

**POLICE CITIZENS YOUTH CLUBS NSW LTD**

A.B.N. 89 401 152 271

Annual Financial Report

31 December 2019

# POLICE CITIZENS YOUTH CLUBS NSW LTD

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# POLICE CITIZENS YOUTH CLUBS NSW LTD

## DIRECTORS' REPORT

For the year ended 31 December 2019

### 1 Directors

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The names of the Directors in office at any time during or since the end of the financial year are:

Alexander Harvey (appointed 28 May 2015)	Joseph Cassar (appointed 25 August 2017)
Ben Shields (appointed 25 August 2017)	Michael Hope (appointed 25 August 2017)
Dorothy Hennessy (appointed 25 August 2017)	Peter Johnstone (appointed 25 August 2017)
Erin Flaherty (appointed 25 August 2017)	Peter Kirkwood (appointed 25 August 2017)
Ike Ellis (resigned 14 December 2018)	
James Dack (appointed 9 August 2013)	

### 2 The Company's objectives

The strategic plan "Empower Young People 2017 – 2022" launched in July 2017 defines the immutable themes and strategic objectives for PCYC NSW.

### 3 Set out processes implemented to achieve the aforementioned strategies:

- The executive management team has been structured to deliver on the club expansion program, to support and improve club level performance, and to increase generation of own revenue streams.
- Funding is made available to the Youth Command to support Police programs, including allocations to support replication of best practice work.
- Introduction of updated controls and processes around operating procedures and reporting.
- The settlement of property sales to reinvest in the development of modern, enhanced PCYC Clubs to meet the emerging needs of Youth.

### 4 Meetings of Directors

During the financial year, six meeting of directors (including committees) were held. Attendees were:

	Directors' Meetings		Finance & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Alexander Harvey	6	6	6	6
Ben Shields	6	5	-	-
Dorothy Hennessy	6	4	-	-
Erin Flaherty	6	4	6	4
Ike Ellis	6	4	6	4
James Dack	6	4	-	-
Joe Cassar	6	6	6	6
Michael Hope	6	6	-	-
Peter Johnstone	6	3	-	-
Peter Kirkwood	6	6	-	-
Samantha Davis	6	3	-	-

### 5 Contribution in winding up

The Company is incorporated under the Australian Charities Not-for-Profit Commission Act 2012 and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the entity.

### 6 Chief Executive Officer

Dominic Teakle

### 7 Registered Charity street address

1c Mimika Avenue  
Whalan NSW 2770

### 8 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for financial year ended 31 December 2019.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

### DIRECTOR AND COMPANY INFORMATION - CONTINUED

For the year ended 31 December 2019

#### 9 Review of operations and results

PCYC reported an underlying operating deficit of \$613k (2018: Surplus \$241k) which includes fundraising revenue and donations from donors and supporters of PCYC. The net loss for the year of \$5.19mil (2018: \$6.75mil) includes non operating items.

Significant non operating items include capital grants, other income and depreciation which contributed to the deficit by \$4.5mil (2018: \$4.3mil).

Since the end of the previous financial year, the coronavirus COVID-19 has had an impact on the Company's operations and activities subsequent to the end of the year. It is not possible to accurately determine the nature or extent of the impacts or the time over which the Company will be impacted, however it is possible that it will be material to the Company as the effects and consequences are outside of the Company's control and are far reaching in Australia and globally. Based on the current available information, the Directors believe that the Company will remain a going concern. Other than the impacts and potential impacts of coronavirus COVID-19, no subsequent events have been identified as at the date of signing.

	2019	2018
<i>In thousands of AUD</i>	\$	\$
Revenue	46,446	42,948
Expenses	(47,059)	(42,707)
<b>Underlying deficit/ surplus</b>	<b>(613)</b>	<b>241</b>
Depreciation	(7,126)	(6,442)
Capital grants income	2,335	1,876
One off adjustment to income and expenses	(60)	(2,662)
Other income	277	233
<b>Non operating deficit</b>	<b>(4,574)</b>	<b>(6,995)</b>
<b>Net deficit for the year</b>	<b>(5,187)</b>	<b>(6,754)</b>

# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Police Citizens Youth Clubs NSW Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Jonathan Rudman  
Partner  
Sydney  
23 June 2020

**POLICE CITIZENS YOUTH CLUBS NSW LTD**  
**DIRECTORS' DECLARATION**  
**For the year ended 31 December 2019**

The Directors (Responsible Entities) of Police Citizens Youth Clubs NSW Ltd declare that:

1. the financial statements and notes set out on pages 7 to 33 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012; including

(a) giving a true and fair view of the financial position as at 31 December 2019 and performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation Act 2012.

2. there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors (Responsible Entities):



**ALEXANDER HARVEY**

Director

Sydney, 23 June 2020

## **POLICE CITIZENS YOUTH CLUBS NSW LTD**

### **STATEMENT BY THE BOARD OF DIRECTORS IN RESPECT OF FUNDRAISING APPEALS**

**For the year ended 31 December 2019**

We, the Board of Directors of Police Citizens Youth Clubs NSW Ltd, declare that to the best of our knowledge and having regard to internal controls and audit procedures undertaken at the clubs, we are satisfied that:

- (a) the Statement of Profit or Loss and Other Comprehensive Income gives a true and fair view of income and expenditure of Police Citizens Youth Clubs NSW Ltd with respect to the fundraising appeals; and
- (b) the Statement of Financial Position gives a true and fair view of the state of affairs with respect to fund raising appeals conducted by Police Citizens Youth Clubs NSW Ltd; and
- (c) the provisions of the NSW Charitable Fundraising Act 1991 and the regulations under that Act and the conditions attached to the authority have been complied with; and
- (d) the internal controls exercised by Police Citizens Youth Clubs NSW Ltd are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals to the best of our knowledge.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**ALEXANDER HARVEY**

Director

Sydney, 23 June 2020

## POLICE CITIZENS YOUTH CLUBS NSW LTD

### Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Note	2019	2018
		\$	\$
<b>Revenue</b>			
Fundraising	17	10,171,665	10,483,701
Sale of goods		1,372,337	1,179,010
Activity and membership fees		18,914,177	16,737,069
Operating grant income		11,082,842	8,161,484
Capital grants income		2,335,234	1,876,021
Fair value gain on investment portfolio		682,710	570,932
Venue hire		4,057,136	3,773,313
Other income		276,943	1,031,749
<b>Revenue and other income</b>	2	<b>48,893,044</b>	<b>43,813,279</b>
Fundraising costs	17	1,880,391	1,798,859
Cost of sales		729,776	611,858
Activity costs	3	51,469,411	48,156,334
<b>Expenditure</b>		<b>54,079,578</b>	<b>50,567,051</b>
<b>Deficit for the year</b>		<b>(5,186,534)</b>	<b>(6,753,772)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(5,186,534)</b>	<b>(6,753,772)</b>

The accompanying notes form part of these financial statements.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Statement of Financial Position

As at 31 December 2019

	Note	2019	2018
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	4	4,562,455	2,242,659
Trade and other receivables	5	2,307,248	8,114,493
Inventories	6	153,802	68,470
Other current assets	7	1,465,482	735,406
Financial assets	8	37,362,560	23,679,890
<b>Total current assets</b>		<b>45,851,547</b>	<b>34,840,918</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	93,876,787	92,710,565
Intangibles	10	664,354	744,879
Right of use asset	14	550,709	-
<b>Total non-current assets</b>		<b>95,091,850</b>	<b>93,455,444</b>
<b>Total assets</b>		<b>140,943,397</b>	<b>128,296,362</b>
<b>Current liabilities</b>			
Trade and other payables	11	4,074,861	4,661,879
Deferred income	12	29,340,306	11,910,597
Short-term provisions	13	2,625,506	2,153,037
Lease Liability	15	186,349	-
<b>Total current liabilities</b>		<b>36,227,022</b>	<b>18,725,513</b>
<b>Non-current liabilities</b>			
Deferred income	12	3,050,000	3,125,000
Long-term provisions	13	304,678	274,720
Lease Liability	15	427,236	-
<b>Total non-current liabilities</b>		<b>3,781,914</b>	<b>3,399,720</b>
<b>Total liabilities</b>		<b>40,008,936</b>	<b>22,125,233</b>
<b>Net assets</b>		<b>100,934,461</b>	<b>106,171,129</b>
<b>Equity</b>			
Reserves		53,119,569	53,119,569
Accumulated funds		47,814,892	53,051,560
<b>Total equity</b>		<b>100,934,461</b>	<b>106,171,129</b>

The accompanying notes form part of these financial statements.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

### Statement of changes in equity

For the year ended 31 December 2019

	Accumulated funds	Reserves	Total
	\$	\$	\$
<b>Balance at 1 January 2018</b>	59,805,332	53,119,569	112,924,901
Total comprehensive loss for the year	(6,753,772)	-	(6,753,772)
Transfer to and from reserve	-	-	-
<b>Balance at 31 December 2018</b>	<u>53,051,560</u>	<u>53,119,569</u>	<u>106,171,129</u>
<b>Balance at 31 December 2018 as previously reported</b>	53,051,560	53,119,569	106,171,129
Adjustment on initial application of AASB 16	(50,134)	-	(50,134)
<b>Adjusted balance as at 1 January 2019</b>	<u>53,001,426</u>	<u>53,119,569</u>	<u>106,120,995</u>
Total comprehensive loss for the year	(5,186,534)	-	(5,186,534)
Transfer to and from reserve	-	-	-
<b>Balance at 31 December 2019</b>	<u>47,814,892</u>	<u>53,119,569</u>	<u>100,934,461</u>

The accompanying notes form part of these financial statements.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

### Statement of cash flows

For the year ended 31 December 2019

	Note	2019	2018
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers – inclusive of GST		71,384,446	44,490,969
Payments to suppliers and employees - inclusive of GST		(47,919,160)	(43,017,164)
<b>Net cash inflow from operating activities</b>	18	<b>23,465,286</b>	<b>1,473,805</b>
<b>Cash flows from investing activities</b>			
Payments for intangibles	10	(28,212)	(32,817)
Purchases of property, plant and equipment	9	(8,140,387)	(8,402,444)
Payments for investments	2, 8	(12,999,960)	7,350,000
Proceeds from sale of property, plant and equipment	2(b), 9	203,079	104,756
<b>Net cash outflow from investing activities</b>		<b>(20,965,480)</b>	<b>(980,505)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(7,199)
Principal repayment of finance lease liabilities	15	(174,523)	-
<b>Net outflow from financing activities</b>		<b>(174,523)</b>	<b>(7,199)</b>
Net increase in cash flows		2,325,283	486,101
Cash at the beginning of the year		2,237,172	1,751,071
<b>Cash at the end of the year</b>	19	<b>4,562,455</b>	<b>2,237,172</b>

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards-Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board, the Charitable Fundraising Act NSW 1991 and the Australian Charities and Not-for-Profits Commission Act 2012 and Regulations.

The financial report is for Police Citizens Youth Clubs NSW Ltd (the "Company"), including the Company's Clubs and Advancement Fund. Police Citizens Youth Clubs NSW Ltd is a Public Company limited by guarantee, incorporated and domiciled in Australia.

Police Citizens Youth Clubs NSW Ltd was automatically registered as a charity with the Australian Charities and Not-for-Profit Commission (ACNC) with its registration details transferred across from the Australian Taxation Office (ATO) having been previously endorsed by the ATO as a charity.

The financial statement for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 23 June 2020.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation

The Financial Report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### (b) New standards adopted as at 1 January 2019

The Company has initially applied AASB 15, AASB 1058 and AASB 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

#### (i) AASB 15 Revenue from Contracts with Customers

AASB 15 requires revenue to be recognised when control of a promised good or service is passed to the customer at an amount which reflects the expected consideration. The customer for these contracts is the fund provider.

Revenue is recognised by applying the five-step model as follows;

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations. There was no material impact in the Company's accounting policy, statement of cash flows, statement of financial position nor statement of profit and loss and other comprehensive income for the year ended 31 December 2019.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (b) New standards adopted as at 1 January 2019 (continued)

##### (i) AASB 15 Revenue from Contracts with Customers (continued)

###### (i) Grant income

Grant income arising from an agreement which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligation is satisfied. This is generally the case for the monies received from operating grants.

The performance obligations are varied based on the agreement but primarily relate to Club operations.

Within grant agreements, there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where the control is transferred over time, generally the revenue is recognised based on either cost or time incurred which best reflects the transfer of control.

###### (ii) Activity, membership fees and venue hire

Where the consideration for activity, membership fees and venue hire consists of a fixed amount over the contract term (eg. Monthly or annual payment) and the member receives and consumes the benefits of the services as the Company provides them then revenue is recognised on a straight line basis over the term of the contract.

###### (iii) Sale of goods

Revenue from sale of goods comprises revenue earned from the sale of goods purchased for resale. Sales revenue is recognised when the control of goods passes to the customer which is at the time that the goods are physically transferred.

##### (ii) Revenue recognition policy for revenue streams which are either not enforceable or do not have sufficiently specific performance obligations

###### AASB 1058 Revenue from Contracts with Customers

AASB 1058 introduces major changes to the income recognition by public and private sector not-for-profit (NFP) entities. Rather than accounting for all contribution transactions under AASB 1004 Contributions, NFPs will now need to determine whether a transaction is a genuine donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

Where transactions do not meet the requirements of AASB 15 as noted above, the Company will need to assess if these transactions should be accounted for under AASB 1058. AASB 1058 establishes principles for Not-for-Profit entities, which will more closely reflect the economic reality of transactions that are not contracts with customers.

AASB 1058 did not have a significant impact on the Company's accounting policies with respect to the Company's income that do not meet the criteria of AASB 15.

###### (i) Capital Grant

Capital grants received under an enforceable agreement to enable the company to acquire or construct an item of property, plant and equipment to identified specifications which will be controlled by the company (once complete) are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

###### (ii) Donations, fundraising and bequests

Donations, fundraising and bequests collected, including cash and goods for resale, are recognised as revenue when the company gains control of the asset.

###### (iii) In-kind donations

Services donated are included at the fair value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial report for services donated by volunteers.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (b) New standards adopted as at 1 January 2019 (continued)

##### (iii) AASB 16 Leases

###### *General impact of application of AASB 16 Leases*

The Company has applied AASB 16 initially from 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

AASB 16 introduces new requirements with respect to lease accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases except for short-term leases, being less than 12 months and leases of low-value assets.

AASB 16 replaces existing leases guidance, including AASB 117, Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a Lease.

###### *Impact of the definition of a new lease*

The change in definition of a lease mainly relates to the concept of control, AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

###### *Leases in which the Company is a lessee*

Previously, under AASB 117 for the comparative period, all leases were classified as operating leases and were not recognised in the Company's statement of financial position. The Company recognised operating lease expenses on a straight-line basis over the term of the lease.

Under AASB 16, the Company recognises new right-of-use assets and lease liabilities for its operating leases of property. The nature of expenses related to those leases has changed because the Company will recognise a depreciation charge for a right-of-use assets and interest expense on lease liabilities. Lease incentives, if relevant, are recognised as part of the measurement of the right-of-use assets and lease liabilities.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within occupancy expenses in the statement of profit or loss.

###### *Financial impact of initial application of AASB 16*

Upon adoption of AASB 16, on initial application as at 1 January 2019, the Company has recognised additional lease liabilities of \$788,108 and corresponding right-of-use assets of \$737,974 with the balance being recognised in retained earnings.

When measuring these lease liabilities, the Company discounted lease payments using a borrowing rate of 4.5%.

	<b>As at 1 Jan 2019</b>
Operating lease commitment as at 31 December 2018 as disclosed in the Company's financial statements	323,303
Discounted using the borrowing rate as at 1 January 2019	788,108
Extension options reasonably certain to be exercised	(492,123)
Adjustments to variable lease payments	27,318
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>323,303</b>

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (c) Taxes

**Income tax:** The Company is endorsed as an income tax exempt charitable entity and accordingly is an exempt body for Income Tax accordingly no provision for these taxes are required.

**Fringe benefits tax:** The Company, as a public benevolent institution, was exempt from fringe benefits tax under section 57A, Fringe Benefits Tax Assessment Act 1986. From 1 April 2001 this exemption ceased for certain fringe benefits paid to employees in excess of \$30,000 grossed up value for each employee.

**Capital gains tax:** The Company, as a public benevolent institution, is exempt from capital gains tax under section 50-5, Income Tax Assessment Act 1997.

**Payroll Tax:** The Company, as a public benevolent institution, is exempt from payroll tax under section 10(1) (a2), Payroll Tax Act 1971.

**Land Tax:** The Company, as a charitable institution, is exempt from land tax under section 10(d), Land Tax Act.

**Stamp duties and charges:** The Company, as a public benevolent institution and holder of an Authority to Fundraise, under the Charitable Fundraising Act 1991 has a general exemption from paying stamp duty and charges under section 275 of the NSW Duties Act 1997.

**Goods and Services Tax:** The Company, as a public benevolent institution is registered for the goods and services tax (GST), applicable from 1 July 2000. The tax paid is paid on revenues from commercial activities and sponsorship. Most input taxes charged are credited except for expenses related to non-creditable transaction. Revenues, expenses and assets are recognised net of the amount of GST except:

1. where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables or payables which are recognised inclusive of GST where applicable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

#### (d) Fundraising activities

**NSW Charitable Fundraising Act 1991:** this Act and supporting Charitable Fundraising Regulation prescribe the manner in which fundraising appeals are conducted, controlled and reported in NSW. The amounts shown in Note 17 are in accordance with Authority Condition 7, which is issued to the Company under section 19 of the Act.

**Donations and bequests:** are recognised as income as and only when received by the Company or deposited to the Company's bank account. As specified in the Act, unsolicited donations, members' donations and bequests are not treated as fundraising income when determining information required under the Act.

**Costs of fundraising:** costs used in Note 17 include all direct fundraising costs in accordance with the Act. The inclusion of indirect costs is discretionary. Indirect costs excluded, include overheads such as the time spent by accounting or office staff administering appeals, cost apportionment of rent, light and power, and insurance. Exclusion of the indirect costs decreases the cost of fundraising and increases the margins from fundraising shown in Note 17.

#### (e) Inventories

Inventories are valued at the lower of cost or current replacement costs. Costs have been assigned to inventories on hand at balance date using the average cost method.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (f) Deferred income

Deferred income represents the unspent grants or other fees received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within twelve months of receipts of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve months after reporting date then the liability is disclosed as non-current.

Where money was received for the company to acquire or construct an item of property, plant and equipment which will be controlled by the entity then the funds are recognised as deferred income and amortised to revenue as and when the obligation is satisfied.

#### (g) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and depreciated replacement costs, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

The decline in future economic benefit is recognised in the statement of profit or loss and other comprehensive income annually as a depreciation expense. The depreciation rates are reviewed with sufficient regularity to ensure they reflect the decline in future economic benefits.

#### (h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Where an asset is acquired at no cost or for nominal cost, the cost is its fair value at the date of acquisition.

**Freehold land and buildings:** Freehold Land and Buildings, are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Freehold Land and Building are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Land is not depreciated, whilst depreciation for buildings is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and other equipment.

**Buildings held in Trust:** These assets comprise buildings erected on land where there is a legal right to ownership of the land, or a trustee's right to occupy whilst there is continuing utilisation exclusively for Police & Community Youth Club purposes.

The Company recognises as assets buildings on leasehold land and held in trust on the basis that they are a scarce resource controlled by the Company. Furthermore they provide service potential through their ability to enable the Company to achieve its stated objectives, whilst providing economic benefits, through the absence of a commercial rental charge or acquisition cost.

Buildings on leasehold land are only taken up in the accounts where there is a continuing use and service benefit to the Company. In the event of cessation of existing use all benefits therein would be forfeited under the terms of the right of occupation and in some cases there may be expenses associated with removal or re-instatement to original condition. A provision has been estimated where it can be reliably measured.

Consistent with previous years, no value has been ascribed in these accounts to leasehold land or to land where buildings are held in trust on the basis there is no recoverable amount associated with the land at the expiry of the remaining useful life of the buildings.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (h) Property, plant and equipment (continued)

##### Plant, equipment and motor vehicles

Plant, equipment and motor vehicles are measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not excess of the recoverable amount from these assets or equivalent depreciable cost.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during 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 their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5 – 12.5%
Plant, Equipment and Motor Vehicles	10 – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**Capital projects - work in progress:** Work in progress is in relation to capital works in progress at year-end in accordance with various grant funding received. Work in progress is valued at cost, less any provision for anticipated future losses.

#### (i) Employee benefits

A provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

#### (j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

#### (k) Members' guarantees

Police Citizens Youth Clubs NSW Ltd is a Company limited by guarantee. In the event of the Company being wound up, each member may be liable to contribute an amount not exceeding \$100.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (l) Disposal of surplus

Paragraph 4 of the Company's Constitution prohibits the distribution of any surplus to members. As required by the Charitable Fundraising Act 1991, the Income Tax Assessment Act 1997 and Tax Ruling TR 2000/12, any assets remaining upon winding up of the Company must be applied to the objects or purposes for which they were raised.

#### (m) Financial instruments

##### *Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### *Classification and subsequent measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

#### (i) Subsequent measurement financial assets

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposit that were previously classified as held-to-maturity under AASB 139.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (i) Subsequent measurement financial assets (continued)

##### *Financial assets at fair value through profit or loss (FVPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

##### *Equity instruments at fair value through other comprehensive income (Equity FVOCI)*

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

#### (ii) Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### (n) Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

#### (o) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (o) Classification and measurement of financial liabilities (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### (p) Intangibles

Software is initially recorded at cost less amortisation and impairment losses. Software is being amortised over a period of 5 years. The carrying amount of the software is revised annually by the directors to ensure it is not in excess of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### (q) Reserves

Reserves are funds received in relation to the sale of land & buildings. These funds have been designated for future capital expenditure.

#### (r) Economic dependence

The Company is dependent upon the ongoing receipt of government grants and community and corporate donations to ensure the ongoing continuance of the programs. At the date of this report, management have no reason to believe that this financial support will not continue.

#### (s) Comparative figures

Comparative figures have been adjusted to reflect a change in how management assesses the operations of the Company. In particular expenses have been classified according to their activities.

#### (t) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial reports based on historical knowledge and best available current information. The Directors assess impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets.

#### (u) Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Impairment*

The directors have applied the methodology in relation to impairment as set out in the statement of accounting policies. No specific indicators of impairment have been assessed on the Company's assets in the current year.

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

# POLICE CITIZENS YOUTH CLUBS NSW LTD

## Notes to the financial statements

For the year ended 31 December 2019

### 1. Statement of accounting policies (continued)

#### (u) Estimation uncertainty (continued)

Provision for Impairment of Receivables

Management has reviewed individual debtors for impairment. Management have provided for specific debtors and when recoverability appears doubtful.

*Long Service Leave*

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

*Grants in advance*

The provision for grants in advance is measured based on the progression of the performance outcomes within each funding agreement. In determining this amount, management measures expenditure which is in line with the funding agreement and a provision is raised for that portion not expended.

*Lease term*

The Directors considered the extension option on the commercial buildings and have determined that it is reasonably certain that the company will choose to exercise the option and therefore the lease payments that would arise during the optional extension periods have been included in the lease liability.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>2. Revenue</b>		
Operating activities include the following:		
<b>Revenue from contracts with customers - AASB15 Revenue from Contracts with Customers</b>		
Sale of goods	1,372,337	1,179,010
Activity and membership fees	18,914,177	16,737,069
Operating grant income	11,082,842	8,161,484
Venue hire	4,057,136	3,773,313
Other income	276,943	1,031,749
	<b>35,703,435</b>	<b>30,882,625</b>
<b>Revenue recognised under AASB1058 Income of NFP entities</b>		
Fundraising	5,417,271	5,822,505
Donations	4,754,394	4,661,196
Capital grants income	2,335,234	1,876,021
	<b>12,506,899</b>	<b>12,359,722</b>
<b>Revenue from continuing operations</b>	<b>48,210,334</b>	<b>43,242,347</b>
Fair value gain on investment portfolio under AASB9	682,710	570,932
<b>Total revenue</b>	<b>48,893,044</b>	<b>43,813,279</b>

**(a) Disaggregation of revenue from contracts with customers**

Revenue from contracts with customers has been disaggregated based on type of goods or services provided and source of funds

*Type of good or service*

Sale of goods	1,372,337	1,179,010
Venue hire	4,057,136	3,773,313
Membership fees	1,612,403	1,119,808
Activity fees	17,301,774	15,617,261
Club manager salaries grant income	5,881,983	4,824,886
Other grant income	5,200,859	3,336,598
Other income	276,943	1,031,749
	<b>35,703,435</b>	<b>30,882,625</b>
Revenue Recognised under AASB1058	12,506,899	12,359,722
<b>Revenue from continuing operations</b>	<b>48,210,334</b>	<b>43,242,347</b>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>2. Revenue (continued)</b>		
<b>(b) Sources of funds</b>		
<b>Fundraising revenue</b>		
Housie	6,895	11,094
Donations	4,754,394	4,661,196
Raffles and art unions	4,226,226	4,416,509
Other fundraising projects	1,184,150	1,394,902
<b>Total fundraising revenue</b>	<b>10,171,665</b>	<b>10,483,701</b>
<b>Grant income</b>		
Capital grants	2,335,234	1,876,021
Club manager funding grant (operating activities)	5,881,983	4,824,886
Operating grants	5,200,859	3,336,598
<b>Total grant income</b>	<b>13,418,076</b>	<b>10,037,505</b>
<b>Other income</b>		
Profit from sale of assets	58,545	85,792
Insurance proceeds	46,141	663,046
Interest	-	209
Other	172,257	282,702
<b>Total other income</b>	<b>276,943</b>	<b>1,031,749</b>
<b>Club income</b>		
Sale of goods	1,372,337	1,179,010
Venue hire	4,057,136	3,773,313
Membership fees	1,612,403	1,119,808
Activity fees	17,301,774	15,617,261
<b>Total other income</b>	<b>24,343,650</b>	<b>21,689,392</b>
<b>Total income recognised under AASB15 and AABS1058</b>	<b>48,210,334</b>	<b>43,242,347</b>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>3. Expenditure</b>		
Deficit for the year has been determined after the specific following charges:		
<b>Depreciation</b>		
- Buildings on freehold land (Note 9)	3,632,709	3,371,691
- Buildings on leasehold land (Note 9)	855,119	826,569
- Buildings held in trust (Note 9)	1,011,073	995,733
- Plant, equipment and motor vehicles (Note 9)	1,330,730	1,139,638
- Right of use assets (Note 14)	187,265	-
	<b>7,016,896</b>	<b>6,333,631</b>
Amortisation of software (Note 10)	108,737	108,550
Finance costs	45,087	27,992
<b>Significant expenses</b>		
The following expense items are relevant in explaining the financial performance:		
<b>Activity costs</b>		
Employee benefit expense	28,274,051	27,089,758
Costs relating to administration and other related operating costs	22,387,218	20,274,554
Travel & accommodation	808,142	792,004
	<b>51,469,411</b>	<b>48,156,316</b>
<b>Other</b>		
Bad debt	-	18
<b>Total activity costs</b>	<b>51,469,411</b>	<b>48,156,334</b>
<b>4. Cash and Cash Equivalent</b>		
Cash at bank and on hand	4,562,455	2,242,659
	<b>4,562,455</b>	<b>2,242,659</b>
<b>5. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables	2,307,248	8,114,493
Less: Allowance for credit losses	-	-
	<b>2,307,248</b>	<b>8,114,493</b>

All of the Company's trade and other receivables have been reviewed for indicators of impairment. No allowance for credit losses has been recorded. See Note 1 in relation to the basis of determining credit losses for the Company.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>6. Inventories</b>		
Finished goods at cost	153,802	68,470
	<b>153,802</b>	<b>68,470</b>
<b>7. Other current assets</b>		
Prepaid expenses	1,465,482	735,406
	<b>1,465,482</b>	<b>735,406</b>
<b>8. Financial assets</b>		
Unit fund investment - valued at fair value through profit & loss	37,362,560	23,679,890
	<b>37,362,560</b>	<b>23,679,890</b>
<b>9. Property, plant and equipment</b>		
<b>Freehold land</b>		
At deemed cost	15,449,000	15,449,000
	<b>15,449,000</b>	<b>15,449,000</b>
<b>Buildings on freehold land</b>		
At deemed cost	69,468,007	68,571,008
Less: accumulated depreciation	(28,324,848)	(24,692,139)
	<b>41,143,159</b>	<b>43,878,869</b>
<b>Buildings on leasehold land</b>		
At cost	22,097,556	21,531,189
Less: accumulated amortisation	(9,124,765)	(8,269,646)
	<b>12,972,791</b>	<b>13,261,543</b>
<b>Buildings held in trust</b>		
At cost	24,328,488	23,583,687
Less: accumulated depreciation	(15,228,195)	(14,217,122)
	<b>9,100,293</b>	<b>9,366,565</b>
<b>Plant, equipment and motor vehicles</b>		
At cost	28,006,258	26,312,130
Less: accumulated depreciation	(17,615,064)	(16,816,071)
	<b>10,391,194</b>	<b>9,496,059</b>
Capital projects – work in progress	4,820,350	1,258,529
<b>Total property, plant and equipment</b>	<b>93,876,787</b>	<b>92,710,565</b>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

### 9. Property, plant and equipment - Continued

Reconciliation of the carrying amount of each class of property, plant and equipment are set out below:

2019	Freehold Properties		Leasehold	Buildings in	Plant, Equipment and Motor Vehicles	Capital Projects- Work in Progress	Total
	Land	Buildings	Land	Trust			
	\$	\$	\$	\$	\$	\$	\$
Carrying amount at the start of the year	15,449,000	43,878,869	13,261,543	9,366,565	9,496,059	1,258,529	92,710,565
Additions	-	337,963	566,367	163,719	1,132,783	5,939,555	8,140,387
Disposals	-	-	-	-	(144,534)	-	(144,534)
Transfers in/(out)	-	559,036	-	581,082	1,237,616	(2,377,734)	-
Depreciation expense	-	(3,632,709)	(855,119)	(1,011,073)	(1,330,730)	-	(6,829,631)
Carrying amount at the end of the year	<b>15,449,000</b>	<b>41,143,159</b>	<b>12,972,791</b>	<b>9,100,293</b>	<b>10,391,194</b>	<b>4,820,350</b>	<b>93,876,787</b>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>10. Intangibles</b>		
<b>Software</b>		
At cost	2,202,957	2,174,745
Less: accumulated amortisation	(1,538,603)	(1,429,866)
	<b>664,354</b>	<b>744,879</b>
Carrying amount at the start of the year	744,879	820,612
Additions	28,212	32,817
Amortisation expense	(108,737)	(108,550)
Carrying amount at the end of the year	<b>664,354</b>	<b>744,879</b>
<b>11. Trade and other payables</b>		
<b>Current</b>		
Trade creditors and accruals	4,074,861	4,661,879
	<b>4,074,861</b>	<b>4,661,879</b>
<b>12. Deferred Income</b>		
<b>Current</b>		
Grants in advance	29,340,306	11,910,597
<b>Non-current</b>		
Grants in advance	3,050,000	3,125,000
<b>Total deferred income</b>	<b>32,390,306</b>	<b>15,035,597</b>
Revenue recognised during the year that was included in the deferred income balance at the beginning of the period:		
- Grant monies received in advance	4,190,738	2,208,029
- Capital grants received to acquire or construct an asset to be controlled by the Company	1,701,246	829,092
	<b>5,891,984</b>	<b>3,037,121</b>
<i>Unsatisfied performance obligations</i>		
The following table shows the aggregate amount of the transaction price allocated to unsatisfied (or partially satisfied) performance obligations resulting from grant monies received in advance.		
Grant income for programs	7,396,228	5,000,000
Capital grants received to acquire or construct an asset to be controlled by the company	24,994,078	10,035,329
	<b>32,390,306</b>	<b>15,035,329</b>

The Company expects to recognise the revenue from these grants within the next 12 months.

The asset being constructed using the capital grant will be completed within the next 4 years.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>13. Provisions</b>		
<b>Current</b>		
Provision for employee entitlements	2,625,506	2,153,037
<b>Non-current</b>		
Provision for employee entitlements	304,678	274,720
<b>Total provisions</b>	<b>2,930,184</b>	<b>2,427,757</b>
<b>14. Right-of-use assets</b>		
The Company holds leases for equipment with lease term of 5 years. AASB 16, Leases, has been adopted with a modified retrospective transition approach so there is no right-of-use assets recognised for the comparative year to 31 December 2018.		
Right-of-use assets: property	737,974	-
Depreciation charge	(187,265)	-
Net carrying value	<b>550,709</b>	-
<b>15. Lease liabilities</b>		
AASB 16 Leases has been adopted with a modified retrospective transition approach so there are no disclosures for the comparative period.		
Amounts due for settlement within less than 12 months (current liabilities)	186,349	-
Amounts due for settlement in more than 12 months (non-current liabilities)	427,236	-
	<b>613,585</b>	-
<i>Maturity analysis</i>		
Not later than 1 year	186,349	-
Later than 1 year but not later than 5 years	427,236	-
Later than 5 years	-	-
	<b>613,585</b>	-
<i>Amounts recognised in profit or loss</i>		
Interest expense	45,087	-
Expenses relating to short-term leases	290,192	-
Expenses relating to variable lease payments not included in the measurement of the lease liability	335,279	-
Total cash outflow for leases	<b>174,523</b>	-

The Company receives below market leases for its club facilities. These have been recognised at cost in accordance with AASB16.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$
<b>16. Contingent liabilities</b>		
In the course of its normal business the Company received claims arising from its operating activities. In the opinion of the Directors, all such matters are covered by insurance.		
<b>17. Fundraising Appeals</b>		
<b>Fundraising income and expenses</b>		
Housie	6,895	11,094
Donations and bequests	1,190,947	1,118,273
Workplace giving donations	3,137,476	2,960,106
Sponsorships	425,971	582,817
Raffles and art unions	4,226,226	4,416,509
Events	200,342	96,805
Direct mail campaigns	178,036	88,205
Committee fundraising	54,557	50,824
Other fundraising	751,215	1,159,068
Total income	<u>10,171,665</u>	<u>10,483,701</u>
Total fundraising expenses	<u>(1,880,391)</u>	<u>(1,798,859)</u>
Net surplus from fundraising activities	<b>8,291,274</b>	<b>8,684,842</b>
Net margin from fundraising activities	82%	83%
<b>18. Cashflow information</b>		
Reconciliation of cash flow from operations with total comprehensive loss:		
Deficit for the year	(5,186,534)	(6,753,772)
Non-cash flows in deficit for the year:		
Depreciation and amortisation expense	6,938,368	6,442,181
(Gain) on disposal of property, plant and equipment and intangibles	(58,545)	(85,792)
Written off property, plant and equipment and intangibles	187,265	164,902
Fair value movement in investment portfolio	(682,710)	(570,932)
Changes in assets and liabilities:		
(Increase) in other assets	(724,590)	(100,810)
(Increase)/decrease in trade and other receivables	5,807,246	(13,274,161)
(Increase)/decrease in inventories	(85,332)	(2,771)
Increase/(decrease) in deferred income	17,354,709	13,091,490
Increase/(decrease) in trade and other payables	(521,007)	2,595,966
(Decrease)/increase in employee provisions	436,416	(32,496)
Net cash flows from operating activities	<u><b>23,465,286</b></u>	<u><b>1,473,805</b></u>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

	2019	2018
	\$	\$

### 19. Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the balance sheet as follows:

Cash at bank and on hand	4,562,455	2,237,172
Cash on deposit	-	-
	<u>4,562,455</u>	<u>2,237,172</u>

### 20. Auditor Remuneration

Received or due and receivable by the auditor for:

- Auditing the accounts	62,000	87,500
- Other services	-	4,000
	<u>62,000</u>	<u>91,500</u>

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

### 21. Key Management Personnel Compensation

#### Directors

All Directors (Responsible Entities) are non-executive and are listed in the Corporate Information section. Directors did not received any emoluments during the year.

#### Other Key Management Personnel

Name	Position
Dominic Teakle	CEO
Melinda Ewell	CFO
Scott Murray	General Manager, Club Operations
Karen Hope	General Manager, People, Culture and Youth Programs
Lester Stump	General Manager, Strategic Development, Facilities and Assets
Howard Barton	General Manager, Marketing and Communications
Tara Cheesman	General Manager, Strategic Partnerships and Fundraising

#### Total Compensation paid to key management personnel during the year:

	2019	2018
	\$	\$
Short term employee benefits	1,520,775	927,131

### 22. Related Party Information

Transactions between Police Citizens Youth Clubs NSW Ltd and Directors or Director related entities were on terms and conditions that were no more favorable to the Director related entity than those available, or which might reasonably be expected to be available, on similar transactions with non-Director-related entities and were on an arm's length basis.

### 23. Events after the Balance Date

The Coronavirus COVID-19 has had an impact on the Company's operations and activities subsequent to the end of the year. It is not possible to accurately determine the nature or extend of the impacts or the time over which the Company will be impacted. It is possible that it will be material to the Company as the effects and consequences are outside of the Company's control and are far reaching in Australia and globally. Based on the current information, the Directors believe that the Company will remain a going concern.

Other than the impacts and potential impacts of coronavirus COVID-19, there have been no subsequent events identified as at the date of signing.

### 24. Commitments

#### Operating leases:

The Company has previously entered into operating leases of office equipment. These leases have an average life of 2 to 5 years. There are no restrictions placed upon the lessee upon entering into these leases. Future minimum rentals payable under the non-cancellable operating leases as at the reporting date are:

	2019	2018
	\$	\$
Payable		
- within one year	-	237,120
- after one year but no more than five years	-	86,183
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>323,303</b>

Following the adoption of AASB 16, significant leases reporting as operating leases are now recognised as finance leases. The maturity analysis for lease liabilities as at 31 December 2019 is detailed in note 15.

Operating lease commitments for the year ended 31 December 2018 included contracted amounts for property under operating leases. A lease expense of \$237,120 was recognised as an expense in the statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

### 25. Financial risk management

The company's financial instruments comprise:

- cash and cash equivalents
- listed investments
- receivables
- lease liabilities and
- payables.

The main risks arising from the company's financial instruments are liquidity risk, credit risk and market price risk. The company does not use derivative instruments to manage risks associated with its financial instruments.

The directors have overall responsibility for risk management, including risks associated with financial instruments. Risk management policies are established to identify and analyse the risks associated with the company's financial instruments, to set appropriate risk limits and controls and to monitor the risks and adherence to limits. The management is responsible for monitoring the effectiveness of the company's risk management policies and processes and regularly reviewing risk management policies and systems, considering changes in market conditions and the company's activities. The Audit and Finance Committee management is responsible for developing and monitoring investment policies.

This note presents information about the company's exposure to liquidity, credit and market price risk and its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

#### (i) Liquidity risk

Liquidity risk is the risk that the company will not be able to fund its obligations as they fall due.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are available to meet normal operating expenses for 120 days. When necessary, cash for unforeseen events such as relief activities following natural disasters is sourced from liquidation of available-for-sale financial investments.

All trade and other payables are expected to be paid within 12 months, refer to note 15 for a maturity analysis of lease liabilities.

#### (ii) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to two sources of credit risk – amounts receivable in respect of customers for services and other debtors and counterparty risk in respect of funds deposited with banks and other financial institutions.

## POLICE CITIZENS YOUTH CLUBS NSW LTD

Notes to the financial statements (continued)

For the year ended 31 December 2019

### 25. Financial risk management (continued)

#### (ii) Credit risk (continued)

##### *Exposure to credit risk*

The company's maximum exposure to credit risk at the reporting date is the carrying amount of financial assets per the statement of financial position.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Company and the customer or counter party to the transaction. The Company does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties, however all receivables and cash holdings are within Australia and therefore there is a significant geographical credit risk exposure.

None of the other receivables are past due at the reporting date.

#### (iii) Market price risk

Market price risk is the risk that changes in market prices such as interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The company is exposed to two sources of market price risk – fluctuations in interest rates and fluctuations in the value of its financial investments.

#### (iv) Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The company is exposed to interest rate fluctuations on its cash at bank and on deposit. The company actively monitors interest rates for cash at bank and on deposit to maximise interest income.

The following table summarises the interest rate profile of the company's interest-bearing financial instruments:

	Carrying Amounts	
	2019	2018
	\$	\$
<b>Fixed rate instrument</b>		
Lease liabilities	613,585	-
<b>Variable rate instruments</b>		
Cash at bank	4,562,455	2,237,172

##### **Sensitivity analysis**

No reasonably possible movement in interest rates at 31 December 2019, as assessed by the Directors based on current economic conditions, would cause a material effect on reported profit or equity.

## **POLICE CITIZENS YOUTH CLUBS NSW LTD**

Notes to the financial statements (continued)

For the year ended 31 December 2019

### **25. Financial risk management (continued)**

#### **Currency risks**

The company does not hold financial assets or liabilities in foreign currency and therefore there is no material effect on reported profit or equity.

#### **Equity price risk**

Equity price risk arises from fluctuations in the market values of financial investments.

The company has invested in a fund managed by Macquarie Bank which provides exposure to a range of highly-rated Australian and international credit-based securities (primarily Australian issued bank, corporate and asset backed securities) and cash. The unit trust does not invest in equity or high yield securities, and thus the risk of exposure to equity market movements is low.

#### **Fair Value**

All financial investments held have quoted prices, therefore they are allocated to level 1 of the fair value hierarchy.



# Independent Auditor's Report

To the members of Police Citizens Youth Clubs NSW Ltd

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report**, of the Police Citizens Youth Clubs NSW Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012 and Charitable Fundraising Act NSW 1991*, including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2019, and of its financial performance and its cash flows for the year ended on that date; and
- i. Complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2012*.

The **Financial Report** comprises:

- i. Statement of financial position as at 31 December 2019.
- ii. Statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the ACNC Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



We confirm that the independence declaration required by the ACNC Act 2012, which has been given to the Directors of Police Citizens Youth Clubs NSW Ltd, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

## Other information

Other Information is financial and non-financial information in Police Citizens Youth Clubs NSW Ltd annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

In addition we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

## Report on Other Legal and Regulatory Requirements

### Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion,

- i. the Financial Report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 31 December 2019;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2019 to 31 December 2019, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- iii. money received as a result of fundraising appeal activities conducted during the period from 1 January 2019 to 31 December 2019 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991 and Regulations*; and
- iv. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.



Jonathan Rudman

KPMG

Partner

Sydney

25 June 2020