	6,084,069	7,610,380	1,586,480	6,023,900
Rescue Vessels & Equipment	36,335,536	21,633,066	14,702,470	32,469,125	19,717,045	12,752,080
Plant & Equipment	8,875,474	5,816,687	3,058,787	8,624,877	5,596,042	3,028,835
Office Equipment	2,309,031	1,955,225	353,806	2,036,992	1,678,465	358,526
Motor Vehicles	2,681,003	1,850,309	830,694	2,535,883	1,721,760	814,123
Capital Work in Progress	10,418,245	-	10,418,245	12,485,271	-	12,485,271
	68,439,875	32,991,804	35,448,072	65,762,528	30,299,791	35,462,735

Reconciliation of property, plant and equipment

	2021					
	Opening balance	Additions	Transfer (1)	Disposals at BV	Depreciation	Closing balance
Buildings and Property Improvements	6,023,900	295,227	-	85,021	150,037	6,084,069
Rescue Vessels & Equipment	12,752,080	2,246,638	1,737,576	117,825	1,915,999	14,702,470
Plant & Equipment	3,028,835	296,767	-	46,169	220,645	3,058,787
Office Equipment	358,526	416,367	-	144,327	276,759	353,806
Motor Vehicles	814,123	180,715	-	35,596	128,548	830,694
Capital Work in Progress	12,485,271	2,041,334	(4,108,360)	-	-	10,418,245
	35,462,735	5,477,047	(2,370,784)	428,938	2,691,988	35,448,072

(1) Transfers include transfers from capital work in progress and assets held for sale (see note 21).

	2020					
	Opening balance	Additions	Transfer	Disposals at BV	Depreciation	Closing balance
Buildings and Property Improvements	5,619,688	675,901	-	108,093	163,596	6,023,900
Rescue Vessels & Equipment	12,383,055	128,132	2,855,457	901,081	1,713,480	12,752,080
Plant & Equipment	1,104,868	2,497,252	-	240,035	333,250	3,028,835
Office Equipment	434,310	141,143	-	33,776	183,151	358,526
Motor Vehicles	864,174	189,252	-	87,889	151,414	814,123
Capital Work in Progress	10,060,573	3,799,155	(1,374,457)	-	-	12,485,271
	30,466,666	7,430,835	1,481,000	1,370,874	2,544,890	35,462,735

12. FINANCIAL INSTRUMENTS

The tables below show the carrying amounts of the Group's financial assets and financial liabilities.

Classification and fair values of financial instruments

	2021		
	Loans and receivables	Financial liabilities at amortised cost	Fair Value through surplus or deficit
Cash and Cash Equivalents	12,428,687	-	-
Investments - Term Deposits	13,796,483	-	-
Investments - Bonds, Shares and Other Investments	-	-	3,288,354
Receivables from exchange transactions	283,048	-	-
Payables from exchange transactions	-	1,517,854	-
	26,508,218	1,517,854	3,288,354

	2020		
	Loans and receivables	Financial liabilities at amortised cost	Fair Value through surplus or deficit
Cash and Cash Equivalents	12,062,057	-	-
Investments - Term Deposits	9,329,574	-	-
Investments - Bonds, Shares and Other Investments	-	-	3,193,669
Receivables from exchange transactions	439,443	-	-
Payables from exchange transactions	-	1,806,799	-
	21,831,074	1,806,799	3,193,669

18. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date (2020: $Nil).

19. EVENTS AFTER THE REPORTING DATE

The Trustees of the Auckland Volunteer Coastguard Charitable Trust (Trust) have resolved to wind up the Trust and distribute the assets prior to 30 September 2021. The Trust has $1.44m in liquid assets to distribute to relevant parties.

The board is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these special purpose consolidated financial statements that have significantly or may significantly impact the operations of the Group (2020: as a result of successful vote on 7 March 2020, the Group has integrated the four Regional units into Coastguard New Zealand on 1 July 2020).

20. SERVICE LEVEL AGREEMENT & LOTTERY GRANTS BOARD FUNDING

Service Level Agreement funding income recognised during the year totalled $3,391,946 (2020: $2,440,000). This funding is set for three years, with the current funding period ending 30 June 2023.

Lottery Grants Board funding income recognised during the year totalled $2,904,456 (2020: $5,184,226). This is a contestable annual funding source.

Foundation North funding income recognised during the year totalled $552,291 (2020: $410,084). This is a contestable annual funding

Water Safety New Zealand Service Level Agreement funding income recognised during the year totalled $4,548,697 (2020: $Nil). This funding is set for three years, with the current funding period ending 30 June 2023.

Bay Trust funding income recognised during the year totalled $130,000 (2020: $267,749). This is a contestable annual funding source.

21. ASSETS HELD FOR SALE

	2021	2020
Vessels		
Opening Balance	-	1,557,000
Transfer from Capital Work in Progress	2,370,784	-
Impairment Loss	(668,317)	(76,000)
Transferred to Property, Plant & Equipment	-	(1,481,000)
Carrying Value	1,702,467	-

As at the reporting date 4 America's Cup vessels, Salthouse Chase 1, Salthouse Chase 2, Rayglass 2 & Rayglass 3 are held for sale. An impairment adjustment was made to recognise the vessels at its estimated realisable market value.

22. IMPACT OF COVID-19

On 17 August 2021, the New Zealand Government commenced Covid-19 lockdown restrictions for Auckland, which are still in place as at the date of approval of these financial statements. While further extended lockdowns would likely further negatively affect operations and some revenue streams, after consideration of the future funding secured and the organisation's financial position at the date of authorising these financial statements the Board are satisfied that the organisation will be able to meet its financial obligations for the foreseeable future. Hence the preparation of the financial statements using the going concern assumption remains appropriate.

23. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF 2020 COMPARATIVES

The 2020 comparatives have been adjusted in the Group consolidated accounts for eliminated entries between units and head office. The impact on the Consolidated Statement of Comprehensive Revenue and Expense has resulted in the following changes:

Decrease in Other Grants Income & Grants Expenditure of $612,101,
Decrease in SAR Reimbursements Income & Administrative Overheads of $316,993,
Decrease in Subscriptions Income of $717,687,
Decrease in Other Income of $8,966 and
Decrease in Marketing & Fundraising Costs of $726,653.

The above has no impact on the Consolidated Statement of Financial Position.