

Annual Report

**Heart of the City Incorporated
For the year ended 30 June 2018**

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RSM Hayes Audit

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Independent Auditor's Report

To the members of Heart of the City Incorporated

Opinion

We have audited the special purpose financial statements of Heart of the City Incorporated (the society) which comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements

In our opinion, the financial statements on pages 7 to 21 present fairly, in all material respects, the financial position of Heart of the City Incorporated as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the stated special purpose accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of Heart of the City Incorporated in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Other information

The board are responsible for the other information presented on pages 5 to 6 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 board for the financial statements

The board are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with the stated special purpose accounting policies, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible, on behalf of the society, for assessing the society'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 those charged with governance either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the members, as a body. 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 Heart of the City Incorporated and the members as a body, for our work, for this report, or for the opinions we have formed.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 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.



RSM Hayes Audit
Auckland

8 October 2018

Directory

Heart of the City Incorporated For the year ended 30 June 2018

Nature of Business

Promotes Inner City Business

Address

Level 5, 125 Queen St, Auckland City, New Zealand, 1010

IRD Number

63-827-452

Incorporation Number

654431

Incorporation Date

4 January 1995

Status

Registered

Chartered Accountant

Grant Thornton New Zealand Limited
L4, 152 Fanshawe Street
Auckland 1140

Auditors

RSM Hayes Audit
L1, 1 Broadway
Newmarket
Auckland

Bankers

ASB Bank Limited
138-142 Queen Street
Auckland 1010

Solicitors

Buddle Findlay
PWC Tower
188 Quay Street
Auckland 1010

Haigh Lyon
L14, 34 Shortland Street
Auckland 1010

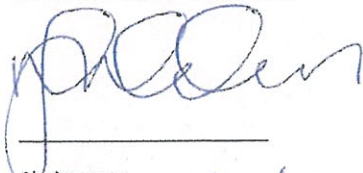
Approval of Financial Report

Heart of the City Incorporated For the year ended 30 June 2018

The Board is pleased to present the approved financial report including the historical special purpose financial statements of Heart of the City Incorporated for year ended 30 June 2018.

APPROVED

For and on behalf of the Board.



Chairperson

Date 29/9/2018



Board Member

Regan Hall

Date 5/10/2018

Statement of Comprehensive Revenue and Expense

Heart of the City Incorporated
For the year ended 30 June 2018

| | NOTES | 2018 | 2017 |
|---|-------|------------------|------------------|
| Revenue from Exchange Transactions | | | |
| Partnership Income | | 237,200 | 245,793 |
| Investment Income | | 31,260 | 25,716 |
| Other Income | | - | 143 |
| Total Revenue from Exchange Transactions | | 268,460 | 271,652 |
| Revenue from Non-Exchange Transactions | | | |
| Auckland Council - Targeted Business Rates Funding | | 4,485,567 | 4,269,124 |
| Auckland Council - Destination Marketing Campaign Funding | | 400,000 | 400,000 |
| Christmas Contributions | | - | 16,667 |
| Total Revenue from Non-Exchange Transactions | | 4,885,567 | 4,685,791 |
| Total Revenue | | 5,154,027 | 4,957,443 |
| Expenses | | | |
| Accountancy | | 77,708 | 61,939 |
| Advocacy | | 81,263 | 109,472 |
| Audit Fees | | 18,799 | 16,895 |
| Committee Expenses | | 31,117 | 34,165 |
| Computer & Phone Maintenance | | 35,781 | 39,085 |
| Depreciation, Amortisation & Loss on Disposal | 8, 9 | 108,042 | 171,752 |
| Events, Sponsorship & Advertising | | 2,692,313 | 2,405,942 |
| Forgiveness of Loan | | 4,400 | 4,400 |
| General Expenses | | 63,035 | 107,376 |
| Insurance | | 23,737 | 18,974 |
| Legal Fees | | 27,127 | 25,302 |
| Members Communications | | 76,807 | 96,715 |
| Project Costs | | 54,325 | 145,178 |
| Recruitment Expense | | 25,187 | 59,506 |
| Rent | | 132,383 | 122,073 |
| Personnel Expenses | | 1,411,544 | 1,289,901 |
| Safety | | 117,766 | 72,200 |
| Website Hosting | | 24,573 | 22,358 |
| Where Next App Operational Expenses | | 123,400 | 123,400 |
| Total Expenses | | 5,129,306 | 4,926,633 |
| Total Comprehensive Revenue and Expense | | 24,721 | 30,810 |

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Statement of Changes in Net Assets/Equity

Heart of the City Incorporated
For the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| Accumulated comprehensive revenue and expense | | |
| Opening Balance | 1,664,392 | 1,633,582 |
| Comprehensive Revenue and Expense for the Year | | |
| Surplus for the Year | 24,721 | 30,810 |
| Total Comprehensive Revenue and Expense for the Year | 24,721 | 30,810 |
| Total Accumulated comprehensive revenue and expense | 1,689,113 | 1,664,392 |
| Total Equity | 1,689,113 | 1,664,392 |

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Statement of Financial Position

Heart of the City Incorporated

As at 30 June 2018

| | NOTES | 30 JUN 2018 | 30 JUN 2017 |
|---|-------|------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | | 1,327,041 | 2,487,860 |
| Short Term Deposits | | 127,123 | 521,888 |
| Short Term Investments | 5 | 1,764,457 | - |
| Receivables from Exchange Transactions | 6 | 38,586 | 10,871 |
| GST Receivable | | 79,362 | 85,318 |
| Suspensory Loan - Current | 7 | 4,400 | 4,400 |
| Total Current Assets | | 3,340,969 | 3,110,337 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | | |
| Property, Plant and Equipment | 8 | 181,346 | 157,681 |
| Capital Work in Progress | 8 | - | 44,536 |
| Total Property, Plant and Equipment | | 181,346 | 202,217 |
| Investments | | | |
| Suspensory Loan - Non-Current | 7 | 17,600 | 22,000 |
| Total Investments | | 17,600 | 22,000 |
| Intangibles | | | |
| Intangibles | 9 | 62,558 | 81,118 |
| Total Intangibles | | 62,558 | 81,118 |
| Total Non-Current Assets | | 261,504 | 305,335 |
| Total Assets | | 3,602,473 | 3,415,672 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable and Accruals | | 571,046 | 572,528 |
| Income Received in Advance | 13 | 1,234,029 | 1,178,752 |
| Project Funds Held on Behalf of Others | | 108,285 | - |
| Total Current Liabilities | | 1,913,359 | 1,751,280 |
| Total Liabilities | | 1,913,359 | 1,751,280 |
| Net Assets | | 1,689,113 | 1,664,392 |
| Net Equity | | | |
| Accumulated Comprehensive Revenue and Expense | | 1,689,113 | 1,664,392 |
| Total Net Equity | | 1,689,113 | 1,664,392 |

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Statement of Cash Flows

Heart of the City Incorporated
For the year ended 30 June 2018

| | 2018 | 2017 |
|---|--------------------|------------------|
| Cash Flows from Operating Activities | | |
| Receipts from Council | 4,986,173 | 4,723,088 |
| Receipts from Partners | 188,600 | 291,521 |
| Interest Received | 23,744 | 25,726 |
| Dividends Received | 1,050 | 1,035 |
| GST | 536,597 | 464,254 |
| Payments to Suppliers and Employees | (5,570,352) | (5,192,762) |
| Total Cash Flows from Operating Activities | 165,813 | 312,862 |
| Cash Flows from Investing Activities | | |
| Net Cash Movement in Funds Held on Behalf of Others | 116,204 | - |
| Proceeds from Sale of Property, Plant & Equipment | 140 | 530 |
| Proceeds from/(Payment for) Sale of Investments | (1,369,692) | (252,986) |
| Payment for Property, Plant & Equipment | (70,465) | (139,564) |
| Payment for intangibles | (2,819) | - |
| Total Cash Flows from Investing Activities | (1,326,632) | (392,020) |
| Net Cash Flows | (1,160,819) | (79,157) |
| Cash Balances | | |
| Cash and cash equivalents at beginning of period | 2,487,860 | 2,567,017 |
| Cash and cash equivalents at end of period | 1,327,041 | 2,487,860 |
| Net change in cash for period | (1,160,819) | (79,157) |

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Notes to the Financial Statements

Heart of the City Incorporated For the year ended 30 June 2018

1. Reporting Entity

Heart of the City Incorporated is an incorporated society registered under the Incorporated Societies Act 1908. Heart of the City Incorporated promotes inner city business in Auckland City.

These financial statements have been approved and were authorised for issue by the Board on the date indicated on page 6.

2. Statement of Compliance

The reporting entity is Heart of the City Incorporated. Heart of the City Incorporated is domiciled in New Zealand and is an incorporated society registered under the Incorporated Societies Act 1908. Heart of the City Incorporated as an incorporated society is not required to report under the Public Benefit Entity International Public Sector 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. However, it has chosen to voluntarily adopt the majority of these standards in the preparation of these special purpose financial statements as it transitions towards full implementation, with the exception of the non-presentation of key management personnel disclosures.

Heart of the City Incorporated is a not-for-profit public benefit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS standards on the basis that it does not have public accountability and it is not defined as large. The Board has elected to report consistent with Tier 2 Not-For-Profit PBE Accounting Standards with the exception of the above item, and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

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 for the current year.

3. Summary of Accounting Policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

3.1 Basis of Preparation

These financial statements have been prepared on the basis of historical cost, unless specified in the accounting policies below.

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

3.2 Functional and Presentational Currency

The financial statements are presented in New Zealand dollars (\$), which is Heart of the City Incorporated's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to Heart of the City Incorporated and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must be met before revenue is recognised.

Revenue from Non-Exchange Transactions

Auckland Council Revenue

Revenue from Auckland Council relates to funding provided to Heart of the City Incorporated for the purpose of promoting the inner city business area. Revenue from non-exchange transactions is recognised when any use or return conditions associated with the revenue has been met. If the use or return condition has not been met then an income in advance liability is recognised in the Statement of Financial Position.

Revenue from Exchange Transactions

Partnership Income

Marketing and Sponsorship funds are received from business partners in exchange for brand affiliation and exposure to various events throughout the year. These funds are recognised as revenue in the period the partnership agreement relates to, and the services have been delivered.

Interest and dividend revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Dividend revenue is recognised when the dividend is declared.

3.4 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.

3.5 Short Term Deposits

Short term deposits comprise bank term deposits which have a term of greater than three months and less than 12 months and therefore do not fall into the category of cash and cash equivalents.

3.6 Short Term Investments

Short term investments comprise deposits managed externally which have a term of less than 12 months.

3.7 Financial Instruments

Financial assets and financial liabilities are recognised when Heart of the City Incorporated becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Heart of the City Incorporated derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or Heart of the City Incorporated has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- Heart of the City Incorporated has transferred substantially all the risks and rewards of the asset; or
- Heart of the City Incorporated has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expense. Heart of the City Incorporated's financial assets are classified as loans and receivables and include: cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and investments.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and Receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. Heart of the City Incorporated's cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

Impairment of Financial Assets

Heart of the City Incorporated assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

Financial Liabilities

Heart of the City Incorporated's financial liabilities include trade and other creditors (excluding GST and PAYE, employee entitlements, and deferred revenue).

All financial liabilities are initially recognised at fair value and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

3.8 Property, Plant, Equipment and Depreciation

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

Depreciation is charged on a diminishing value or straight line basis over the useful life of the assets. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

| | Useful Life | Rate | Method |
|----------------------|--------------|-------------|--------|
| Office Equipment | 2 - 6 Years | 16% - 67% | DV |
| Computer Equipment | 2 - 4 Years | 25% - 60% | DV |
| Fittings & Furniture | 4 - 10 Years | 10% - 21.6% | DV |
| Promotional Assets | 2 - 5 Years | 20% - 48% | DV/SL |

3.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a diminishing value basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The amortisation periods for Heart of the City Incorporated assets are as follows:

| | Useful Life | Rate | Method |
|------------|-------------|------|--------|
| Websites | 2 Years | 50% | DV |
| Trademarks | Indefinite | 0% | - |

3.10 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

3.11 Employee Benefits

Wages, salaries, and annual leave

Liabilities for wages and salaries, and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits expected to be settled within twelve months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

3.12 Income Tax

Due to its status as an Incorporated Society and under section CW40(1) of the Income Tax Act 2007, Heart of the City Incorporated is exempt from income tax.

3.13 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

3.14 Equity

Equity is the members' interest in Heart of the City Incorporated, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is Heart of the City Incorporated's accumulated surplus or deficit since its formation.

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of Heart of the City Incorporated's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying Heart of the City Incorporated's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments

Heart of the City Incorporated has entered into a number of lease commitments.

Heart of the City Incorporated has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the assets, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Heart of the City Incorporated based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of Heart of the City Incorporated. Such changes are reflected in the assumptions when they occur.

- Useful Lives and Residual Values of Property, Plant and Equipment and Intangible Assets

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by Heart of the City Incorporated are listed in Note 3.8 and 3.9.

| | 2018 | 2017 |
|---|------------------|---------------|
| 5. Short Term Investments | | |
| Private Wealth Advisers - On Call Deposit | 1,014,350 | - |
| Private Wealth Advisers - Term Deposit - 3 Months | 400,106 | - |
| Private Wealth Advisers - Term Deposit - 9 Months | 350,000 | - |
| Total Short Term Investments | 1,764,457 | - |
| | 2018 | 2017 |
| 6. Receivables from Exchange Transactions | | |
| Trade and Other Receivables | 38,586 | 10,871 |
| Total Receivables from Exchange Transactions | 38,586 | 10,871 |

7. Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$22,000. This loan is being forgiven in ten equal instalments of \$4,400 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.

| | 2018 | 2017 |
|--|----------------|----------------|
| 8. Property, Plant & Equipment | | |
| Office Furniture & Fittings | | |
| Cost | 117,563 | 63,818 |
| Accumulated Depreciation | (43,324) | (34,802) |
| Total Office Furniture & Fittings | 74,239 | 29,016 |
| Computer & Office Equipment | | |
| Cost | 107,195 | 94,087 |
| Accumulated Depreciation | (81,946) | (70,075) |
| Total Computer & Office Equipment | 25,249 | 24,012 |
| Promotional Assets | | |
| Cost | 532,783 | 513,931 |
| Accumulated Depreciation | (450,925) | (409,278) |
| Total Promotional Assets | 81,858 | 104,653 |
| Capital Work in Progress | - | 44,536 |
| Total Property, Plant & Equipment | 181,346 | 202,217 |

Property, Plant & Equipment Continued

Reconciliation of the carrying amount at the beginning and end of the period:

| | 2018 | 2017 |
|--|----------------|----------------|
| Property, Plant & Equipment Reconciliation (Net Book Value) | | |
| Office Furniture & Fittings | | |
| Opening Balance | 29,016 | 41,223 |
| Additions | 53,745 | 15,656 |
| Disposals | - | (22,377) |
| Depreciation | (8,522) | (5,486) |
| Total Office Furniture & Fittings | 74,239 | 29,016 |
| Computer & Office Equipment | | |
| Opening Balance | 24,012 | 30,724 |
| Additions | 21,114 | 13,213 |
| Disposals | (760) | (3,761) |
| Depreciation | (19,117) | (16,164) |
| Total Computer & Office Equipment | 25,249 | 24,012 |
| Promotional Assets | | |
| Opening Balance | 104,653 | 153,599 |
| Additions | 18,852 | 18,049 |
| Disposals | - | (23,241) |
| Depreciation | (41,647) | (43,755) |
| Total Promotional Assets | 81,858 | 104,653 |
| Capital Work in Progress | | |
| Opening Balance | 44,536 | 13,375 |
| Additions | - | 44,536 |
| Movement to Fixed Assets | (44,536) | (13,375) |
| Total Capital Work in Progress | - | 44,536 |
| Total Property, Plant & Equipment Reconciliation (Net Book Value) | 181,346 | 202,217 |

| | 2018 | 2017 |
|--------------------------|---------------|---------------|
| 9. Intangibles | | |
| Trademarks | 24,561 | 5,125 |
| Website | 37,996 | 75,993 |
| Total Intangibles | 62,558 | 81,118 |

Reconciliation of the carrying amount at the beginning and the end of the period:

| | 2018 | 2017 |
|--|---------------|---------------|
| Intangibles Reconciliation (Net Book Value) | | |
| Website | | |
| Opening Balance | 75,993 | 89,511 |
| Additions | - | 35,700 |
| Disposals | - | - |
| Amortisation | (37,997) | (49,218) |
| Total Website | 37,996 | 75,993 |
| Trademarks | | |
| Opening Balance | 5,125 | 5,125 |
| Additions | 19,436 | - |
| Disposals | - | - |
| Total Trademarks | 24,561 | 5,125 |
| Total Intangibles Reconciliation (Net Book Value) | 62,558 | 81,118 |
| | 2018 | 2017 |

10. Operating Lease Commitments

| | | |
|--|----------------|----------------|
| Less than one year | 127,772 | 145,495 |
| Later than one year and no later than five years | 409,979 | 444,731 |
| Later than five years | - | 78,963 |
| Total Operating Lease Commitments | 537,750 | 669,190 |

Operating leases relate to the following:

| Description of Lease | Lessor | End of Commitment |
|----------------------------|-----------------------------------|-------------------|
| Buildings | | |
| 125 Queen Street | Special Situations Assets Limited | 01/04/2023 |
| Plant and Equipment | | |
| Photocopier | Ricoh Photocopier | 17/06/2020 |
| Pedestrian Cameras | Canon Finance NZ Limited | 01/12/2018 |

11. Related Parties

The society has conducted transactions with related parties as follows. There are no amounts outstanding at year end (2017: \$nil).

| Related Party | Description of the Transaction | Value of the Transactions | Value of the Transactions |
|---|--|---------------------------|---------------------------|
| | | 2018 | 2017 |
| Gary Langsford Former Board Member | Landlord (Part Owner) | | |
| | - Rent Paid | - | 89,174 |
| | NZ Contemporary Art Trust | | |
| | - Event Sponsorship Paid | - | 40,160 |
| Sarah Hull Former Board Member | Britomart Arts Foundation | | |
| | - Partner Income Received | 25,521 | 25,521 |
| | - Event Sponsorship Paid | - | 15,200 |
| Murray Crane Board Member | Crane Brothers | | |
| | - Event Sponsorship Paid | 3,000 | - |
| Viv Beck Chief Executive Non-Voting Member of Executive Committee | Auckland Children's Christmas Parade Trust | | |
| | - Event Sponsorship Paid | 30,000 | 30,000 |

12. Categories of Financial Assets and Liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

| | 2018 | 2017 |
|--|------------------|------------------|
| Financial Assets | | |
| Bank & Cash | 1,327,041 | 2,487,860 |
| Short Term Deposits | 127,123 | 521,888 |
| Short Term Investments | 1,764,457 | - |
| Trade and Other Receivables | 38,586 | 10,871 |
| Loans | 22,000 | 26,400 |
| Total Financial Assets | 3,279,207 | 3,047,018 |
| | 2018 | 2017 |
| Financial Liabilities | | |
| Trade Payables | 571,046 | 572,528 |
| Project Funds Held on Behalf of Others | 108,285 | - |
| Total Financial Liabilities | 679,331 | 572,528 |

13. Income Received in Advance

Within Income Received in Advance as at 30 June 2018 are targeted rate funds received prior to year end from Auckland Council totalling \$1,160,829 (2017: \$1,105,551). As the funds relate to the first 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.

14. Project Funds Held on Behalf of Others

Heart of the City Incorporated has entered into an agreement with Auckland Council and a third party to deliver a capital project in the Auckland CBD. Heart of the City Incorporated, acting as an agent, has received \$300,000 from Auckland Council and \$200,000 from the other party. Once completed Heart of the City Incorporated will vest ownership across to Auckland Transport. The asset will belong to Auckland City and will be maintained by Auckland Transport at no additional cost to Heart of the City Incorporated.

Heart of the City Incorporated has spent \$391,715 of the funds as at balance date, hence the unspent amount of \$108,285 is held on behalf of these parties.

The project is due to be completed in 2018.

15. Contingent Liabilities

The bank holds an \$80,000 guarantee in respect of the organisation's property lease, in case of default. There are no other contingent liabilities at balance date.

16. Capital Commitments

Heart of the City Incorporated had the following capital commitments as at 30 June 2018:

| | 2018 | 2017 |
|----------------------------------|---------------|----------|
| Capital Commitments | | |
| Project Expenditure | 55,479 | - |
| Total Capital Commitments | 55,479 | - |

17. Events After the Reporting Date

The Board and management are not aware of any other matters or circumstances since the end of the reporting period not otherwise dealt with in these financial statements, that have significantly or may significantly affect the operations of Heart of the City Incorporated.