MELBOURNE YOUTH MUSIC INC.

ABN 54 089 059 805

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT FOR PROFITS COMMISSION ACT 2012
TO THE BOARD OF
MELBOURNE YOUTH MUSIC INC.

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there has been no contraventions of:

i. the auditor independence requirements as set out in the *Australian Charities and Not for Profits Commission Act 2012* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

HAINES MUIR HILL
Chartered Accountants
888 Doncaster Road
DONCASTER EAST VIC 3109

Kristian Lunardello
Partner

Dated on this 20th day of March 2018

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MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Revenue	**2**	1,516,207	1,421,398
Fair value gain on investment		38,303	30,953
Employee benefits expense	**3**	(887,061)	(879,980)
Overheads & consumables		(213,431)	(169,476)
Venue hire		(202,956)	(139,680)
Printing & advertising costs		(44,951)	(45,624)
Travelling expenses		(39,257)	(114,157)
Music, equipment & instruments		(53,653)	(26,712)
Depreciation and amortisation expenses		(23,199)	(14,022)
Insurance		(18,317)	(15,184)
Other expenses		(65,767)	(51,117)
Current year surplus before income tax		5,918	(3,601)
Income tax expense		-	-
Net current year surplus		5,918	(3,601)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		5,918	(3,601)
Total comprehensive income attributable to members of the entity		5,918	(3,601)

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash on hand	**4**	787,896	1,000,110
Accounts receivable and other debtors	**5**	282,768	255,162
Financial assets	**6**	625,620	556,868
Other current assets	**7**	35,632	57,211
TOTAL CURRENT ASSETS		1,731,916	1,869,351
NON-CURRENT ASSETS			
Property, plant and equipment	**8**	148,461	59,150
TOTAL NON-CURRENT ASSETS		148,461	59,150
TOTAL ASSETS		1,880,377	1,928,501
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	**9**	41,094	117,823
Provisions	**10**	32,764	38,960
Other liabilities	**11**	842,818	801,800
TOTAL CURRENT LIABILITIES		916,676	958,583
NON-CURRENT LIABILITIES			
Provisions	**10**	13,763	25,898
TOTAL NON-CURRENT LIABILITIES		13,763	25,898
TOTAL LIABILITIES		930,439	984,481
NET ASSETS		**949,938**	**944,020**
EQUITY			
Retained surplus		949,938	944,020
TOTAL EQUITY		**949,938**	**944,020**

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Retained Surplus $	Total $
Balance at 1 January 2016		947,621	947,621
Comprehensive income			
Net surplus for the year		75,431	75,431
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the association		75,431	75,431
Balance at 31 December 2016		1,023,052	1,023,052
Prior period error	**3**	(79,032)	(79,032)
Balance at 31 December 2016 (restated)		944,020	944,020
Balance at 1 January 2017		944,020	944,020
Comprehensive income			
Net surplus for the year		5,918	5,918
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the association		5,918	5,918
Balance at 31 December 2017		949,938	949,938

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from activities (excluding donations received)		963,089	1,102,714
Operating grants		497,435	364,192
Donations received		42,110	44,303
Payments to suppliers and employees		(1,621,818)	(1,497,416)
Dividends received		36,088	37,729
Interest received		13,841	17,710
Net cash (used in) / provided by operating activities	**13**	(69,255)	69,232
Cash flows from investing activities			
Payments for plant and equipment		(112,510)	(15,024)
Payments for investments		(30,449)	(181,207)
Proceeds from sale of investments		-	155,543
Net cash used in investing activities		(142,959)	(40,688)
Net increase / (decrease) in cash held		(212,214)	28,544
Cash on hand at beginning of financial year		1,000,110	971,566
Cash on hand at end of financial year	**4**	787,896	1,000,110

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The financial statements cover Melbourne Youth Music Inc. as an individual entity. Melbourne Youth Music Inc. is an association incorporated in Victoria and operating pursuant to the *Associations Incorporation Reform Act 2012*.

The financial statements were authorised for issue on 21 March 2018 by the members of the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Melbourne Youth Music Inc. applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010-2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* and other applicable Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*. The association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income Tax

No provision for income tax has been raised as Melbourne Youth Music Inc. is exempt from income tax under section 50-5 of the Income Tax Assessment Act 1997.

(b) Fair Value of Assets and Liabilities

The association measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the association would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

(b) Fair Value of Assets and Liabilities (cont'd)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(c) Property, Plant and Equipment

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment.)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset:	**Depreciation Rate**
Music library	22.5%
Musical instruments	15%
Percussion instruments	30%
Computers	37.5%
Websites & software	37.5%
Office furniture, fit-out and equipment	7.5%- 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(d) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the association, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the association commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transactions costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of income or expense in profit or loss.

(e) Financial Instruments (cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in fair value (i.e. gains or losses) being recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

(e) Financial Instruments (cont'd)

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the association recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of assets

At the end of each reporting period, the association assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

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

(g) Accounts Receivable and Other Debtors

Accounts receivable and other debtors largely include amounts due from students as well as amounts receivable from donors. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1 (f) for further discussion on the determination of impairment losses.

(h) Employee Provisions

Provision is made for the association's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the nominal amounts expected to be paid when the liability is settled, plus any related on-costs. Both annual leave and long service leave are recognised within the provisions liability.

Short-term employee benefits

Provision is made for the association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The association's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The association's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the association does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Provisions

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Cash on Hand

Cash on hand includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(j) Revenue and Other Income

Non-reciprocal grant revenue is recognised in profit or loss when the association obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the association and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The association receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of services is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax.

(k) Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the association during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(m) Critical Accounting Estimates and Judgements

The Board evaluates estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the association.

Key estimates

Impairment – general

The association assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the association that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

There were no indicators of impairment for assets during the financial year.

Key judgements

Provision for impairment of receivables

Included in accounts receivable and other debtors at the end of the reporting period are amounts receivable from members in relation to unpaid 2017 fees. The amount overdue as at 31 December 2017 is $3,178. The Board notes that the small amount overdue at the end of the financial year is reasonable and is consistent with prior years due to timing of year end being around Christmas. All debts have been collected at the date of this report therefore no provision for impairment has been made.

(n) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the association. The association has decided not to early adopt any of the new and amended pronouncements. The association's assessment of the new and amended pronouncements that are relevant to the association but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The Board anticipates that the adoption of AASB 9 will not have an impact on the association's financial instruments, as the association does not have any financial instruments where hedge accounting is applied.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2019, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15).

  This new revenue recognition Standard is applicable to annual reporting periods beginning on or after 1 January 2019. In relation to not-for-profit entities, AASB 15 will be applicable to the association's grant contracts with funding providers attached to specific performance obligations. The Board will be assessing all contracts moving forward before the standards effective date. As standard funding is provided for programs run over 12 months, it would be impractical to estimate the profit and loss effect at this point in time.

(n) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The Board anticipate that the adoption of AASB 16 will impact the association's financial statements as the association currently has, and intends to continue entering into leases which are currently classified as operating. A "Right to use" asset would be included for the future benefit to be 'obtained from each asset along with the corresponding liability associated with future payments.

  The Board anticipate that the adoption of AASB 16 will impact the company's financial statements as the company currently has, and intends to continue entering into leases which are currently classified as operating. All leases currently disclosed in Note 12 would be included on the balance sheet if the standard was applied for the year ended 30 June 2017. A "Right to use" asset would be included for the future benefit to be obtained from each asset along with the corresponding liability associated with future payments.

  The board wishes to receive further guidance on the practical application of this standard, therefore the effect on profit cannot be predicted at this point.

- AASB 1058: Income of Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019).

  This Standard is applicable to transactions that do not arise from enforceable contracts with customers involving performance obligations.

  The significant accounting requirements of AASB 1058 are as follows:

  Income arising from an excess of the initial carrying amount of an asset over the related increases in liabilities, decreases in assets and revenue should be immediately recognised in income and expenditure statement. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.

  Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to income and expenditure statement as income when the entity satisfies its obligations under the transfer.

  An entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by members or revenue) immediately recognised as income in income and expenditure statement.

  The Board accepts that the adoption of AASB 1058 will not have a material impact on the association's financial statements, as the rental facility in Southbank is paid at market rates.

2. REVENUE AND OTHER INCOME

	2017 $	2016 $
Operating revenue (including donations received)	988,660	1,019,423
Revenue from grants	476,789	354,238
Dividends Income	36,878	30,032
Interest received	13,880	17,705
Total revenue	1,516,207	1,421,398

3. EXPENSES

During the financial year, the entity received legal advice regarding payments made to contractors. The advice received concluded that some of the payments made to these contractors used to run Summer School and Saturday programs fell under the ATO's definition of "ordinary times earnings", therefore superannuation is required to be paid to their superannuation account for 9.5% of these "ordinary times earnings".

In accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimate and Errors,* this is classified as a prior period error and the relevant adjustment has been made retrospectively and applied to the year ended 31 December 2016, the period in which the relevant services were incurred. The additional superannuation expense recorded was for $79,000. An additional payable is included at note 9 and the prior period adjustment has been shown the Statement of Changes in Equity. The entire payable was paid fully in 2017.

The entity will regularly review contracts with contractors to ensure that all payments the entity makes that are deemed "ordinary times earnings", will have the required superannuation paid to the relevant contractor's superannuation fund.

4. CASH ON HAND

	2017 $	2016 $
Petty cash	71	271
Cheque account	10,255	23,445
Undeposited funds	9,780	25
Term deposits	557,301	530,162
Cash management account	75,150	346,502
Public fund account	135,339	99,705
	787,896	1,000,110

5. ACCOUNTS RECEIVABLE AND OTHER DEBTORS

	2017 $	2016 $
CURRENT		
Programs fees receivable	242,156	211,410
Grants receivable	22,500	11,000
Performance fees receivable	7,700	-
Good and services tax	-	14,130
Other receivables	10,412	18,622
	282,768	255,162

No impairment of accounts receivable and other debtors was required at 31 December 2017 (2016: Nil)

5. ACCOUNTS RECEIVABLE AND OTHER DEBTORS (cont'd)

(a) Credit risk

The association has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in the 'Accounts Receivable & Other Debtors' note. The main source of credit risk to the association is considered to relate to the class of assets described as 'program fees receivable'.

The following table details the association's accounts receivable and other debtors exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the association and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the association.

The balances of receivables that remain within initial trading terms (as detailed in the table below) are considered to be of high credit quality.

	2017 $	2016 $
Total past due and impaired	-	-
Total past due but not impaired:		
Total < 30 days overdue	-	-
Total 31 - 60 days overdue	-	-
Total 61 - 90 days overdue	-	-
Total > 90 days overdue	3,178	1,700
Total within initial trade terms	279,590	253,462
Total gross amount	282,768	255,162

Balances become receivable from program fees once an offer is made to students for a place in the program. Payment is required to be made prior to commencing the program.

Collateral held as security

No collateral is held as security for any of the accounts receivable or other debtor balances.

6. FINANCIAL ASSETS

CURRENT

	2017	2016
Fair value through profit and loss financial assets:		
Investment in Australian shares	432,968	387,197
Investment in International shares	192,652	169,671
Total fair value through profit and loss financial assets	625,620	556,868
Total financial assets	625,620	556,868

7. OTHER CURRENT ASSETS

	2017 $	2016 $
CURRENT		
Bond - Office	2,567	2,567
Accrued interest on term deposit	2,440	2,401
Prepayments	30,625	52,043
Bond - Cabcharge	-	200
	35,632	57,211

8. PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Music Library at cost	155,589	155,589
Less accumulated depreciation	(141,113)	(136,910)
	14,476	18,679
Musical Instruments at cost	223,968	223,968
Less accumulated depreciation	(206,213)	(203,080)
	17,755	20,888
Percussion Instruments at cost	19,759	18,753
Less accumulated depreciation	(18,108)	(17,245)
	1,651	1,508
Computers at cost	20,005	17,557
Less accumulated depreciation	(11,239)	(10,691)
	8,766	6,866
Websites & software at cost	9,457	9,457
Less accumulated depreciation	(8,667)	(6,742)
	790	2,715
Office furniture, fit-out and equipment	125,260	18,183
Less accumulated depreciation	(20,237)	(9,689)
	105,023	8,494
Total property, plant and equipment	148,461	59,150

During 2017 the association relocated its office to 120-130 Southbank Boulevard, Southbank. The below table shows the additions made to each class of property, plant and equipment. Additions relating to the relocation were for computers and office furniture, fit-out & other equipment. The total spent on these asset classes in 2017 was $111,689.

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Movements in carrying amounts

	Music Library at cost $	Musical Instruments at cost $	Percussion Instrument at cost $	Computers at cost $	Websites & software at cost $	Office furniture, fit-out and equipment $	Total $
Balance at 1 January 2016	23,441	16,936	2,043	7,147	1,851	6,710	**58,128**
Additions	-	6,996	-	2,934	1,450	3,664	**15,044**
Disposals	-	-	-	-	-	-	-
Depreciation	(4,762)	(3,044)	(535)	(3,215)	(586)	(1,880)	**(14,022)**
Balance at 31 December 2016	18,679	20,888	1,508	6,866	2,715	8,494	**59,150**
Additions	-	-	821	4,613	-	107,076	**112,510**
Disposals	-	-	-	-	-	-	-
Depreciation	(4,203)	(3,133)	(678)	(2,713)	(1,925)	(10,547)	**(23,199)**
Carrying amount at 31 December 2017	**14,476**	**17,755**	**1,651**	**8,766**	**790**	**105,023**	**148,461**

9. ACCOUNTS PAYABLE AND OTHER PAYABLES

		2017 $	2016 $
CURRENT			
Trade creditors		18,500	10,681
Superannuation payable		3,286	89,088
MYM Credit cards		3,255	2,444
Good and services tax		7,397	-
Withholding taxes payable		8,656	15,610
	9 a)	41,094	117,823

a) Financial liabilities at amortised cost classified as accounts payable and other payables
Accounts payable and other payables

	2017 $	2016 $
- Total current	41,094	117,823
- Total non-current	-	-
Financial liabilities as accounts payable and other payables	41,094	117,823

The average credit period on accounts payables and other payables is one month. No interest is payable on outstanding payables during this period.

10. PROVISIONS

	2017 $	2016 $
CURRENT		
Provision for annual leave	32,764	38,960
NON-CURRENT		
Provision for long service leave	13,763	25,898

10. PROVISIONS (cont'd)

	2017 $
Provision for annual leave:	
Opening balance at 1 January 2017	38,960
Additional provisions raised	27,030
Amounts used	(33,226)
Balance at 31 December 2017	32,764

Based on past experience, the association does not expect the full amount of annual leave to be settled wholly within the next 12 months. However, the amount must be classified as a current liability because the association does not have an unconditional right to defer the settlement of the amount in the event employees wish to use their leave entitlements.

	2017 $
Provision for long service leave:	
Opening balance at 1 January 2017	25,898
Additional provisions raised	370
Amounts used	-
Provisions removed	(12,505)
Balance at 31 December 2017	13,763

Total Provisions	2017 $
Opening balance at 1 January 2017	64,858
Additional provisions raised	27,400
Amounts used	(33,226)
Provisions removed	(12,505)
Balance at 31 December 2017	46,527

11. OTHER LIABILITIES

	2017 $	2016 $
CURRENT		
Accrued charges	31,466	42,075
Income in advance	811,352	759,725
	842,818	801,800

12. LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2017 $	2016 $
Payable:		
not later than 12 months	61,613	34,663
between 12 months and five years	82,098	11,250
greater than five years	-	-
	143,711	45,913

12. LEASING COMMITMENTS (cont'd)

Operating lease commitments relate to:
- Business premises at 120 Southbank Boulevard, Southbank.
- Old business premises at 1 Bruce Street, Kensington.

A new lease commitment was signed on 17 August 2017 for business premises at 120 Southbank Boulevard, Southbank. The lease is for three years from the date of signing, with two further options available. One available for the three year period beginning 17 August 2020 and the next available for the three year period beginning 17 August 2023. Market rate lease payment adjustments will made at the end of lease term moving forward.

The association is contractually required to payout the costs associated with the remaining lease period at the old Kensington business premises which is expires on 26 April 2018.

13. CASH FLOW INFORMATION

Reconciliation of cash flow from operating activities with net current year surplus

Current year surplus after income tax		5,918	(3,601)
Prior year surplus before prior period adjustment	**3**	-	75,431
Cash flows excluded from current year surplus			
Non- cash flow in current year surplus			
- Depreciation		23,199	14,002
- (Increase) / decrease in fair value of financial assets through profit and loss		(38,303)	(30,953)
Changes in assets and liabilities			
- (Increase) / decrease in receivables		(41,736)	(33,160)
- (Increase) / decrease in other assets		35,709	(21,175)
- Increase / (decrease) in payables		(76,729)	14,929
- Increase / (decrease) in other liabilities		41,018	51,354
- Increase / (decrease) in provisions		(18,331)	(1,196)
Net cash (used in) / provided by operating activities		(69,255)	69,232

14. ASSOCIATION DETAILS

The registered office and principal place of business of the association is:

Melbourne Youth Music Inc.
120-130 Southbank Boulevard
Southbank VIC 3006

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

STATEMENT BY MEMBERS OF THE BOARD

In accordance with a resolution of the Board of Melbourne Youth Music Inc., the members of the Board declare that the financial statements as set out on pages 3 to 21:

1. present a true and fair view of the financial position of Melbourne Youth Music Inc. as at 31 December 2017 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Standards Board and the requirements of the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*; and

2. at the date of this statement there are reasonable grounds to believe that Melbourne Youth Music Inc. will be able to pay its debts as and when they fall due.

This statement is signed for and on behalf of the Board by:

Board Chair JWard
Jeanette Ward

Board Deputy Chair Carol
Carol Benson

Dated on this 21st day of March 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Melbourne Youth Music Inc. (the Association), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the statement by the members of the board.

In our opinion, the accompanying financial report of Melbourne Youth Music Inc. is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and the requirements of the *Association Incorporation Reform Act 2012 (Vic)* including:

(i) giving a true and fair view of the Association's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards- Reduced Disclosure Requirements to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the board of the Association, would be in the same terms if given to the board as at the time of this auditor's report.

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

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Information Other than the Financial Report and Auditor's Report Thereon

The board is responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Financial Report

The board of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards- Reduced Disclosure Requirements and the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012*. This includes such internal control as the board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the board are responsible for assessing the Association'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 intend to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report 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 the Australian Auditing Standards 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 financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial report, 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Conclude on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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 Association's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HAINES MUIR HILL
Chartered Accountants
888 Doncaster Road
Doncaster East, Victoria

Kristian Lunardello
Partner

Dated on this 21st day of March 2018

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

CERTIFICATE BY MEMBER OF THE BOARD

I, Jeanette Ward of Melbourne Youth Music Inc., certify that:

a. I attended the annual general meeting of the association held on 6 May 2018; and

b. The financial statements for the year ended 31 December 2017 were submitted to the members of the association at its annual general meeting.

Dated on this 16th day of May 2018

Board Chair

JH Ward

Jeanette Ward