

MELBOURNE YOUTH MUSIC INC.

ABN 54 089 059 805

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

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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 2016

	Note	2016 \$	2015 \$
Revenue	2	1,421,398	1,235,926
Fair value gain / (loss) on investment		30,953	(15,482)
Employee benefits expense		(800,948)	(792,935)
Overheads & consumables		(169,476)	(157,641)
Venue hire		(139,680)	(133,189)
Travelling expenses		(114,157)	(18,200)
Printing & advertising costs		(45,624)	(16,704)
Music, equipment & instruments		(26,712)	(18,655)
Insurance		(15,184)	(12,277)
Depreciation and amortisation expenses		(14,022)	(15,331)
Other expenses		<u>(51,117)</u>	<u>(27,731)</u>
Current year surplus before income tax		75,431	27,781
Income tax expense		<u>-</u>	<u>-</u>
Net current year surplus		75,431	27,781
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>75,431</u></u>	<u><u>27,781</u></u>
Total comprehensive income attributable to members of the entity		<u><u>75,431</u></u>	<u><u>27,781</u></u>

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash on hand	4	1,000,110	971,566
Accounts receivable and other debtors	5	255,162	222,002
Financial assets	6	556,868	500,251
Other current assets	7	57,211	36,036
TOTAL CURRENT ASSETS		1,869,351	1,729,855
NON-CURRENT ASSETS			
Property, plant and equipment	8	59,150	58,128
TOTAL NON-CURRENT ASSETS		59,150	58,128
TOTAL ASSETS		1,928,501	1,787,983
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	9	38,791	23,862
Provisions	10	38,960	41,872
Other liabilities	11	801,800	750,446
TOTAL CURRENT LIABILITIES		879,551	816,180
NON-CURRENT LIABILITIES			
Provisions	10	25,898	24,182
TOTAL NON-CURRENT LIABILITIES		25,898	24,182
TOTAL LIABILITIES		905,449	840,362
NET ASSETS		1,023,052	947,621
EQUITY			
Retained surplus		1,023,052	947,621
TOTAL EQUITY		1,023,052	947,621

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Retained Surplus \$	Asset revaluation reserve \$	Total \$
Balance at 1 January 2015	824,004	95,836	919,840
Comprehensive income			
Asset revaluation reserve transferred to retained earnings	95,836	(95,836)	-
Net surplus for the year	27,781	-	27,781
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year attributable to members of the association	123,617	(95,836)	27,781
Balance at 31 December 2015	947,621	-	947,621
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

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from activities (excluding donations received)		1,102,714	947,149
Operating grants		364,192	220,185
Donations received		44,303	11,556
Payments to suppliers and employees		(1,497,416)	(1,190,918)
Dividends received		37,729	19,076
Interest received		17,710	20,393
Net cash provided by operating activities	15	<u>69,232</u>	<u>27,441</u>
Cash flows from investing activities			
Payments for plant and equipment		(15,024)	(7,051)
Payments for investments		(181,207)	(144,514)
Proceeds from sale of investments		155,543	-
Net cash used in investing activities		<u>(40,688)</u>	<u>(151,565)</u>
Net increase / (decrease) in cash held		28,544	(124,124)
Cash on hand at beginning of financial year		971,566	1,095,690
Cash on hand at end of financial year	4	<u><u>1,000,110</u></u>	<u><u>971,566</u></u>

The accompanying notes form part of these financial statements.

MELBOURNE YOUTH MUSIC INC.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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*.

At a special general meeting the association held on 18 May 2016, a special resolution was passed which changed the name of the association from Melbourne Youth Music Council Inc. to Melbourne Youth Music Inc., trading as Melbourne Youth Orchestras.

The financial statements were authorised for issue on 22 March 2017 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 *Associations Incorporation Reform Act 2012*. 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 (ie 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(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, websites & software	37.5%
Office furniture	7.5%- 15%
Office equipment	22.5%- 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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.

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NOTES TO THE FINANCIAL STATEMENTS
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(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.

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NOTES TO THE FINANCIAL STATEMENTS
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(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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 program fees from 2016 amounting to \$231,410 that are past due. The board note that this is consistent with prior years due to timing of year end before 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.

Although members of the board anticipate 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 2018, 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 2018. In relation to not-for-profit entities, AASB 15 will be applicable only to exchange transactions and is not expected to impact the association's financial statements.

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(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 transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The board anticipates that the adoption of AASB 16 will impact the association's financial statements by creating an asset and a liability onto the balance sheet for business premises leased. This is currently the only operating lease the association has. There will be no change to net assets upon recognition. However, as the new business premises lease at Southbank is yet to be finalised, it is impractical to place a numeric value on the impact to the financial statements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
2. REVENUE AND OTHER INCOME		
Operating revenue (including donations received)	1,019,423	888,538
Dividends Income	30,032	27,223
Interest received	17,705	19,550
Revenue from grants	354,238	300,615
Total revenue	<u>1,421,398</u>	<u>1,235,926</u>
3. AUDITOR'S REMUNERATION		
Remuneration of the auditor:		
Auditing or reviewing the financial report	5,700	5,270
Other services provided by related practices of the auditor	1,500	1,250
	<u>7,200</u>	<u>6,520</u>
4. CASH ON HAND		
Petty cash	271	356
Cheque account	23,445	57,139
Undeposited funds	25	1,757
Term deposits	530,162	515,394
Cash management account	346,502	293,626
Public fund account	99,705	103,294
	<u>1,000,110</u>	<u>971,566</u>
5. ACCOUNTS RECEIVABLE AND OTHER DEBTORS		
CURRENT		
Programs fees receivable	211,410	199,028
Grants receivable	11,000	-
Good and services tax	14,130	5,636
Other receivables	18,622	17,338
	<u>255,162</u>	<u>222,002</u>

No impairment of accounts receivable and other debtors was required at 31 December 2016 (2015: Nil)

(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'.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

	2016 \$	2015 \$
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	1,700	-
Total within initial trade terms	<u>253,462</u>	<u>222,002</u>
Total gross amount	<u>255,162</u>	<u>222,002</u>

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. All amounts have been paid post year end and there is no need to raise a provision for impairment.

Collateral held as security

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

MELBOURNE YOUTH MUSIC INC.
ABN 54 089 059 805

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
6. FINANCIAL ASSETS		
CURRENT		
Fair value through profit and loss financial assets:		
Investment in Australian shares	387,197	500,251
Investment in International shares	169,671	-
Total fair value through profit and loss financial assets	<u>556,868</u>	<u>500,251</u>
 Total financial assets	 <u>556,868</u>	 <u>500,251</u>
7. OTHER CURRENT ASSETS		
CURRENT		
Bond - Office	2,567	2,567
Accrued interest on term deposit	2,401	2,386
Prepayments	52,043	30,883
Bond - Cabcharge	200	200
	<u>57,211</u>	<u>36,036</u>
8. PROPERTY, PLANT AND EQUIPMENT		
Music Library at cost	155,589	155,589
Less accumulated depreciation	<u>(136,910)</u>	<u>(132,148)</u>
	<u>18,679</u>	<u>23,441</u>
 Musical Instruments at cost	 223,968	 216,973
Less accumulated depreciation	<u>(203,080)</u>	<u>(200,037)</u>
	<u>20,888</u>	<u>16,936</u>
 Percussion Instruments at cost	 18,753	 18,753
Less accumulated depreciation	<u>(17,245)</u>	<u>(16,710)</u>
	<u>1,508</u>	<u>2,043</u>
 Computers at cost	 17,557	 14,623
Less accumulated depreciation	<u>(10,691)</u>	<u>(7,476)</u>
	<u>6,866</u>	<u>7,147</u>
 Websites & software at cost	 9,457	 8,007
Less accumulated depreciation	<u>(6,742)</u>	<u>(6,156)</u>
	<u>2,715</u>	<u>1,851</u>
 Office furniture & other equipment	 18,183	 14,519
Less accumulated depreciation	<u>(9,689)</u>	<u>(7,809)</u>
	<u>8,494</u>	<u>6,710</u>
 Total property, plant and equipment	 <u>59,150</u>	 <u>58,128</u>

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 & other equipment \$	Total \$
Balance at 1 January 2015	29,419	19,695	2,769	4,469	2,709	7,347	66,408
Additions	-	-	-	6,134	-	917	7,051
Disposals	-	-	-	-	-	-	-
Depreciation	(5,978)	(2,759)	(726)	(3,456)	(858)	(1,554)	(15,331)
Balance at 31 December 2015	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)
Carrying amount at 31 December 2016	18,679	20,888	1,508	6,866	2,715	8,494	59,150

2016
\$ **2015**
\$

9. ACCOUNTS PAYABLE AND OTHER PAYABLES

CURRENT

Trade creditors	10,681	2,755
Superannuation payable	10,056	10,333
MYM Credit cards	2,444	3,238
Withholding taxes payable	15,610	7,536

9 a) 38,791 23,862

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

Accounts payable and other payables

- Total current	38,791	23,862
- Total non-current	-	-

Financial liabilities as accounts payable and other payables **13** 38,791 23,862

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

CURRENT

Provision for annual leave	<u>38,960</u>	<u>41,872</u>
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NON-CURRENT

Provision for long service leave	<u>25,898</u>	<u>24,182</u>
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MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. PROVISIONS (cont'd)

	2016 \$
Provision for annual leave:	
Opening balance at 1 January 2016	41,872
Additional provisions raised	32,088
Amounts used	(35,000)
Balance at 31 December 2016	<u>38,960</u>

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.

	2016 \$
Provision for long service leave:	
Opening balance at 1 January 2016	24,182
Additional provisions raised	1,716
Balance at 31 December 2016	<u>25,898</u>

	2016 \$
Total Provisions	
Opening balance at 1 January 2016	66,054
Additional provisions raised	33,804
Amounts used	(35,000)
Balance at 31 December 2016	<u>64,858</u>

2016 \$	2015 \$
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11. OTHER LIABILITIES

CURRENT

Accrued charges	42,075	124,176
Income in advance	759,725	626,270
	<u>801,800</u>	<u>750,446</u>

12. LEASING COMMITMENTS

(a) Operating Lease Commitments

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

Payable:

not later than 12 months	34,663	34,177
between 12 months and five years	11,250	45,913
greater than five years	-	-
	<u>45,913</u>	<u>80,090</u>

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. LEASING COMMITMENTS (cont'd)

Operating lease commitments relate to the business premises located at 1 Bruce Street, Kensington which is leased until 26 April 2018 with fixed annual rent increase of 4% and an option to extend for one further term of one year.

The association is likely to forgo the option to extend the lease on the Kensington premises, as negotiations are underway to sign a new business premises lease at 120 Southbank Boulevard, Southbank. The Board has deemed the projected increase per annum, along with relocation and fitout expenses to be worthwhile in view of the associations projected business requirements. If a new agreement were to be signed, the association would be contractually required to payout the costs associated with the remaining lease period at the current Kensington facility. The lease agreement is yet to be finalised, however the board notes that the term of the lease is likely to be for 3 years commencing 1 June 2017. The cost will be in the vicinity of \$50,000 per annum with 3% increase each anniversary.

13. FINANCIAL RISK MANAGEMENT

The association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments and accounts receivable and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139, as detailed in the accounting policies to these financial statements, are as follows:

	2016 \$	2015 \$
Financial Assets		
Cash and cash equivalents	469,948	456,172
Short term deposits	530,162	515,394
Other financial assets	556,868	500,251
Total Financial Assets	<u>1,556,978</u>	<u>1,471,817</u>

Financial Risk Management Policies

The association's board is responsible for, among other issues, monitoring and managing financial risk exposures of the association. The board monitors the association's transactions and reviews the effectiveness of controls relating to credit risk, liquidity risk and market risk. Discussions on monitoring and managing financial risk exposures are held quarterly and minuted by the board.

The board's overall risk management strategy seeks to ensure that the association meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

Specific Financial Risk Exposures and Management

The main risks the association is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the association is exposed to, how these risks arise. The Board has substantially reviewed and revised its risk management framework since the previous period. The policy is more robust and addressed key risks of the association.

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the association.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance risk and investment committee has otherwise cleared as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The association has no significant concentration of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

There is no collateral held by the association securing accounts receivable and other debtors.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the association might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The association manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operating, investing and financing activities;
- only investing surplus cash with major financial institutions; and
- proactively monitoring the recovery of unpaid fees

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The association does not hold directly any derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement date.

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
13. FINANCIAL RISK MANAGEMENT (cont'd)		
(b) Liquidity Risk (cont'd)		
<i>Financial liability and financial asset maturity analysis</i>		
Financial assets / (Liability) - cash flows realisable		
Within 1 Year		
Accounts payable and other payables (excluding annual leave and grants receivables in advance)	(38,791)	(23,862)
Total expected outflows	<u>(38,791)</u>	<u>(23,862)</u>
Cash on hand	1,000,110	971,566
Accounts receivable and other debtors	312,373	258,038
Fair value through profit and loss investments	556,868	500,251
Total expected inflows	<u>1,869,351</u>	<u>1,729,855</u>
Net (outflow) / inflow on financial instruments	<u>1,830,560</u>	<u>1,705,993</u>
1 to 5 Years		
Accounts payable and other payables (excluding annual leave and grants receivables in advance)	-	-
Total expected outflows	<u>-</u>	<u>-</u>
Cash on hand	-	-
Accounts receivable and other debtors	-	-
Fair value through profit and loss investments	-	-
Total expected inflows	<u>-</u>	<u>-</u>
Net (outflow) / inflow on financial instruments	<u>-</u>	<u>-</u>
Over 5 Years		
Accounts payable and other payables (excluding annual leave and grants receivables in advance)	-	-
Total expected outflows	<u>-</u>	<u>-</u>
Cash on hand	-	-
Accounts receivable and other debtors	-	-
Fair value through profit and loss investments	-	-
Total expected inflows	<u>-</u>	<u>-</u>
Net (outflow) / inflow on financial instruments	<u>-</u>	<u>-</u>

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
13. FINANCIAL RISK MANAGEMENT (cont'd)		
(b) Liquidity Risk (cont'd)		
Total		
Accounts payable and other payables (excluding annual leave and grants receivables in advance)	(38,791)	(23,862)
Total expected outflows	<u>(38,791)</u>	<u>(23,862)</u>
 Cash on hand	 1,000,110	 971,566
Accounts receivable and other debtors	312,373	258,038
Fair value through profit and loss investments	556,868	500,251
Total expected inflows	<u>1,869,351</u>	<u>1,729,855</u>
Net (outflow) / inflow on financial instruments	<u>1,830,560</u>	<u>1,705,993</u>

No financial assets have been pledged as security for any financial liability.

(c) Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The association is exposed to earnings volatility on floating rate instruments. The financial instruments that expose the association to interest rate risk is limited to cash on hand via returns from term deposits.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The association is exposed to foreign exchange risk on financial assets held at fair value through profit and loss. Such risk is managed through all the association's investments being held in diversified managed fund portfolios in foreign shares.

(iii) Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

The association is exposed to other price risk on financial assets held at fair value through profit and loss. Such risk is managed through all the association's investments being held in diversified managed fund portfolios.

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

Sensitivity analysis

The following table illustrates sensitivities to the association's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Current	
Year Ended 31 December 2016	Surplus	Equity
+/- 2% in interest rates	+/- 10,603	+/- 10,603
+/- 10% in fair value through profit and loss investments	+/- 55,687	+/- 55,687

	Current	
Year Ended 31 December 2015	Surplus	Equity
+/- 2% in interest rates	+/- 10,308	+/- 10,308
+/- 10% in fair value through profit and loss investments	+/- 50,025	+/- 50,025

No sensitivity analysis has been performed on foreign exchange risk as the association has invested in a managed fund of foreign investments. These are held in numerous foreign currencies. Any movement in value of the investment due to foreign currency movements is considered a part of the investment in the financial instrument which is recognised in the profit and loss immediately.

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

	2016	
	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	469,948	469,948
Short term deposits	530,162	530,162
Financial assets	556,868	556,868
Accounts receivable and other debtors	255,162	255,162
Total financial assets	<u>1,812,140</u>	<u>1,812,140</u>
Financial Liabilities		
Accounts payable and other payables	38,791	38,791
Total financial liabilities	<u>38,791</u>	<u>38,791</u>

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

	2015	
	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	456,172	456,172
Short term deposits	515,394	515,394
Financial assets	500,251	500,251
Accounts receivable and other debtors	222,002	222,002
Total financial assets	<u>1,693,819</u>	<u>1,693,819</u>
Financial Liabilities		
Accounts payable and other payables	23,862	23,862
Total financial liabilities	<u>23,862</u>	<u>23,862</u>

14. FAIR VALUE MEASUREMENTS

The association measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Investment in Australian shares
- Investment in International shares

The association does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) Fair Value Hierarchy

Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. FAIR VALUE MEASUREMENTS (cont'd)

Valuation techniques

The association selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by Market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future Cash flows or Income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement Cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the association gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the association's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		2016 \$	2015 \$
Level 1			
Recurring fair value measurements	Note		
<i>Financial assets</i>			
Fair value through profit and loss financial assets			
- Investment in Australian shares	6	387,197	500,251
- Investment in International shares	6	169,671	-
Total financial assets recognised at fair value		<u>556,868</u>	<u>500,251</u>

There were no Level 2 or Level 3 assets measured as fair value. There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

MELBOURNE YOUTH MUSIC INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
15. CASH FLOW INFORMATION		
Reconciliation of cash flow from operating activities with net current year surplus		
Current year surplus after income tax	75,431	27,781
Cash flows excluded from current year surplus		
Non- cash flow in current year surplus		
- Depreciation	14,002	15,331
- (Increase) / decrease in fair value of financial assets through profit and loss	(30,953)	15,482
Changes in assets and liabilities		
- (Increase) / decrease in receivables	(33,160)	(86,159)
- (Increase) / decrease in other assets	(21,175)	(12,940)
- Increase / (decrease) in payables	14,929	(9,084)
- Increase / (decrease) in other liabilities	51,354	63,040
- Increase / (decrease) in provisions	(1,196)	13,990
Net cash provided by operating activities	69,232	27,441
16. ASSOCIATION DETAILS		
The registered office and principal place of business of the association is:		
Melbourne Youth Music Inc.		
1 Bruce Street		
Kensington VIC 3031		

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 2 to 27:

1. present a true and fair view of the financial position of Melbourne Youth Music Inc. as at 31 December 2016 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.

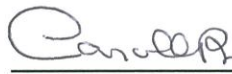
This statement is signed for and on behalf of the board by:

Board Chair



Jeanette Ward

Board Deputy Chair



Carol Benson

Dated on this 22nd day of March 2017

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 14 May 2017; and
- b. The financial statements for the year ended 31 December 2016 were submitted to the members of the association at its annual general meeting.

Dated on this 14th day of May 2017

Board Chair

Jeanette Ward