

Contents

	Page
Business Directory	2
Auditors Report	3
Statement of Financial Performance	5
Statement of Movements in Equity	7
Statement of Financial Position	8
Notes to the Financial Statements	9

Business directory

Chair:	Terry Gould
Deputy Chair:	Jason Copus
Treasurer:	Jason Copus
Board Members:	Chris Cherry Paddy Stafford-Bush Shane McMahon Sarah Hull Regan Hall Andrew Stringer (from 29 October 2015) Gary Langsford (to 29 October 2015)
Associate Members Appointed to the Board in a Non-Voting Capacity:	Denise L'Estrange-Corbet (to 29 October 2015) Andrew Stringer (to 29 October 2015)
Local Board Representatives:	Shale Chambers
Nature of Business:	Promotes Inner City Business
Registered Office:	Level 2, 26 Lorne Street Auckland
Bankers:	ASB Bank Limited 138-142 Queen Street Auckland
Solicitors:	Russell McVeagh Level 30, Vero Centre 48 Shortland Street Auckland Buddle Findlay PWC Tower 188 Quay Street Auckland
Auditors:	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland
Accountants:	Grant Thornton New Zealand Limited Level 4, Grant Thornton House 152 Fanshawe Street Auckland

Independent Auditor's Report

To the Members of Heart of the City Incorporated

We have audited the special purpose financial statements of Heart of the City Incorporated on pages 5 to 13 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by the board in accordance with accounting policies outlined in the statement of accounting policies.

This report is made solely to the members as a body, in accordance with the Rules of Heart of the City Incorporated. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board and the members as a body, for our work, for this report, or for the opinions we have formed.

Boards' Responsibility for the Financial Statements

The board is responsible for the preparation of these special purpose financial statements in accordance with the stated accounting policies and for such internal control as the board determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error. The board is responsible for determining that the stated accounting policies are appropriate in the circumstances for which these special purpose financial statements are prepared.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Heart of the City Incorporated.

Opinion

In our opinion, the special purpose financial statements of Heart of the City Incorporated for the year ended 30 June 2016 on pages 5 to 13 have been prepared, in all material respects, in accordance with the stated accounting policies.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared solely for the members of Heart of the City Incorporated. As a result, the special purpose financial statements may not be suitable for another purpose.



14 October 2016

Statement of financial performance for the year ended 30 June 2016

	Note	This Year	Last Year
Income			
Auckland City Contributions		4,294,583	4,322,839
Destination Marketing Campaign Funding		<u>705,986</u>	<u>673,734</u>
		5,000,570	4,996,573
Investment and Other Income			
Dividend Received		1,035	1,005
Interest Received		35,116	7,175
Other Income	11	<u>326,000</u>	<u>429,484</u>
		362,151	437,664
Total Income		<u>5,362,721</u>	<u>5,434,237</u>

The accompanying notes form part of these financial statements.

Statement of financial performance for the year ended 30 June 2016

	Note	This Year	Last Year
Expenses			
ACC Levy		2,551	4,453
Accountancy Fees		39,915	14,039
Advocacy		46,664	239,134
AGM Expenses		1,456	1,818
Amortisation of Intangible Assets		86,049	117,354
Audit Fees – Grant Thornton New Zealand Audit		-	10,866
Audit Fees – RSM Hayes Audit		14,965	14,500
Bad Debts Written Off		250	-
Bank Fees and Interest		344	1,321
Committee Expenses		11,779	1,600
Computer/Phone Maintenance		32,573	20,273
Depreciation	2	78,830	94,304
Education/Seminars		3,705	-
Events, Sponsorship & Advertising	13	2,531,572	1,910,022
Forensic Accounting and Legal Expenses	12	39,395	401,861
Forgiveness of Loan		4,400	4,400
General Expenses		10,390	15,525
Insurance		21,498	17,203
Legal Fees		34,601	11,408
Loss on Sale of Fixed Assets		5,937	9,830
Low Value Asset		922	-
Membership Communication		70,411	20,122
Office Services		21,005	24,823
Parking (Staff)		7,221	4,835
Power		4,387	2,996
Printing, Postage & Stationery		14,289	11,927
Prior Period Assets Written Down		(9,400)	48,879
Recruitment Expense		38,988	84,013
Rent & OPEX		119,281	118,162
Personnel Expenses		1,126,998	1,210,728
Security		76,323	55,306
Telephone/Internet		14,451	13,254
Website Management		22,020	21,780
Where Next App Operational Expenses		128,646	122,350
Total Expenses		4,602,417	4,629,082
Net Surplus		760,304	805,155

The accompanying notes form part of these financial statements.

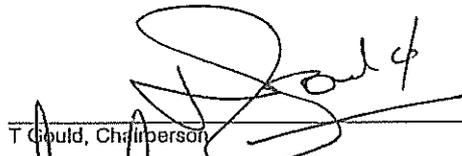
Statement of movements in equity for the year ended 30 June 2016

	This Year	Last Year
Equity at 1 July	873,278	68,123
Net Surplus for the Year	<u>760,304</u>	<u>805,155</u>
Total Equity at 30 June	<u>1,633,582</u>	<u>873,278</u>

The accompanying notes form part of these financial statements.

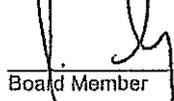
Statement of financial position as at 30 June 2016

	Note	This Year	Last Year
Equity			
Retained Earnings		1,633,582	873,278
Current Liabilities			
Accounts Payable		513,509	264,173
Income Received in Advance	10	1,134,573	223,333
		<u>1,641,020</u>	<u>487,506</u>
Total Equity & Liabilities		<u>3,281,664</u>	<u>1,360,784</u>
Current Assets			
Cash & Cash Equivalents	10	2,567,017	408,835
Short Term Deposits		268,902	319,613
GST Receivable		54,572	59,542
Prepayments		4,000	-
Settlement Receivables	14	-	115,000
Accounts Receivable		22,816	54,191
Ferry Building Suspensory Loan - Current	9	4,400	4,400
		<u>2,921,707</u>	<u>961,581</u>
Non-Current Assets			
Plant and Equipment	3	225,546	186,839
Capital Work in Progress		13,375	10,000
		<u>238,921</u>	<u>196,839</u>
Investments			
Ferry Building Suspensory Loan - Non-current	9	26,400	30,800
Intangible Assets			
Website	8	89,511	134,012
Trademarks		5,125	5,125
Intangible Work in Progress		-	32,427
		<u>94,636</u>	<u>171,564</u>
		<u>359,957</u>	<u>399,203</u>
Total Assets		<u>3,281,664</u>	<u>1,360,784</u>



T. Gould, Chairperson

 3/10/2016
Date



Board Member

 3/10/2016
Date

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2016

1 Statement of Accounting Policies

These are the special purpose financial statements of Heart of the City Incorporated. Heart of the City Incorporated is domiciled in New Zealand and is an Incorporated Society under the Incorporated Societies Act 1908. Heart of the City as an incorporated society is not required to report under the new Public Benefit Entity International Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not For Profit entities. The board have decided to prepare special purpose financial statements in accordance with the accounting policies stated in these financial statements. The board considers that the accounting policies adopted in these special purpose financial statements are appropriate to give the users of the financial statements meaningful information about the performance and position of the organisation.

Measurement System

The measurement system adopted is that of historical cost.

Particular Accounting Policies

The following is a summary of the significant accounting policies adopted by Heart of the City Incorporated in the preparation of these financial statements.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recognised in the Statement of financial performance to write off the cost of an item of property, plant & equipment, less any residual value, over its expected useful life, at the rates listed below.

Gains and losses on disposal of property, plant and equipment are taken into account in determining the financial performance for the year.

	Rate	Method
Office Equipment	16% - 67%	DV
Computer Equipment	16% - 60%	DV
Fittings and Furniture	11.4% - 21.6%	DV
Promotional Assets	10% - 48%	DV
Promotional Assets	20%	SL

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as an expense in the periods in which they are incurred.

Accounts Receivable

Accounts receivable are valued at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

Notes to the financial statements for the year ended 30 June 2016

Investments

Investments are stated at cost.

Goods and Services Tax

Financial information in these accounts is recorded exclusive of GST with the exception of receivables and payables, which include GST. GST payable or receivable at balance date is included in the appropriate category in the Statement of Financial Position.

Intangibles

The website is accounted for using the cost model whereby capitalised costs are amortised on a diminishing value basis over its estimated useful life using a 50% D.V. method, as this asset is considered finite. Residual values and useful lives are reviewed at each reporting date. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. Other expenditure is recognised in profit or loss when incurred. Trademarks are recognised at cost and are not amortised as they are not considered finite.

Accounts Payable

Trade and other payables represent liabilities for goods and services provided to Heart of the City Incorporated prior to the end of the financial year which are unpaid. The amounts are unsecured.

Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by way of grants and sponsorship.

Investment Income

Interest is accounted for as earned.

Income Received In Advance

Income received in advance relates to funds received from partners and the council where there are unfulfilled obligations for Heart of the City Incorporated to provide services in the future. These are recorded as revenue as the obligations are fulfilled.

Tax

From 1 July 1999 the entity was exempt from income tax under section CW 40(1) of the Income Tax Act 2007.

Changes in Accounting Policies

Heart of the City Incorporated has previously reported in accordance with NZ Financial Reporting Standards and Statements of Standard Accounting Practice "NZ FRS". The accounting policies adopted in these financial statements are consistent with those of the previous financial year under NZ FRS.

Notes to the financial statements for the year ended 30 June 2016

2	Depreciation	This Year	Last Year
		\$	\$
	Depreciation Office Equipment	1,296	1,707
	Depreciation Computer Equipment	8,197	8,755
	Depreciation Office Fittings & Furniture	7,198	8,481
	Depreciation Promotional Assets	62,139	75,361
		78,830	94,304

3	Plant and Equipment		
	Year Ended 30 June 2016	Cost	Accum Depn
		\$	\$
	Office Equipment	18,300	13,213
	Computer Equipment	71,659	46,022
	Office Fittings & Furniture	122,582	81,359
	Promotional Assets	553,401	399,802
		765,942	540,396
	Year Ended 30 June 2015		
	Office Equipment	18,300	11,917
	Computer Equipment	52,178	37,826
	Office Fittings & Furniture	122,582	74,161
	Promotional Assets	523,387	405,704
		716,447	529,608

4 Related Parties

The society has conducted transactions with related parties as follows:

Party	Relationship	Transaction
Gary Langsford	Former Board Member	Landlord (Part Owner), Funding paid to related party
Sarah Hull	Board Member	Funding paid to related party, Partnership fee received from related party

Total rent paid to the 26 Lorne Street Limited where Gary Langsford (Former Board Member) is a part owner was \$119,281 (2015: \$118,162). No amounts are outstanding at year end.

No related party debts have been written off or forgiven during the year (2015: \$Nil).

5 Contingent Liabilities

There are no contingent liabilities at year end (2015: \$Nil).

Notes to the financial statements for the year ended 30 June 2016

6 Capital Commitments

There are no capital commitments at year end (2015: \$Nil).

7 Lease Commitments

Lease commitments from non-cancellable operating leases at balance date are:

	This Year	Last Year
	\$	\$
Current	79,941	111,372
Non-Current	15,578	67,217
	<u>95,519</u>	<u>178,589</u>

8 Intangible Assets

	This Year	Last Year
	\$	\$
Website at Cost	583,685	542,137
Less Accumulated Amortisation	494,174	408,125
	<u>89,511</u>	<u>134,012</u>

9 Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$30,800. This loan is being forgiven in ten equal instalments of \$4,100 upon each anniversary of the initial payment. If the Ferry Building Partnership for any reason is not able to meet the terms of the agreement, the remaining loan balance will be payable to Heart of the City Incorporated.

10 Income Received in Advance

Within Income Received in Advance as at 30 June 2016 are targeted rate funds received prior to year end from Auckland Council totalling \$1,052,906. As the funds relate to the 1st Quarter of the next financial year these funds have been recognised as a liability and will be recorded as revenue in the next financial year.

11 Other Income

	This Year	Last Year
	\$	\$
Insurance Claims	-	55,568
Recovery of Misappropriated Funds	326,000	373,916
	<u>326,000</u>	<u>429,484</u>

12 Forensic Accounting and Legal Expenses

Forensic work includes work carried out by McGrathNicol and Russell McVeagh in relation to the proceedings against the former Chief Executive Alex Swney.

Notes to the special purpose financial statements for the year ended 30 June 2016

13 Events, Sponsorship and Advertising

Expenditure cuts were made to these areas in the 2015 year given the need to cut costs while the fraud by the former Chief Executive Alex Swney was investigated.

14 Status of Fraud Proceedings

Heart of the City Incorporated reached a settlement in respect of its claims against two trusts which were alleged to have received funds taken improperly by its former Chief Executive Alex Swney. With two payments (totalling \$373,916) confirmed and a third recorded as a contingent asset at balance date last year, the final payment of \$326,000 is recorded as income in the financial statements for the year ended 30 June 2016.

Proceedings against Mr Swney have been discontinued. Subsequent to balance date this year, Heart of the City Incorporated filed for proof of debt in his bankruptcy.

15 Events After Balance Date

No significant events have occurred after balance date.