# YOUTHTOWN INC

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018

**YOUTHTOWN INC**
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# YOUTHTOWN INC
## CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | GROUP 2018 $ | 2017 $ |
|---|---|---|---|
| **Gaming revenue** | 3 | 13,812,503 | 14,806,228 |
| **Gaming expenditure** | | | |
| Gaming venue payments and other direct costs | | (4,780,210) | (4,710,080) |
| Gaming indirect costs | | (934,381) | (615,610) |
| Gaming equipment depreciation | 5 | (989,230) | (1,001,560) |
| Gaming grants to other community groups | 4 | (1,419,243) | (2,332,292) |
| **Total gaming expenditure** | | (8,123,064) | (8,659,542) |
| **Gaming contribution** | | 5,689,439 | 6,146,686 |
| **Youth Services and other revenue** | | | |
| User Pays - includes Programme registrations | | 1,805,316 | 1,547,489 |
| Funding - Government or Council | | 528,304 | 544,811 |
| Insurance settlement | | 149,923 | 80,489 |
| Gain on asset disposal | | 11,804 | 9,885,963 |
| Youthtown Foundation Grants | | - | - |
| Sundry income | | 147,276 | 49,776 |
| **Total Youth Services and other revenue** | 2 | 2,642,623 | 12,108,528 |
| **Youth Services and other expenditure** | | | |
| Youth Services direct programme expenses | | (4,138,057) | (3,942,812) |
| Communications | | (100,212) | (86,882) |
| Occupancy costs | | (567,083) | (564,082) |
| Professional services | | (503,611) | (848,409) |
| Depreciation | 5 | (197,357) | (250,215) |
| Personnel costs | | (2,426,326) | (2,306,419) |
| Sundry costs | | (1,124,736) | (1,223,183) |
| Contamination and demolition costs | | - | (318,644) |
| **Total Youth Services and other expenditure** | | (9,057,382) | (9,540,646) |
| Finance income | | 267,795 | 230,314 |
| Finance expense | | (17,315) | (34,480) |
| **Net finance income** | | 250,480 | 195,834 |
| **Profit/(Loss) from continuing operations** | | (474,840) | 8,910,402 |
| **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 | | 561,863 | 169,926 |
| **Total comprehensive revenue and expense for the year** | | **87,023** | **9,080,328** |

# YOUTHTOWN INC
## CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED FUNDS
## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | GROUP 2018 $ | GROUP 2017 $ |
|---|---|---|---|
| **Accumulated funds** | | | |
| Balance at beginning of period | | 13,614,707 | 4,534,379 |
| Profit/(Loss) from continuing operations | | (474,840) | 8,910,402 |
| Fair value movement on available for sale financial asset | | 561,863 | 169,926 |
| **Total comprehensive revenue and expenses for the period** | | 87,023 | 9,080,328 |
| **Balance at end of period** | | 13,701,730 | 13,614,707 |

## YOUTHTOWN INC
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2018

| | Note | GROUP 2018 $ | 2017 $ |
|---|---|---|---|
| **Accumulated funds** | | | |
| Accumulated funds | | 13,701,730 | 13,614,707 |
| **Total accumulated funds** | | 13,701,730 | 13,614,707 |
| | | | |
| **Represented by:** | | | |
| | | | |
| **Current assets** | | | |
| Prepayments and other assets | | 435,496 | 396,370 |
| Accounts receivable | 10 | 312,047 | 551,028 |
| Cash and cash equivalents | 11 | 847,226 | 8,168,896 |
| **Total current assets** | | 1,594,769 | 9,116,294 |
| | | | |
| **Non-current assets** | | | |
| Property plant & equipment | 5 | 4,857,598 | 4,426,205 |
| Investments | 6 | 9,837,398 | 2,232,713 |
| **Total non-current assets** | | 14,694,996 | 6,658,918 |
| | | | |
| **Total assets** | | 16,289,765 | 15,775,212 |
| | | | |
| **Current liabilities** | | | |
| Goods & services taxation | | 81,853 | 243,861 |
| Trade creditors | | 441,137 | 228,653 |
| Other creditors | 9 | 1,548,137 | 1,687,991 |
| Borrowings | 7 | 276,830 | - |
| **Total current liabilities** | | 2,347,957 | 2,160,505 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 7 | 240,078 | - |
| **Total non-current liabilities** | | 240,078 | - |
| | | | |
| **Total liabilities** | | 2,588,035 | 2,160,505 |
| | | | |
| **Net assets** | | 13,701,730 | 13,614,707 |

Board Member
28 September 2018

Board Member
28 September 2018

## YOUTHTOWN INC
## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2018

| | | GROUP | |
|---|---|---|---|
| | | 2018 | 2017 |
| | Note | $ | $ |
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 2,834,016 | 2,470,315 |
| Gaming machine receipts | | 18,278,562 | 19,280,115 |
| Payments to suppliers and employees | | (20,552,639) | (22,338,493) |
| Interest and dividends received | | 267,795 | 3,521 |
| Interest paid | | (17,315) | (34,121) |
| **Net cash (used in)/provided by operating activities** | **11** | **810,419** | **(618,663)** |
| | | | |
| **Cash flow from investing activities** | | | |
| Proceeds from disposal of property, plant & equipment | | - | 9,980,000 |
| Payments for property, plant & equipment | | (1,606,175) | (1,978,231) |
| Payments for Investment Portfolio | | (7,042,821) | 684,830 |
| **Net cash (used in)/provided by investing activities** | | **(8,648,996)** | **8,686,599** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from financing | | 604,996 | - |
| Repayment of borrowings | | (88,088) | (637,088) |
| **Net cash provided by / (used in) financing activities** | | **516,908** | **(637,088)** |
| | | | |
| Net increase / (decrease) in cash and cash equivalents held | | (7,321,669) | 7,430,848 |
| | | | |
| Cash and cash equivalents at 1 July | | 8,168,896 | 738,048 |
| | | | |
| **Cash and cash equivalents at 30 June** | | **847,226** | **8,168,896** |

## 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 vision is to empower young New Zealanders to be the best they can be. Youthtown Inc delivers programme's that develop skills and knowledge to as many young people as possible. The Youthtown Foundation Trust's purpose is to create and manage a fund to support the vision of 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 2018 were authorised for issue in accordance with a resolution of the Board.

**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 2018.

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 where fair value has been determined by the market valuation approach.

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 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 2017 to 30 June 2018.

**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 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 Revenue and Expense.

*(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 Revenue and Expense) 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*
*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 Revenue and Expense.

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 Revenue and Expense.

*(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 Revenue and Expense.

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the Statement of Comprehensive Revenue and Expense 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% – 3% DV/SL |
| Plant & Equipment | 10% - 67% DV |
| Motor Vehicles | 10% - 36% DV |
| Furniture & Fittings | 14.4% - 67% DV |
| Gaming Equipment | 9.5% – 48% DV/SL |

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

*(f) 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 Revenue and Expense.

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 Revenue and Expense.

*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 Revenue and Expense.

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.

*(g) 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.

*(h) 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.

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

Revenue from exchange transactions

*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.

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

Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

Inflows of resources from non-exchange transactions are only recognized as assets where both;

- It is probable that he associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable

Liabilities are recognized in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transaction, where both;

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

The following specific recognition criteria in relation to the Group's non-exchange transaction revenue streams must also be met before revenue is recognized,

*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.

*Dividends*
Dividend income from investment portfolios are recognised in the Statement of Comprehensive Revenue and Expense as received.

*Insurance Income*
Income from insurance proceeds is recognized when the group's right to receive payment is established, and the amount can be reliably measured.

*(j) Income Tax*

The Group was granted charitable tax status by the Charities Commission and therefore taxation expense does not apply.

*(k) 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 Revenue and Expense 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 Revenue and Expense 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.

*(l) 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.

*Changes in Accounting Policies*

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

## 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.

| | GROUP 2018 $ | GROUP 2017 $ |
|---|---|---|
| **Revenue:** | | |
| **Revenue from exchange transactions:** | | |
| Programme & facility income | 1,805,316 | 1,547,489 |
| Gain on asset disposal | 11,804 | 9,885,963 |
| Insurance settlement | 149,923 | 80,489 |
| Sundry income | 147,276 | 49,776 |
| **Revenue from non-exchange transactions:** | | |
| Funding - Government or Council | 528,304 | 544,811 |
| | 2,642,623 | 12,108,528 |

**Youthtown Inc – Youth Services**

Included in the 2017 net gain on asset disposal is $9,895,000 related to the profit on disposal of the property at 68 Nelson Street, Auckland City.

## 3. GAMING REVENUE

Youthtown generates revenue from the operation of gaming machines at 20 gaming venues around New Zealand (2017: 19 gaming venues). 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 2018 $ | GROUP 2017 $ |
|---|---|---|
| **Gaming Revenue:** | | |
| **Revenue from exchange transactions:** | | |
| Gross gaming revenue | 18,255,589 | 19,160,517 |
| Gaming duties & levies | (4,469,089) | (4,689,716) |
| Gain on asset disposal | 26,003 | 335,427 |
| | 13,812,503 | 14,806,228 |

Legally Youthtown Inc is required to return Gaming Machine Duty of 20.00% of GST-inclusive gross gaming revenue (2017: 20.00%) and Problem Gambling Levies of 1.30% of gross gaming revenue (2017: 1.31%).

## 4. GAMING GRANTS TO COMMUNITY GROUPS

Youthtown Inc's Gaming operation is required by law to distribute at least 37.12% (2017: 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 gross gaming revenue amounting to 43.48%, or $7,933,818 which includes grants to other community groups of $1,419,243 (2017: 45.26%, $8,668,854 which includes grants to other community groups of $2,332,292).

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.

## 5. PROPERTY, PLANT & EQUIPMENT

| | Building | Plant & Equipment | Furniture & Fittings | Gaming Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Gross carrying amount:** | | | | | | |
| Balance As at 30 June 2016 | 1,368,764 | 891,720 | 46,943 | 9,650,724 | 49,366 | 12,007,517 |
| Additions | 728,283 | 210,592 | 29,252 | 973,506 | - | 1,941,633 |
| Disposals | - | (40,566) | (695) | (1,095,441) | - | (1,136,702) |
| **Balance As at 30 June 2017** | **2,097,047** | **1,061,746** | **75,500** | **9,528,789** | **49,366** | **12,812,448** |
| Additions | 20,060 | 348,516 | 9,571 | 1,277,824 | 675 | 1,656,646 |
| Corrections to opening balances | - | (1,630) | - | - | - | (1,630) |
| Disposals | - | (12,350) | - | (1,046,749) | (39,010) | (1,098,109) |
| **Balance As at 30 June 2018** | **2,117,107** | **1,396,282** | **85,071** | **9,759,864** | **11,031** | **13,369,355** |
| | | | | | | |
| **Accumulated depreciation:** | | | | | | |
| Balance As at 30 June 2016 | 191,867 | 456,876 | 16,107 | 7,242,101 | 49,035 | 7,955,986 |
| Disposals | - | (4,947) | (82) | (816,492) | - | (821,521) |
| Depreciation expense | 44,211 | 198,079 | 7,595 | 1,001,560 | 331 | 1,251,776 |
| **Balance As at 30 June 2017** | **236,078** | **650,007** | **23,623** | **7,427,169** | **49,366** | **8,386,243** |
| Disposals | - | (6,689) | - | (1,015,374) | (39,010) | (1,061,073) |
| Depreciation expense | 51,742 | 171,480 | 9,387 | 953,860 | 118 | 1,186,587 |
| **Balance As at 30 June 2018** | **287,820** | **814,798** | **33,010** | **7,365,655** | **10,474** | **8,511,757** |
| | | | | | | |
| Net book value: | | | | | | |
| **Balance As at 30 June 2017** | **1,860,969** | **411,739** | **51,877** | **2,101,620** | **-** | **4,426,205** |
| **Balance As at 30 June 2018** | **1,829,287** | **581,484** | **52,061** | **2,394,209** | **557** | **4,857,599** |

## 6. INVESTMENTS

The market value of the debentures, notes and bonds, investments in shares and managed fund portfolio at 30 June 2018 was as follows:

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| **Financial Assets** | $ | $ |
| **Held to maturity** | | |
| New Zealand Bonds | 2,553,477 | 7,488 |
| Offshore Bonds | 892,845 | 298,693 |
| | 3,446,322 | 306,181 |
| **Available-for-sale financial assets** | | |
| Equities - New Zealand | 1,018,299 | 728,956 |
| Equities - Australian | 1,200,230 | 795,699 |
| Equities - Offshore | 2,951,964 | - |
| Alternative Investments | 766,586 | 87,884 |
| Property | 195,093 | 295,093 |
| Managed funds portfolio | 258,904 | 18,900 |
| | 6,391,076 | 1,926,532 |
| | 9,837,398 | 2,232,713 |

## 7. BORROWINGS

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Current** | | |
| Ricoh Finance | (62,065) | - |
| BNZ Loan | (151,507) | - |
| | (213,572) | - |
| **Non Current** | | |
| Ricoh Finance | (120,125) | - |
| BNZ Loan | (183,211) | - |
| | (303,336) | - |
| | (516,908) | - |

The borrowings from Ricoh Finance is based on a 36 month term and split between two agreements, maturing in 2021. Repayments are on a monthly basis with fixed interest of 8.99% or 9.35%.

The BNZ loan is a drawdown against a line of credit facility, with a maximum term of 24 months per drawdown. Monthly repayments include interest at the 90-day Base Rate at the time of drawdown, plus a margin of 2.20%. Each lease / loan payment is allocated between the liability and finance and/or interest

charges, so as to achieve a constant rate on the finance balance outstanding, using the effective interest method.

Upon initial recognition, the leased asset is measured at its fair value. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

## 8. LEASE COMMITMENTS

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Not longer than 1 year | 298,875 | 308,875 |
| Longer than 1 year and not longer than 5 years | 102,394 | 210,900 |
| | 401,269 | 519,775 |

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.

## 9. OTHER CREDITORS

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| **Exchange Transactions** | $ | $ |
| Income received in advance | 219,761 | 161,196 |
| Employee salary and wages accrual | 266,786 | 228,431 |
| Employee holiday pay accrual | 322,377 | 346,838 |
| IRD - PAYE | 58,388 | 64,732 |
| Accrued expenses | 680,825 | 886,794 |
| | 1,548,137 | 1,687,991 |

## 10. 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.

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| **Exchange Transactions** | $ | $ |
| Accounts receivable - Youth Services | 345,554 | 596,094 |
| Accounts receivable - Gaming | 83,134 | 106,109 |
| Less Provision for Doubtful Debts | (116,641) | (151,175) |
| | 312,047 | 551,028 |

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.

## 11. NOTES TO THE CASH FLOW STATEMENT

*Cash and cash equivalents*

Cash is held at bank, at call, or in fixed term interest bearing deposits. Cash and cash equivalents include the following components:

| | GROUP | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Cash on hand | 837,226 | 1,051,963 |
| Bank deposits | 10,000 | 7,116,933 |
| | 847,226 | 8,168,896 |

*Reconciliation of Net Cash Flows from Operating Activities to Surplus / (Deficit)*

| | GROUP |
|---|---|
| | 2018 |
| | $ |
| **Comprehensive Income** | 87,023 |
| | |
| *Adjustments for:* | |
| Gaming machine depreciation | 989,230 |
| Depreciation | 197,357 |
| (Gain) on sale of fixed assets | (11,804) |
| Change in fair value (gain) of available for sale financial instruments | (561,863) |
| | |
| *Changes in Assets / Liabilities:* | |
| (Increase) / decrease in prepayments | (39,126) |
| (Increase) / decrease in accounts receivable | 238,980 |
| Increase / (decrease) in goods & services taxation | (162,008) |
| Increase / (decrease) in trade creditors | 212,484 |
| Increase / (decrease) in other creditors | (139,854) |
| | |
| Net cash provided by opearting activities | 810,419 |

## 12. CAPITAL COMMITMENTS

As at balance date there are no known capital or other expenditure commitments (2017: $Nil). Non-cancellable operating lease commitments are disclosed in Note 8 to the financial statements.

## 13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

## 14. RELATED PARTY TRANSACTIONS

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

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

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Wilson Mckay | 33,668 | 49,781 |
| BTG | 187,863 | 180,687 |
| | 221,531 | 230,468 |

A former Board Member of Youthtown Inc was contracted to provide project management services for the 68 Nelson Street, Auckland demolition. These services were provided during the three prior periods. The Board Member ceased being a Board Member on 25 May 2017.

There were no fees paid to any Board Members during the year (2017: $Nil) and there are no trade receivables from Board Members (2017: $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 | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Trade payables** | | |
| BTG | 12,167 | 681 |

**Key Management Personnel**

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

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Employee benefits expense | 1,096,275 | 1,076,163 |
| Total compensation | 1,096,275 | 1,076,163 |

## 14. EVENTS AFTER REPORTING DATE

There were no significant events after reporting date that would affect the financial statements.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF YOUTHTOWN INCORPORATED**

## Opinion

We have audited the consolidated financial statements of Youthtown Incorporated ("the Society") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets/equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") 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 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

## Board's Responsibilities 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 PBE Standards RDR, and for such internal control as the board determines 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 the board either intends to liquidate the Group or to cease operations, or has 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Who we Report to**

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

BDO Auckland

**BDO Auckland**
**Auckland**
**New Zealand**
**28 September 2018**