

Principal Phillip W Miller CA
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Web www.mcsaudit.com.au
ASIC Authorised Audit Company No. 408893

5 March 2017

The President
Craft ACT Craft and Design Centre
PO Box 992
Civic Square
Canberra City ACT 2608

Dear Sir / Madam,

Re: 2016 Audit Management Letter

We have completed the audit of Craft ACT Craft and Design Centre for the year ended 31 December 2016. During the course of our audit work, the following matters came to our attention upon which we would like to comment:

1) Operating result for the year

The Association accumulated an overall operating deficit for the year totalling \$70,220 as compared to a total operating surplus for the 2015 year of \$6,016. The current years result represents an overall result decrease of \$76,236, as compared to the 2015 year. The main reason for the decrease is a substantial decrease in net Project Income as compared to the 2015 year.

Total income for the 2016 year of \$537,802 represented a 39.8% decrease as compared to the 2015 year of \$894,240. The decrease in income was mainly as a result of a substantial decrease in project income, as compared to the 2015 year.

Total expenditure for the year of \$608,021 represented a 31.5% decrease as compared to the 2015 year total of \$888,224. The overall decrease is mainly due to decreases in Project Expenses and salaries and on costs, as compared to the 2015 year.

2) Closure of CRAFT Shop (Braddon)

While undertaking our audit we were advised that the CRAFT Shop at Braddon was closed during the year. The shop was closed for a number of strategic reasons but mainly due to poor sales and increasing costs. We were also advised that a number of closure costs have been included in this year's operating figures. The Shop has now been consolidated back into the main CRAFT ACT location in London Circuit and sales have responded positively due to the relocation.

We recommend that the CRAFT ACT budget be monitored closely to ensure that the shop revenue stream continues to improve and provide a positive outcome to the overall trading results of the organisation.

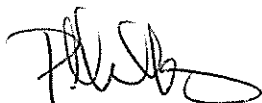
It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements of the association, and may therefore not bring to light all the errors or weaknesses that may exist in terms of internal controls, procedures and systems. It is the Committee's responsibility to maintain an adequate system of internal control as the principle safeguard against irregularities which an audit examination may not disclose.

We would like to thank you and your staff for your assistance and co-operation while conducting our work.

Should you require any further assistance, please do not hesitate to contact our office.

Yours faithfully,

MCS Audit Pty Ltd
Authorised Audit Company

A handwritten signature in black ink, appearing to read 'P. W. Miller', written in a cursive style.

Phillip W Miller CA
Director

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5 March 2017

The President
Craft ACT Craft and Design Centre
PO Box 992
Civic Square
Canberra City ACT 2608

Dear Sir/Madam,

Independence Discussions

We confirm that during the audit of the financial report of Craft ACT Craft and Design Centre for the year ended 31 December 2016, we have maintained our independence in accordance with the requirements of Professional Statement APES 110.

In the spirit of this confirmation, we have prepared the following comments to facilitate discussion and enable you to have a clear understanding of the issue.

Other Services

We have not carried out any other engagements for Craft ACT Craft and Design Centre that would impair our firm's professional independence as auditor.

Any services provided are subject to our own and the profession's strict rules and policies regarding auditor independence. We enforce these rules and policies in order to maintain objectivity and to be free of interest when discharging our professional responsibilities.

Our appointment as service provider for these engagements has been subject to Craft ACT Craft and Design Centre's corporate governance procedures encompassing the selection of service providers and the setting of their remuneration.

Some of the safeguards we follow with regard to auditor independence in relation to the provision of these services include ensuring:

- The services have not involved partners or staff acting in a managerial or decision-making capacity, or being involved in the processing or originating of transactions;
- The services have only been provided where we are satisfied that the related function or process will not have a material bearing on our planned audit procedures and would not involve us auditing our own work;
- The partners and staff involved in the provision of non-auditing services have not participated in Craft ACT Craft and Design Centre's associated or authorisation processes.

Based on the above safeguards, we are satisfied that the provision of other services has not in any way compromised our independence as external auditor of Craft ACT Craft and Design Centre.

Financial Interests

As your auditor, direct and material indirect investments in any shares of Craft ACT Craft and Design Centre are prohibited to us. In summary this prohibition extends to:

- All partners and professional staff; and
- The families of these partners and professional staff; and
- The firm's partner and staff superannuation funds.

We seek annual confirmation from partners and staff that they have complied with this requirement. Based on the results of this process, we are not aware of any instances where partners or staff are not in compliance with this requirement in relation to this engagement.

Other Relationships

We are not aware of any situations where a spouse or close relative of a partner or staff members involved in the audit occupies a position as a director or executive at Craft ACT Craft and Design Centre that is significant to the audit.

We are not aware of any situations where a partner or staff member has accepted a position of employment with Craft ACT Craft and Design Centre in a senior executive or managerial capacity during or since the end of the financial year.

This report is intended solely for Craft ACT Craft and Design Centre and should not be used for any other purpose.

Should you require any further assistance, please do not hesitate to contact our office.

Yours faithfully,

MCS Audit Pty Ltd
Authorised Audit Company



Phillip W Miller CA
Director

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

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CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

Your Committee members submit the financial report of Craft ACT: Craft and Design Centre Incorporated for the financial year ended 31 December 2016.

COMMITTEE MEMBERS

The names of each person who held a position as a member of the Committee during the year and at the date of this report are:

Graham Humphries	President Appointed From 10 September 2013
Helen O'Neil	Immediate Past-President Appointed From 12 November 2013
Sam Bryant	Treasurer Appointed From 29 March 2016
Alison Jackson	Appointed From 29 March 2016
Liam Early	Appointed From 01 January 2015
Tracy Ireland	Appointed From May 2016
Rachael Coghlan	Appointed From 26 April 2016
Rohan Nicol	Appointed From 08 December 2015
Sharon Peoples	Resigned From 31 March 2015
Tim Bohm	Resigned From 31 March 2015
Angelina Russo	Resigned From 14 April 2015
Avi Amesbury	Retired From 29 March 2016
Julie Ryder	Retired From 23 January 2016
Stephen Cassidy	Resigned From 13 December 2016
Lyn Valentine	Retired From 29 March 2016
Tina Baum	Retired From 29 March 2016
Franke Peng	Retired From 29 March 2016

RESULTS

The result of the Association was a loss of \$70,220 for the year ended 31 December 2016 (2015: surplus \$6,016).

PRINCIPAL ACTIVITIES

The principal activity of the Association during the year was to promote quality and excellence in craft and design and provide a source of information on craft and design in the Australian Capital Territory. There has been no change in the principal activity of the Association during the year.

SUBSEQUENT EVENTS

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

Signed in accordance with a resolution of the Committee:

 Sam Bryant
Committee Member

 GRAHAM HUMPHRIES
Committee Member

Date: 7/3/2017

CRAFT ACT CRAFT AND DESIGN CENTRE

ABN 33 314 092 587


RESPONSIBLE PERSONS' DECLARATION


**- PER SECTION 60.15 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION
REGULATION 2013**

The responsible persons declare that in the responsible persons' opinion:

- (a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Committee Member: Sam Bryant 
Name

Committee Member: GRAHAM HUMPHRIES 
Name

Dated this 7 day of March 2017



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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES
AND NOT FOR PROFITS COMMISSION ACT 2012
TO THE COMMITTEE MEMBERS OF
CRAFT ACT CRAFT AND DESIGN CENTRE
ABN 33 314 092 587**

As lead auditor for the audit of Craft ACT Craft and Design Centre for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements of 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.

MCS Audit Pty Ltd

**Phillip W Miller CA
Director**

Dated in Canberra on:

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED
ABN: 33 314 092 587**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

I have audited the financial report of Craft ACT: Craft and Design Centre Incorporated, which comprises the balance sheet as at 31 December 2016, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the responsible entities' declaration.

In my opinion the financial report of Craft ACT: Craft and Design Centre 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 2016 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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and 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 my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than the Financial Report and Auditor's Report Thereon

Those charged with governance are responsible for the other information. The other information comprises the information included in the registered entity's annual report for the year ended 31 December 2016, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Responsible Entities and the Board 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, 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 intends to liquidate the registered entity or to cease operations, or has 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

My 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 my 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Name of firm: MCS Audit Pty Ltd

Name of director: _____
Phillip W Miller CA

Address: Unit 1/37 Geils Court, Deakin ACT 2600

Dated: _____

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

BALANCE SHEET**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016	2015
		\$	\$
Assets			
<u>Current Assets</u>			
Cash and Cash Equivalents	3	139,021	109,847
Receivables	4	24,944	188,086
Inventories		3,411	1,840
Other current assets	5	5,796	13,236
<u>Total Current Assets</u>		<u>173,172</u>	<u>313,009</u>
<u>Non- Current Assets</u>			
Property, Plant and Equipment	6	33,638	74,860
<u>Total Non-Current Assets</u>		<u>33,638</u>	<u>74,860</u>
Total Assets		<u>206,810</u>	<u>387,869</u>
Liabilities			
<u>Current Liabilities</u>			
Payables	7	50,627	56,270
Provisions	8	12,586	30,061
Unexpended Grants	9	70,655	169,137
Unexpended Donation	10	17,859	13,459
<u>Total Current Liabilities</u>		<u>151,727</u>	<u>268,927</u>
<u>Non-Current Liabilities</u>			
Provisions	8	-	6,230
<u>Total Non-Current Liabilities</u>		<u>-</u>	<u>6,230</u>
Total Liabilities		<u>151,727</u>	<u>275,157</u>
Net Assets		<u>55,083</u>	<u>112,712</u>
Equity			
Accumulated Surplus		55,083	112,712
Total Equity		<u>55,083</u>	<u>112,712</u>

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Accumulated Surplus	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 31st December 2014	110,896	-	110,896
2015 Year Surplus attributable to members	6,016	-	6,016
Prior Year Adjustments	(4,200)	-	(4,200)
Balance at 31st December 2015	112,712	-	112,712
Current Year Surplus attributable to members	(70,220)	-	(70,220)
Prior Year Adjustments	12,591	-	12,591
Balance at 31st December 2016	55,083	-	55,083

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

INCOME STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2016**

INCOME	Note	2016	2015
		\$	\$
<i>Grants:</i>			
ACT Government		200,733	197,297
Australia Council		45,500	45,500
Australia Council VACS		36,467	35,928
Arts ACT VACS		46,000	46,125
Unexpended Selling Yarns 3 Grants		-	(5,342)
Unexpended Artists in Residence Grants		(4,647)	(2,662)
Unexpended Ian Potter Foundation		-	(2,008)
Unexpended Stepping Up Grants		-	(8,274)
Unexpended Design Canberra		-	-
		<u>324,053</u>	<u>306,564</u>
<i>Projects:</i>			
Project Income		<u>45,686</u>	<u>330,576</u>
		<u>45,686</u>	<u>330,576</u>
<i>General:</i>			
Rent, Boardroom Hire		-	7,161
Interest Received		<u>2,289</u>	<u>5,086</u>
		<u>2,289</u>	<u>12,247</u>
<i>Activities:</i>			
Fundraising		-	6,000
Membership/APM Subscriptions		18,630	15,120
Project Management		1,555	104,494
Sponsorship – Design Canberra		94,950	64,591
Public Programs		200	7,395
Sponsorship		<u>5,000</u>	<u>5,000</u>
		<u>120,335</u>	<u>202,600</u>
<i>Trading Account:</i>			
Trading Income	18	<u>35,563</u>	<u>25,155</u>
		<u>35,563</u>	<u>25,155</u>
<i>Exhibitions:</i>			
Commission on Sale of Work		<u>6,503</u>	<u>17,098</u>
		<u>6,503</u>	<u>17,098</u>
Other Income		<u>3,373</u>	<u>-</u>
Total Income		<u>537,802</u>	<u>894,240</u>

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

INCOME STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2016**

EXPENSES	Note	2016	2015
		\$	\$
<i>Administration:</i>			
Accounting and Bookkeeping		54,464	263
Audit Fees		10,900	5,250
Bad Debts		2,259	-
Bank Charges		3,098	1,542
Broadband and Hosting		1,830	2,592
Depreciation		8,180	7,318
Fees		39	512
Insurance - Combined		3,736	4,393
IT Services		2,596	4,106
Merchant Fees		-	1,657
Rent		19,243	25,984
Repairs & Maintenance		349	880
Security		477	363
Stationery		2,738	2,210
Subscriptions		3,465	1,485
Telephone		3,646	3,424
		<u>117,020</u>	<u>61,979</u>
<i>Salaries & On Costs:</i>			
Annual Leave		12,501	15,112
Insurance - Workers comp/Personal		7,859	6,473
Insurance - Volunteer Workers		124	364
Long Service Leave		(1,616)	3,927
Maternity/Paternity Leave		(10,504)	6,954
Professional Development		-	1,492
Salaries		273,464	389,671
Superannuation		26,745	34,977
Staff Travel		1,752	5,986
		<u>310,325</u>	<u>464,956</u>
<i>Marketing & Promotion:</i>			
Advertising		-	6,043
Postage		2,428	3,268
Printing - Invitations/Catalogues		7,842	7,256
Public Program Events		-	941
Web Promotions		1,989	5,381
		<u>12,259</u>	<u>22,889</u>

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

INCOME STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2016**

EXPENSES	Note	2016	2015
		\$	\$
<i>Agency:</i>			
Advertising		6	-
Broadband and Hosting		59	136
Catering		-	566
Insurance		1,533	696
Postage		16	14
Printing		815	474
Rent - AGENCY		12,531	6,937
Repair & Maintenance		-	67
Security		311	104
Stationery		739	466
Telephone & Telephone Equipment		2,578	664
Loss on disposal of fixed assets		33,042	-
Web Promotion		-	682
		<u>51,630</u>	<u>10,806</u>
<i>Program Costs:</i>			
Catering		348	687
Commercial & Transit Insurance		2,156	2,100
Documentation & photos		2,704	2,172
Exhibition Setup Expenses		4,230	3,015
Insurance - APM		4,321	2,921
Touring Exhibitions Expenses		5,000	1,500
Writers and Speakers Fees		2,400	3,320
		<u>21,159</u>	<u>15,715</u>
<i>Projects:</i>			
Project Expenses		89,800	311,879
		<u>89,800</u>	<u>311,879</u>
Other expenses		<u>5,828</u>	<u>-</u>
Total Expenses		<u>608,021</u>	<u>888,224</u>
Operating Surplus/(Deficiency)		<u>(70,220)</u>	<u>6,016</u>
Net Surplus/(Deficiency)		(70,220)	6,016
Accumulated Surplus beginning of year		112,712	110,896
Prior year adjustments		12,591	(4,200)
Accumulated Surplus		<u>55,083</u>	<u>112,712</u>

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Cash Flow from Operating Activities			
Cash receipts from operations and projects		698,655	510,721
Interest received		2,289	5,086
Grants Receipts		42,000	324,850
Payments to Suppliers and Employees		(713,770)	(956,327)
Net Cash generated from/(used in) operating activities	15(b)	<u>29,174</u>	<u>(115,670)</u>
Cash Flow from Investing Activities			
Payments for acquisition of Property, Plant and Equipment		-	(54,830)
Net Cash generated from/(used in) investing activities		<u>-</u>	<u>(54,830)</u>
Net increase/(decrease) in cash and cash equivalents		29,174	(170,500)
Cash and Cash equivalents at beginning of the financial year		109,847	280,347
Cash and Cash equivalents at end of the financial year	15(a)	<u>139,021</u>	<u>109,847</u>

The accompanying notes form part of these financial statements.

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Craft ACT: Craft And Design Centre Incorporated applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Associations Incorporation Act 1991* of the Australian Capital Territory and the *Australian Charities and Not-for-profits Commission Act 2012*. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

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

(a) Comparatives

The classification of comparative figures has been changed where the change improves the comprehension of the financial information.

(b) Plant and Equipment (including leasehold improvements)

Plant and equipment including leasehold improvements are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by management to ensure it is not in excess of the value in use of these assets.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end.

(c) Depreciation

Freehold land is not depreciated. The depreciable amount of all other fixed assets including buildings and leasehold land are depreciated on a straight line basis over their estimated useful lives to the Association commencing from the time the asset is held ready for use. Leasehold land improvements are depreciated over the unexpired period of the lease.

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

Buildings	2%
Plant and Equipment	5-33%
Leased Plant and Equipment	10%

CRAFT ACT: CRAFT AND DESIGN CENTRE INCORPORATED

ABN: 33 314 092 587

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Association, are classified as finance leases. Finance leases are capitalised recording an asset and liability equal to the present value of minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Association will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The Association had no finance lease arrangements during the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Income Tax

The Association is exempt from income tax in accordance with Section 50-5 of the Income Tax Assessment Act 1997.

(f) Employee Benefits

Short-term employee benefits

Provision is made for the Association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Association's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Long-term employee benefits

The Association classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Association's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees to the extent that they are not funded by the ACT Community Sector Portable Long Service Leave Scheme. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the measurement of obligations for other long-term employee benefits, the net change in the obligations is recognised in profit or loss classified under employee benefits expense.

The Association's obligations for long-term employee benefits are presented as non-current liabilities in its balance sheet, except where the Association does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash at bank and term deposits maturing within one year.

(i) Revenue recognition

Grant income

Project (reciprocal) grants are recognised as revenue to the extent that the monies have been applied in accordance with the conditions of the grant. Grant funds received prior to year-end but unexpended as at that date are recognised as grants in advance (liabilities, unearned revenue).

Operating (non-reciprocal) grants are brought to account as income at the commencement of the grant period. Operating grant funds received prior to the applicable grant funding period are recognised as grants in advance (liabilities, unearned revenue).

Other income

All other sources of income are brought to account as income when the related goods or services have been provided and the income earned.

(j) Goods and Services Tax

All revenue and expenses are stated net of the amount of goods and services tax, except where in the amount of goods and services tax incurred is not recoverable from the ATO. In these circumstances the goods and services tax is recognised as part of the cost acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of goods and services tax.

(k) Critical accounting estimates and judgements

The Association evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association.

(l) Segment Reporting

The Association is part of the craft industry and operates from the Australian Capital Territory.

NOTE 2: AUDITOR'S REMUNERATION

Remuneration of the Auditor for:

- auditing or reviewing the financial report

	2016	2015
	\$	\$
	5,500	5,250

NOTE 3: CASH AND CASH EQUIVALENTS

Cheque account

11,855

10,110

Flexi account

2,479

2,931

Business Maximiser

75,692

18,675

Gift Deductible Account

17,859

13,459

Paypal

-

2,865

Term deposit

30,921

60,921

Petty cash

215

400

Undeposited Funds

-

486

139,021

109,847

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
NOTE 4: TRADE, OTHER RECEIVABLES	\$	\$
Trade Debtors	2,830	181,172
Accrued Income	22,114	6,914
	<u>24,944</u>	<u>188,086</u>
NOTE 5: OTHER CURRENT ASSETS		
Prepayments	5,796	13,236
	<u>5,796</u>	<u>13,236</u>
NOTE 6: PROPERTY, PLANT AND EQUIPMENT		
Plant & Equipment - at cost	79,418	79,418
Less: Accumulated Depreciation	(61,578)	(57,650)
	17,840	21,768
Furniture & Fittings - at cost	35,600	35,600
Less: Accumulated Depreciation	(29,125)	(27,982)
	6,475	7,618
Display Equipment - at cost	18,806	18,806
Less: Accumulated Depreciation	(18,138)	(17,890)
	668	916
Shop fitout- at cost	10,142	46,173
Less: Accumulated Depreciation	(1,487)	(1,615)
	8,655	44,558
Capital Reserve Assets	3,995	3,995
Less: Accumulated Depreciation	(3,995)	(3,995)
	-	-
Total Fixed Assets	<u>33,638</u>	<u>74,860</u>
MOVEMENTS IN CARRYING AMOUNT		
Opening Written Down Value	74,860	27,349
Additions	-	54,830
Disposal of Fixed Assets	(36,031)	-
Depreciation Charged during the Year	(5,191)	(7,319)
	<u>33,638</u>	<u>74,860</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
NOTE 7: TRADE AND OTHER PAYABLES		
Trade Creditors	5,500	7,226
Sale of Artists' Works Payable	3,433	5,276
Net GST Liability	9,361	16,013
Employee PAYG Withholding	7,386	7,608
Superannuation Payable	3,268	3,537
Accounts Payable	21,307	14,845
Other Payables	190	1,765
	50,445	56,270
NOTE 8: PROVISIONS		
CURRENT		
Provision for Annual Leave	12,586	11,842
Provision for Long Service Leave	-	7,715
Provision for Parental Leave	-	10,504
	12,586	30,061
NON-CURRENT		
Provision for Long Service Leave	-	6,230
	-	6,230
NOTE 9: UNEXPENDED GRANTS		
Operational Grants	66,008	140,851
Project Grants	4,647	28,286
	70,655	169,137
NOTE 10: UNEXPENDED DONATION		
Unexpended Donation	17,859	13,459
	17,859	13,459
NOTE 11: CAPITAL AND LEASING COMMITMENTS		
Operating Lease Commitment		
Non - cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
- not later than 1 year	19,226	19,226
- later than 1 year but not later than 5 years	89,722	89,722
- later than 5 years	-	-
	108,948	108,948

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 12: CONTINGENT LIABILITIES

There are no known contingent liabilities.

NOTE 13: ECONOMIC DEPENDENCE

The ability of the Association to maintain its current level of operations is dependent upon the continued financial support of government funding bodies.

The Committee has taken this into consideration when preparing the financial statements on an ongoing basis.

NOTE 14: RELATED PARTIES

The Committee Members of the Association who held office during any part of the financial year are as follows:

Graham Humphries
Helen O'Neil
Sam Bryant
Alison Jackson
Liam Early
Tracy Ireland
Rachael Coghlan
Rohan Nicol
Sharon Peoples
Tim Bohm
Angelina Russo
Avi Amesbury
Julie Ryder
Stephen Cassidy
Lyn Valentine
Tina Baum
Franke Peng

No related party transactions occurred during the year. The Committee members do not receive remuneration.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
NOTE 15: CASH FLOW INFORMATION		
(a) Reconciliation of cash		
Cheque account	11,855	10,110
Flexi account	2,479	2,931
Business Maximiser	75,692	18,675
Gift Deductible Account	17,859	13,459
Paypal	-	2,865
Term deposit	30,921	60,921
Petty cash	215	886
	139,021	109,847
	139,021	109,847
(b) Reconciliation of Net cash provided by /(used in)		
Operating Activities to profit/(deficit) from		
Ordinary Activities		
Prior Year Adjustments	-	(4,200)
Operating profit / (deficit)	(65,573)	6,016
Non-cash flows in profit / (deficit) from ordinary Activities		
Depreciation expense	8,180	7,319
Loss on Disposal of Fixed Assets	33,042	-
Changes in assets and liabilities		
Trade & Other Receivables	163,142	(115,548)
Prepayments	7,440	(4,766)
Inventories	(1,571)	-
Trade and Other Payables	(5,825)	(177)
Current Provisions	(17,475)	3,026
Unexpended Grants and Unexpended Donations	(85,956)	(3,297)
Non-Current Provisions	(6,230)	(4,043)
Net cash (used) / provided by operating activities	29,174	(115,670)
	29,174	(115,670)

NOTE 16: FINANCIAL INSTRUMENTS

(a) Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. All of the following financial assets of the association are unsecured and subject to credit risk.

Financial assets

Cash	139,021	109,847
Receivables (Accrued Income)	15,168	369

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 16: FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk is the risk that the value of a financial asset or liability will change due to interest rate fluctuations. The exposure of the association to interest rate risk, repricing maturities and the effective interest rates on financial assets and liabilities at balance date is as follows.

	Weighted average effective interest rate	Variable interest rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing within 1-5 years	Non- Interest Bearing	Total carrying amount as per balance sheet
	%		\$	\$	\$	\$
31-Dec-16						
<u>Financial assets</u>	2.15%					
Cash		107,885	-	30,921	215	139,021
Receivables		-	-	-	15,168	15,168
Total Financial Assets		107,885	-	30,921	15,383	154,189
<u>Financial liabilities</u>						
Accounts payable		-	-	-	50,445	50,445
Total Financial Liabilities		-	-	-	50,445	50,445
Net Financial Assets/(Liabilities)		107,885	-	30,921	(35,062)	(103,744)
31-Dec-15						
<u>Financial assets</u>						
Cash	2.40%	48,040	-	60,921	886	109,847
Receivables					369	369
Total Financial Assets		48,040	-	60,921	1,255	110,216
<u>Financial liabilities</u>						
Accounts payable					56,270	56,270
Total Financial Liabilities		-	-	-	56,270	56,270
Net Financial Assets/(Liabilities)		48,040	-	60,921	(55,015)	53,946

(c) Net Fair Values: The net fair value of the financial assets and liabilities are not materially different from the carrying amounts shown in the Statement of Financial Performance.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 17: PROJECT INCOME STATEMENTS	2016
ARTISTS IN RESIDENCE (ARTS ACT GRANT)	\$
Income	
Carry-over unspent funds 2015 AIR	1,661
Arts ACT Grant	<u>10,000</u>
TOTAL INCOME	<u>11,661</u>
Less Expenditure	
Accommodation Expense Projects	535
Artist Fee Expense Projects	4,777
Catering Expense Projects	103
Project Admin	348
Travel Expense Artists	<u>1,251</u>
TOTAL EXPENDITURE	<u>7,014</u>
CARRIED FORWARD AS UNEXPENDED GRANT	<u>4,647</u>
NOTE 18: TRADING INCOME STATEMENTS	
TRADING	
Income	
Retail	<u>80,900</u>
TOTAL INCOME	<u>80,900</u>
Less Expenditure	
Cost of Goods Sold	36,813
Purchase - Wholesale	<u>8,524</u>
TOTAL EXPENDITURE	<u>45,337</u>
TOTAL TRADING INCOME	<u>35,563</u>

NOTE 19: ASSOCIATION DETAILS

The registered office and principal place of business of the Association is:

1st Floor, North Building
ACT Government Complex
London Circuit
Civic Square ACT 2608