DREAM IT, DO IT WITH YOUTHTOWN

Youthtown Incorporated

FINANCIAL STATEMENTS

For the year ended 30 June 2016

OUR VISION:

TO EMPOWER YOUNG NEW ZEALANDERS TO BE THE BEST THEY CAN BE

YOUTHTOWN INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

YOUTHTOWN INC
CONTENTS
FOR THE YEAR ENDED 30 JUNE 2016

YOUTHTOWN INC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	GROUP 2016 $	GROUP 2015 $
Gaming revenue	3	12,761,073	12,475,976
Gaming expenditure			
Gaming venue payments and other direct costs		(3,982,948)	(4,050,159)
Gaming indirect costs		(536,463)	(764,631)
Gaming equipment depreciation	7	(926,618)	(813,164)
Gaming grants to other community groups	4	(2,002,495)	(1,747,366)
Total gaming expenditure		(7,448,524)	(7,375,320)
Gaming contribution		5,312,549	5,100,656
Youth Services and other revenue			
Programme registrations		1,441,037	1,028,704
Funding - Government or Council		259,234	251,500
Insurance settlement		18,215	24,800
Gain on asset disposal		113,035	106,309
Sundry income		228,929	104,953
Total Youth Services and other revenue	2	2,060,450	1,588,470
Youth Services and other expenditure			
Youth Services direct programme expenses		(3,324,470)	(2,614,088)
Communications		(84,365)	(70,904)
Occupancy costs		(645,104)	(436,976)
Professional services		(424,649)	(347,504)
Audit fees		(44,450)	(69,268)
Depreciation	7	(146,255)	(212,286)
Personnel costs		(2,036,008)	(2,146,322)
Sundry costs		(426,416)	(613,032)
Contamination and demolition costs	5	(1,667,113)	(367,835)
Charitable grants		-	(62,732)
Total Youth Services and other expenditure		(8,798,830)	(6,940,947)
Finance income		147,029	305,095
Finance expense		(13,416)	(62,836)
Net finance income		133,613	242,259
Loss from continuing operations		(1,292,218)	(9,562)
Other comprehensive income items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available for sale financial assets		(154,992)	140,757
Total comprehensive (loss)/profit		**(1,447,210)**	**131,195**

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 30 JUNE 2016

		GROUP	
		2016	2015
	Note	$	$
Accumulated funds			
Balance at beginning of period		5,981,589	5,850,394
Total comprehensive income/(loss) for the period			
Net profit/(loss)for the period		(1,292,218)	(9,562)
Total other comprehensive (loss) for the period			
Fair value movement on available for sale financial asset		(154,992)	140,757
Total comprehensive profit/(loss) for the period		(1,447,210)	131,195
Balance at end of period		4,534,379	5,981,589

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	GROUP 2016 $	2015 $
Accumulated funds			
Accumulated funds		4,534,379	5,981,589
Total accumulated funds		4,534,379	5,981,589
Represented by:			
Current assets			
Prepayments		380,815	342,647
Accounts receivable	12	470,428	452,434
Cash and cash equivalents		738,049	1,944,707
Total current assets		1,589,292	2,739,788
Non-current assets			
Property plant & equipment	7	4,136,531	3,012,346
Investments	8	2,131,611	2,351,121
Total non-current Assets		6,268,142	5,363,467
Total assets		7,857,435	8,103,255
Current liabilities			
Goods & services taxation	11	276,249	278,457
Trade creditors	11	427,153	263,056
Other creditors	11	1,739,916	1,580,153
Provision for demolition	14	242,650	-
Borrowings	9	637,088	-
Total current liabilities		3,323,056	2,121,666
Total liabilities		3,323,056	2,121,666
Net assets		4,534,379	5,981,589

Chairperson
18 October 2016

Director
18 October 2016

The financial statements must be read in conjunction with the attached notes

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YOUTHTOWN INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

		GROUP	
		2016	2015
	Note	$	$
Cash flow from operating activities			
Receipts from customers		1,943,623	1,413,691
Gaming machine receipts		16,962,256	16,566,495
Payments to suppliers and employees		(19,029,980)	(17,169,413)
Interest and dividends received		204,869	209,198
Interest paid		(58,790)	(62,836)
Net cash provided by operating activities		**21,978**	**957,135**
Cash flow from investing activities			
Proceeds from investments		83,842	(123,722)
Proceeds from disposal of property, plant & equipment		-	605,847
Payments for property, plant & equipment		(1,949,566)	(1,113,779)
Net cash used in investing activities		**(1,865,724)**	**(631,654)**
Cash flow from financing activities			
Borrowing / (Repayment of financing)		637,088	(566,716)
Net cash used in financing activities		**637,088**	**(566,716)**
Net increase / (decrease) in cash and cash equivalents held		(1,206,658)	(241,235)
Cash and cash equivalents at 1 July		1,944,707	2,185,942
Cash and cash equivalents at 30 June		**738,049**	**1,944,707**

The financial statements must be read in conjunction with the attached notes

YOUTHTOWN INC
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance
Youthtown Inc is an incorporated society, incorporated in New Zealand under the Incorporated Societies Act 1908 and registered under the Charities Act 2005. Its registered address is 110 Mt Eden Road, Mt Eden, Auckland.

The consolidated financial statements are for the Group which comprises Youthtown Inc, and Youthtown Foundation Trust.

Youthtown Inc designs and delivers initiatives and activities that engage and develop young New Zealanders. The Youthtown Foundation Trust's purpose is to create and manage a fund to support Youthtown Inc.

Youthtown Inc and Youthtown Foundation Trust have been established to carry on activities for the exclusive benefit of charitable purposes within New Zealand.

The financial statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors.

Basis of Preparation
Statement of Compliance
The Group currently prepares financial statements in accordance with the Not-for-Profit Public Benefit Entity International Public Sector Accounting Standards, Reduced Disclosure Regime (PBE IPSAS RDR) based on the annual reporting expenditure threshold of greater than the $2 million and less than $30 million. This applies to the Group for the year ended 30 June 2016.

This is a change to the previous year where the group prepared financial statements in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The comparatives comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards, as appropriate for public benefit entities that qualify for and apply differential reporting concessions.

In the prior year, the Group qualified for differential reporting exemptions as it had no public accountability and is not large. No reporting exemptions allowed under the Framework for Differential Reporting were adopted.

The Group is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

Basis of Measurement
The financial statements have been prepared on a historical costs basis, except for assets and liabilities that have been measured at fair value.

Cost is based on the fair value of the consideration given in exchange for assets.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

Presentation Currency
The financial statements are presented in New Zealand dollars, which is the Group's functional currency. All numbers presented have been rounded to the nearest dollar, unless otherwise stated.

Use of Estimates and Judgments
The preparation of financial statements in conformity with PBE IPSAS RDR (2015: NZ IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgments, estimates and assumptions is provided in the relevant accounting policy or note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Reporting Date
The current financial statements are for a 12 month period covering 1 July 2015 to 30 June 2016.

Significant Accounting Policies
The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of Consolidation
The Youthtown Foundation Trust is accounted for on a consolidation basis as though it is a subsidiary of the Parent. Youthtown Inc, as Parent, consolidates the Youthtown Foundation Trust because it has the capacity to control the Youthtown Foundation Trust through the appointment and removal of the Trustee and Advisory Trustees, and it benefits from the activities of the Youthtown Foundation Trust.

The purchase method is used to prepare the consolidated group financial statements, which involves adding together like items of assets, liabilities, equity, and income and expenses on a line-by-line basis.

Intergroup balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on translation are recognised in the Statement of Comprehensive Income.

(c) Non derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, investments, trade and other payables and loans.

Recognition
Financial instruments are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments.

Other
All non derivative financial instruments are classified as either loans and receivables or other financial liabilities. Subsequent to initial recognition, all financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and Other Receivables
Loans and other receivables (including trade and other receivables and investments) are stated at amortised cost, using the effective rate of interest method, less impairment losses.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through Statement of Comprehensive Income) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the 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.

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 non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Investments
Held-to-maturity financial assets
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debentures, bonds and capital notes.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity.

When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the Statement of Comprehensive Income.

Available-for-sale financial assets comprise equity securities and debt securities.

(d) Non Derivative Financial Liabilities
Trade and Other Payables
Trade and other payables are recognized when the entity becomes obliged to make future payments resulting from the purchase of goods and services. Payables are classified as financial liabilities at amortised cost using the effective interest method.

Finance Costs
Interest payable on borrowings is recognised on an accrual basis and calculated using the effective interest rate method. All interest costs are recognised in the Statement of Comprehensive Income.

(e) Property, Plant & Equipment
Recognition and Measurement
Land is recorded at cost. All other owned items of property, plant and equipment are recorded at cost less accumulated depreciation. Initial cost includes the purchase consideration, or fair value in the case of a donated asset and those costs directly attributable to bringing the asset to the location

and condition necessary for its intended use. These costs include, where appropriate, site preparation costs and installation costs.

Subsequent Costs

Subsequent expenditure relating to an item of property, plant or equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and if that expenditure would have been included in the initial cost of the item if it had been incurred at that time.

Items of property, plant or equipment are written down immediately if impairment in the value of the asset causes its recoverable amount to fall below its carrying amount. The impairment is recognised in the Statement of Comprehensive Income.

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the Statement of Comprehensive Income is calculated as the difference between the net sale price and the carrying amount of the asset. Any revaluation is reduced or increased by the amount applicable to that item.

Depreciation

Depreciation is calculated on all assets, with the exception of land, over their estimated useful lives. Property, Plant and Equipment are stated at cost less accumulated depreciation.

Buildings	2.0% SL – 11.4% DV
Plant & Equipment	10.0% - 80.0% DV
Motor Vehicles	10.0% - 36% DV
Furniture & Fittings	9.0% - 60.0% DV
Gaming Equipment	24% – 48% SL

The assets' residual values, depreciation methods, and useful lives are reviewed and adjusted if appropriate at each reporting date.

(f) Intangible Assets

Intangible assets are recognised at cost less any accumulated amortisation. Amortisation methods, useful lives and current residual values are reassessed annually.

Amortisation is recognised in the Statement of Comprehensive Income on a straight line basis over the estimated useful life of the intangible asset.

(g) Impairment

Financial Assets (including receivables)

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss reversals are recognised in the Statement of Comprehensive Income.

Non-Financial Assets
At each reporting date, the Group reviews the carrying values of its tangible and intangible assets, to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use (depreciated replacement cost), is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(h) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables, which are recognised inclusive of GST.

Cash flows are included in the statement of cash flow on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Employee Benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, Kiwisaver and annual leave when it is probable that settlement will be required and they are capable of being measured.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration expected to apply at the time of settlement.

(j) Revenue
Revenue is measured at the fair value of consideration received or recoverable.

Sponsorship, Donations, Government Funding and Grants
Sponsorship, donations and grant income is recognised as income when it becomes receivable unless the Group has a liability to repay the sponsorship, donation, or grant if the requirements or conditions of the specific revenue received are not fulfilled. A liability is recognized as income received in advance to the extent that such conditions are not fulfilled at the end of the reporting period.

Bequests
Bequests are recognised in the Statement of Comprehensive Income once received. Revenue from specifically designated bequests where the designated expenditure during the year has not occurred or is incomplete, and where there is an obligation to repay the funds, are transferred to income received in advance and will be brought to account in the future as the funds are expended.

Gaming Revenue
Gaming revenue is recognised when it becomes receivable, and is presented net of applicable gaming duties and levies.

Dividends
Dividend income from investment portfolios are recognised in the Statement of Comprehensive Income as received.

Donated Assets
Where a physical asset is donated or vested for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested are recognised as revenue when control through ownership over the asset is obtained.

Programme Registrations
Revenue from the programmes is recognised when the service is rendered. Revenue received but not able to be recognised under the above policy is recorded as income received in advance in the Statement of Financial Position as a liability.

Changes in Accounting Policies
All policies have been applied on bases consistent with those used in previous years.

(k) Income Tax
The Group was granted charitable tax status by the Charities Commission and therefore taxation expense does not apply.

(l) Leases
The Group as lessee:
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding, using the effective interest method.

The corresponding rental obligations, net of finance charges are shown as liabilities on the Statement of Financial Position. The interest element of the finance cost is charged to the Statement of

Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under a finance lease is treated in the same manner as owned assets as detailed in note 7.

The Group as lessor:

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(m) Use of Estimates and Judgements

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is noted as follows:

- Management have judged that the Group is a public benefit entity. The primary objective of the Group is to benefit young New Zealander's.
- Any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

2. ACTIVITIES OF YOUTHTOWN INC

Youthtown Inc provides youth development and recreational services throughout New Zealand, which is partly funded by the operation of gaming machines.

Youthtown Inc – Youth Services

	GROUP	
	2016	2015
	$	$
Revenue:		
Sponsorship, donations & grants	259,234	417,861
Programme & facility income	1,441,037	1,056,760
Other sundry revenue	360,179	113,849
	2,060,450	1,588,470

3. GAMING REVENUE

Youthtown generates revenue from the operation of gaming machines at 23 gaming venues around New Zealand. These revenues are applied to the provision of Youthtown's 'Youth Services' at Youthtown Inc as the end user trust and they are also distributed as community grants (Note 4).

	GROUP	
	2016	2015
	$	$
Gaming Revenue:		
Gross gaming revenue	16,902,708	16,525,667
Gaming duties & levies	(4,141,635)	(4,049,691)
	12,761,073	12,475,975

Legally Youthtown Inc is required to return Gaming Machine Duty of 20.00% of GST-inclusive gross gaming revenue (2015: 20.00%) and Problem Gambling Levies of 1.31% of gross gaming revenue (2015: 1.31%).

4. GAMING GRANTS TO COMMUNITY GROUPS

Youthtown Inc's Gaming operation is required by law to distribute at least 37.12% (2015: 37.12%) of gross gaming revenue by way of Grants to the community. During the year Youthtown Inc's Gaming operation has met its obligation and paid out 37.12% or more of gross gaming revenue (41.95%, $7,089,855) (2015: 37.20%, $6,147,243).

All community grants up to $50,000 are approved by the Board Sub-Committee for Grants and all community grants over $50,000 must be approved by the Board.

All community grants must meet the criteria outlined in the Grants Policy including being for an "authorised purpose" as defined by the Gambling Act 2003.

Youthtown Inc as an end user trust applies gaming proceeds to enable the delivery of Youth Services programs and activities that engage and develop young New Zealander's.

These 'grants' to Youth services do not appear in the Statement of Comprehensive Income as they are internal transactions that flow through as Gaming's contribution.

5. CONTAMINATION COSTS

During the 2012 financial year Youthtown Inc discovered lead contamination in the basement of its Nelson Street facility. The lead contamination was the result of years of operation of the rifle range in the basement, most recently by a Shooting Club. During the 2015 financial year significant asbestos was discovered and cleaned as part of the decontamination process.

Costs have been expensed and accrued in these accounts for the decontamination.

6. SUBSIDIARIES

Although the Society does not hold any ownership interests in the Youthtown Foundation Trust, it has the capacity to control the Youthtown Foundation Trust through the appointment and removal of the Trustee and Advisory Trustees, and it receives substantially all of the benefits related to their operations and net assets based on the Trust Deed under which Youthtown Foundation Trust was established. Consequently, Youthtown Inc consolidates this entity

7. NON CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT

GROUP

	Freehold Land	Building	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Plant & Equipment - Gaming	Total
	$	$	$	$	$	$	$
Gross carrying amount:							
Balance as at 30 June 2015	85,000	1,318,618	1,113,094	420,955	48,243	8,422,298	11,408,208
Additions	-	50,146	367,407	-	17,519	1,860,483	2,295,555
Disposals	-	-	(588,782)	(371,589)	(18,819)	(632,057)	(1,611,247)
Balance as at 30 June 2016	85,000	1,368,764	891,719	49,366	46,943	9,650,724	12,092,516
Accumulated depreciation / amortisation and impairment:							
Balance as at 30 June 2015	-	160,966	902,230	396,437	29,421	6,906,808	8,395,862
Disposals	-	0	(583,110)	(348,067)	(18,388)	(563,185)	(1,512,750)
Depreciation expense	-	30,901	137,755	665	5,074	898,478	1,072,873
Balance as at 30 June 2016	-	191,867	456,875	49,035	16,107	7,242,101	7,955,985
Net book value:							
Balance as at 30 June 2015	85,000	1,157,652	210,864	24,517	18,822	1,515,490	3,012,345
Balance as at 30 June 2016	85,000	1,176,897	434,844	331	30,836	2,408,623	4,136,531

The amount of expenditure recognised in the carrying amount of an item of Plant & Equipment in the course of construction at balance date is $4,000 (2015: $25,000 Plant & Equipment - Gaming).

The property at 68 Nelson St is stated at cost less impairment charges. An impairment charge of $NIL was recognised at Group level. The freehold land of this property is carried at cost.

The Youthtown Foundation Trust has entered into a conditional Agreement for Sale and Purchase of Real Estate in regard to the property at 68 Nelson Street. The sale is at market value and is conditional upon the remediation and clearing of the site. The terms and conditions of the agreement are confidential.

8. INVESTMENTS

The market value of the debentures, notes and bonds, investments in shares and managed fund portfolio at 30 June 2016 was as follows:

	GROUP	
	2016	2015
	$	$
Held to maturity		
Debentures, notes and bonds	306,181	308,299
	306,181	308,299
Available-for-sale financial assets		
Investments in shares	1,445,410	1,606,284
Managed fund portfolio	380,020	436,539
	1,825,430	2,042,822
	2,131,611	2,351,121

9. BORROWINGS

	GROUP	
	2016	2015
	$	$
Current		
Westpac loan	(637,088)	-
	(637,088)	-

The loan is repayable on the 24th of November 2016 and the interest rate applicable at balance date is 5.90%.

10. LEASE COMMITMENTS

	GROUP	
	2016	2015
	$	$
Not longer than 1 year	243,407	264,009
Longer than 1 year and not longer than 5 years	409,650	647,658
Longer than 5 years	-	-
	653,057	911,667

The Group has entered into a number of operating leases in relation to premises and communication facilities. Where an operating lease contract contains an option to renew, the contract also contains a

market review clause, in the event of renewal. The entity does not have an option to purchase the leased assets at the expiry of the lease periods.

11. TRADE AND OTHER PAYABLES

	GROUP	
	2016	2015
	$	$
Trade creditors	427,153	263,056
Income received in advance	46,979	62,012
Employee salary and wages accrual	154,510	106,923
Employee holiday pay accrual	248,526	182,850
Sundry creditors	424,347	-
IRD - PAYE	47,190	44,134
Accrued expenses	818,364	1,184,234
IRD - GST	276,249	278,457
	2,443,318	2,121,666

12. ACCOUNTS RECEIVABLE

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, as this may have an influence on credit risk.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

	GROUP	
	2016	2015
	$	$
Accounts receivable - Youth Services	244,722	167,179
Accounts receivable - Gaming	225,706	285,254
	470,428	452,434

13. CAPITAL COMMITMENTS

As at balance date there are no known capital or other expenditure commitments (2015: $Nil). Non-cancellable operating lease commitments are disclosed in Note 11 to the financial statements.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at balance date there were no known contingent assets or contingent liabilities.

During the 2012 period the Group experienced a lead contamination at their Nelson Street facility (see Note 5). As at that 30 June 2015 it was believed that approximately $296,000 would need to be spent on

further clean up should the facility ever be sold or structurally changed. As at 30 June 2015 costs of $367,835 were accounted for in that financial period.

In the 2016 financial period a further $1,667,113 has been accounted for clean up and demolition. In the next financial period there will be more costs for the demolition of the building which will leave the site in a clean state.

The contract for completion of demolition has $242,650 including GST remaining as at balance date which has been accrued as Provision for Demolition.

15. RELATED PARTY TRANSACTIONS

One of the current Directors of Youthtown Inc is a Partner of Wilson McKay. Wilson McKay provided legal services to Youthtown Inc during the current and six prior periods.

One of the Directors of Youthtown Inc is an employee of BTG (Business Technology Group). BTG provided IT services to Youthtown Inc during the current and prior period.

One of the Directors of Youthtown Inc was contracted to provide project management services for the demolition. These services were provided during the current and prior period. The Director ceased being a Director on 25 May 2016.

There were no fees paid to any Directors during the year (2015: $Nil) and there are no trade receivables from Directors (2015: $Nil).

Payments to related parties represent operational services provided during the period on an arm's length basis.

The balances included in closing balances are detailed below:

	GROUP	
	2016	2015
	$	$
Trade payables	15,531	3,529

Key Management Personnel

The Directors, CEO and Senior Leadership Team are considered to be the key management personnel of Youthtown Inc. The Directors do not receive any remuneration. The remuneration for the CEO and Senior Leadership Team is as follows:

	GROUP	
	2016	2015
	$	$
Employee benefits expense	1,020,898	980,104
Total compensation	1,020,898	980,104

16. GOING CONCERN

The year end Group reports working capital amounts to ($1,733,764) (2015: $618,122).

The Directors have assessed the validity of the going concern assumption due to the negative working capital position which is a result of the loan to fund the demolition. As this will be cleared upon the sale of 68 Nelson St, the Directors believe the going concern assumption to be valid..

17. EVENTS AFTER REPORTING DATE

On the 27th of June 2016 a conditional sale and purchase agreement to purchase a lodge at 42 Park Avenue, Ohakune for $700,000 was entered into. Subsequent to balance date this has gone unconditional and a deposit has been paid on the property. There were no significant events after reporting date that would affect the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
YOUTHTOWN INCORPORATED

Report on the Financial Statements

We have audited the financial statements of Youthtown Incorporated ("the Society") and its subsidiary (together "the Group") on pages 3 to 20, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the Rules of the Society. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' 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.

Board Members' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in Youthtown Incorporated or its subsidiary.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.

BDO Auckland

BDO Auckland
18 October 2016
Auckland
New Zealand


DO IT WITH YOUTHTOWN
DREAM IT, DO IT WITH


DOPE

OUR SUPPORTERS MEAN EVERYTHING TO US

OUR GOALS

- EXCELLENCE IN ENGAGING AND DEVELOPING YOUNG NZ'ERS
- BE A RECOGNISED NATIONAL BRAND
- GROWTH IN TARGETED COMMUNITIES
- ATTRACT, INSPIRE AND DEVELOP EXCEPTIONAL PEOPLE
- FINANCIAL SUSTAINABILITY
- SAFE PLACE, SAFE PEOPLE, SAFE PROGRAMMES

DREAM IT, DO IT WITH YOUTHTOWN

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