Poetry in Action Incorporated

Financial Statements

For the year ended 31 December 2018

Contents

Corporate Information

The Responsible Entities (Directors) present their report on Poetry in Action Incorporated (the 'Association') for the financial year ended 31 December 2018.

Directors

The names of the Directors in office at the date of this report are:

- Campbell Hudson
- Philip Offer
- Maria Schulze
- Hazem Shammas
- Tilda Sikes
- Nicholas Sweeney
- Bryce Youngman

Charity ABN details

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Auditor's Independence Declaration

To the Responsible Entities of Poetry in Action Incorporated

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Poetry in Action Incorporated for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M D Dewhurst
Partner – Audit & Assurance

Sydney, 27 September 2019

Statement of Profit or Loss and Other Comprehensive Income

For year ended 31 December 2018

	Notes	2018 $	2017 $
Revenue	4	1,011,508	946,529
Other income		2,725	10,093
Cost of sales		(292,285)	(255,129)
Interest expense		(1,785)	(1,217)
Employee benefits expense		(622,396)	(607,188)
Marketing expense		(18,676)	(22,273)
Administrative expense		(77,445)	(108,072)
Depreciation expense		-	(1,437)
Surplus/(Deficit) for the year		**1,646**	**(38,694)**
Other comprehensive income		**-**	**-**
Total comprehensive income/(loss) for the year		**1,646**	**(38,694)**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As at 31 December 2018

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	6	176,768	248,082
Trade and other receivables	7	14,510	12,623
Prepayments		-	4,400
Total current assets		191,278	265,105
Non-current assets			
Property, plant and equipment	8	3,506	3,506
Total non-current assets		3,506	3,506
Total assets		194,784	268,611
Current liabilities			
Trade and other payables	9	46,999	18,620
Deferred Income	10	211,531	314,392
Provisions	11	29,148	30,139
Total current liabilities		287,678	363,151
Total liabilities		287,678	363,151
Net assets		**(92,894)**	**(94,540)**
Funds			
Contributed capital		30,119	30,119
Retained earnings		(123,013)	(124,659)
Total funds		**(92,894)**	**(94,540)**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Funds

For year ended 31 December 2018

	Notes	Share capital $	Retained earnings $	Total Funds $
Balance at 1 January 2017		30,119	(85,965)	(55,846)
Deficit for the year		-	(38,694)	(38,694)
Other comprehensive income for the year		-	-	-
Balance at 31 December 2017		**30,119**	**(124,659)**	**(94,540)**
Surplus for the year			1,646	1,646
Other comprehensive income for the year		-	-	-
Balance at 31 December 2018		**30,119**	**(123,013)**	**(92,894)**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For year ended 31 December 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		831,724	783,567
Grant income received		160,170	174,750
Interest received		2,725	1,157
Payments to suppliers and employees		(1,064,147)	(1,090,805)
Finance cost		(1,785)	(1,217)
Net cash provided by operating activities	14	**(71,313)**	**(132,548)**
Cash flows from investing activities			
Net cash provided by investing activities		**-**	**-**
Cash flows from financing activities			
Net cash provided by financing activities		**-**	**-**
Net change in cash and cash equivalents held		**(71,313)**	**(132,548)**
Cash and cash equivalents at beginning of financial year		**248,081**	**380,629**
Cash and cash equivalents at end of financial year	6	**176,768**	**248,081**

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 General information and statement of compliance

The financial report includes the financial statements and notes of Poetry in Action Incorporated (the 'Association').

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*. Poetry in Action Incorporated is a not-for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Responsible Entities on 27 September 2019.

2 Changes in accounting policies

2.1 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2018.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. Given the nature of the major assets and liabilities of the Association the adoption of this standard has not had a significant impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Association.

3 Summary of accounting policies

3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2 Revenue

Revenue comprises revenue from performances, government grants, donations, membership fees and interest income. Revenue from major products and services is shown in Note 4.

Revenue is measured by reference to the fair value of consideration received or receivable by the Association for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Association's different activities have been met. Details of the activity-specific recognition criteria are described below.

Performance revenue

Revenue from the sale of performances is recognised only when the performances have been delivered.

Government grants

A number of the Association's programs are supported by grants received from the federal, state and local governments.

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

Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and deferred at year-end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Association obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the Association receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when the Association gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

3.3 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.4 Property, plant and equipment

Computer, office and touring equipment

Equipment 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 Association's management.

Buildings, plant and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and other equipment. The following useful lives are applied:

Class of fixed asset	*Depreciation rate*
Computer equipment:	33%
Office furniture:	33%
Touring equipment:	33%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.5 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Association 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)

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 or FVOCI):

- 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.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the income statement.

Financial assets classified as fair value through other comprehensive income (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 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 was previously classified as 'available-for-sale'.

Impairment of financial assets

At each balance date the Association assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement.

The Association 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.

3.6 Income taxes

No provision for income tax has been raised as the Association is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Association's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Association presents employee benefit obligations as current liabilities in the statement of financial position if the Association does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

3.9 Provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

3.10 Deferred income

The liability for deferred income is the unutilised amounts of grants 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 (12) months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve (12) months after the reporting date or the conditions will only be satisfied more than twelve (12) months after the reporting date, the liability is discounted and presented as non-current.

3.11 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

3.12 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

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.

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.

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.

4 Revenue

	2018 $	2017 $
Operating activities		
Performance sales	801,838	749,029
Donations	32,500	5,485
Government grants funding	160,170	174,750
Creative projects income	17,000	17,265
	1,011,508	**946,529**

5 Result for the year

The result for the year has been arrived at after charging the following items:

	2018 $	2017
Rental expense	9,972	10,579
Depreciation expense	-	1,437

6 Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	47,476	36,181
Short-term bank deposits	129,292	211,901
	176,768	**248,082**

7 Trade and other receivables

	2018 $	2017 $
Trade receivables	13,740	6,809
Allowance for credit losses	(1,700)	(1,700)
GST receivable	-	5,044
Undeposited funds	2,470	2,470
	14,510	**11,158**

8 Property, plant and equipment

Details of the Association's property, plant and equipment and their carrying amount are as follows:

	Computer Equipment $'000	Office Furniture $'000	Touring Equipment $'000	Total $'000
Gross carrying amount				
Balance 1 January 2018	12,155	11,134	320	23,609
Additions	-	-	-	-
Disposals	-	-	-	-
Balance 31 December 2018	12,155	11,134	320	23,609
Depreciation				
Balance 1 January 2018	8,755	11,134	214	20,103
Disposals	-	-	-	-
Depreciation	-	-	-	-
Balance 31 December 2018	8,755	11,134	214	20,103
Carrying amount 31 December 2018	**3,400**	**-**	**106**	**3,506**

9 Trade and other payables

	2018 $	2017 $
Other creditors and accrued expenses	9,108	7,483
GST payable	24,338	-
Superannuation payable	13,553	11,137
	46,999	**18,620**

10 Deferred income

	2018 $	2017 $
Deposits for future services	211,531	204,937
Unearned grant income	-	109,455
	211,531	**314,392**

11 Provisions

	2018 $	2017 $
Current		
Annual leave	7,973	5,528
Long service leave	21,175	24,611
	29,148	**30,139**

12 Related party transactions

The Association's related parties include its key management personnel, Committee members and related entities. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. The Committee members may provide personal donations to the Association.

12.1 Transactions with key management personnel

Key management of the Association are the Committee Members of Poetry in Action Incorporated. Key management personnel remuneration includes the following expenses:

	2018 $	2017 $
Total key management personnel remuneration	85,997	103,807

13 Contingent assets and contingent liabilities

The Association has no contingent assets nor contingent liabilities.

14 Commitments

The Association has occupied an office space located at 91 Canal Road, Lilyfield since 13th November 2007 under a license agreement with Legs on the Wall Inc. The original license was for a period of two years with an end date of 13th November 2009. The license was formally renewed on 1 June 2017. Between those times they continued to occupy the office space on a month-to-month basis.

The Association's future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $	1 to 5 years $	After 5 years $	Total $
31 December 2018	9,200	-	-	9,200
31 December 2017	9,200	9,200	-	18,400

Under the terms of the original licence, upon vacating the premises, the Association must make good any damage caused to the premises. It is expected that some superficial repairs will be required to restore the premises to the original condition at the inception of the licence agreement. However, given their nature, a reliable cost estimate of the repairs has not be determined by the Committee as at the reporting date and therefore a provision has not been recognised in the financial statements as at that date.

15 Cash flow information

	2018 $	2017 $
a Reconciliation of cash flow from operations with surplus/(deficit)		
Surplus/(Deficit) for the year	1,646	(38,694)
Non-cash flows in deficit:		
• depreciation and amortisation	-	1,437
Changes in assets and liabilities:		
• Decrease / (increase) in trade and other receivables	(1,887)	(1,463)
• Increase / (Decrease) in trade and other payables	28,380	(5,377)
• (Decrease) / increase in deferred income	(102,861)	(78,799)
• (Decrease) / increase in employee benefits provisions	(991)	(5,252)
• Decrease / (Increase) in prepayments	4,400	(4,400)
Net cash used in operating activities	**(71,313)**	**(132,548)**

16 Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Association, the results of those operations, or the state of affairs of the Association in future financial years.

Responsible Entities' Declaration

1. In the opinion of the Directors (Responsible Entities) of Poetry in Action Incorporated:

   a. The financial statements and notes of Poetry in Action Incorporated are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

      i. Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and

   b. There are reasonable grounds to believe that Poetry in Action Incorporated will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Responsible Entities:

DocuSigned by:

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Responsible Entity
Philip Offer

DocuSigned by:

Bryce Youngman

D64DD0169A334A3...

Responsible Entity
Bryce Youngman

Dated this day 27 September 2019

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Independent Auditor's Report

To the Members of Poetry in Action Incorporated

Report on the audit of the financial report

Opinion

We have audited the financial report of Poetry in Action Incorporated (the "Registered Entity"), which comprises the statement of financial position as at 31 December 2018, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Responsible Entities' declaration.

In our opinion, the financial report of Poetry in Action Incorporated has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Registered Entity's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

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

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

Grant Thornton

Responsibilities of the Responsible Entities for the financial report

The Responsible Entities of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Responsible Entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Responsible Entities are responsible for assessing the Registered Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Responsible Entities either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Registered Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Responsible Entities.
- Conclude on the appropriateness of the Responsible Entities' 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M D Dewhurst
Partner – Audit & Assurance

Sydney, 27 September 2019