

Melbourne Indigenous Transition School

ABN 12 141 611 234

Financial Statements

For the Year Ended 31 December 2017

Melbourne Indigenous Transition School

ABN 12 141 611 234

Contents

For the Year Ended 31 December 2017

	Page
Financial Statements	
Directors' Report	1
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18
Directors' Declaration	28
Independent Audit Report	29

Directors' Report

1 Company objectives

1.1 Introduction

The Melbourne Indigenous Transition School (MITS) is a company limited by guarantee whose mission is the successful and confident transition of Indigenous students from home communities to Melbourne Schools, creating pathways to greater educational opportunity. MITS was developed over almost a decade of consultations with remote Indigenous families, community elders, remote Northern Territory and regional Victorian educators and Melbourne schools. It opened to its first students at the beginning of the 2016 school year.

MITS is built on a simple principle: Indigenous families in remote and regional communities want a range of educational opportunities for their children, including, for some families, away-from-home schooling in large cities like Melbourne. At the same time, many Melbourne schools have a desire to enable Indigenous students by offering academic and boarding scholarships. However, very often, the academic, social, cultural and wellbeing challenges of away-from-home schooling can be too great.

MITS recognises the innate abilities and ambitions of remote and regional Indigenous children, and the potential benefits of away-from-home schooling. It also recognises the desire of their families and communities for access to quality education for their young people. MITS therefore seeks to offer access to greater educational opportunity and choice for the young people from the communities with whom we have built connections and relationships.

Each year, 22 Indigenous boys and girls spend twelve months at MITS as Year 7 students before transitioning into scholarship positions at Melbourne Partner Schools. The MITS classrooms are housed inside the Richmond Football Club's Korin Gamadji Institute, where students have the opportunity to interact with Richmond players and staff. The MITS Boarding House is located on Richmond Hill. It is a warm, culturally celebratory home-away-from-home staffed by Indigenous and non-Indigenous people.



MITS's mission is the successful and confident transition of Indigenous students from home communities to Melbourne schools. Our vision is to create pathways to greater opportunity for Indigenous students. MITS values respect, courage, culture and care. These values underpin all that we do as individuals and as an organisation.

1.2 MITS's stated objectives

The MITS Constitution states that MITS is established to relieve poverty, distress, suffering, misfortune or helplessness of its beneficiaries by fostering and advancing their education and general wellbeing through the operation of MITS and the direct provision of facilities, amenities and assistance to Indigenous students, including the following:

- (a) provision of an education tailored to the academic and cultural needs of Indigenous students;

- (b) assistance in and facilitation of the provision of education by Partner Schools to Indigenous students residing at MITS;
- (c) assistance in, facilitation of and support with the transition of Indigenous students residing at MITS from the specialist school to Partner Schools;
- (d) organisation, facilitation or the conduct of activities directed towards the education of Indigenous Students residing at MITS (including activities that involve non-Indigenous students);
- (e) provision of accommodation, meals and other necessities, as required, to Indigenous students residing at MITS, at MITS's discretion; and
- (f) provision and conduct of activities which are incidental or ancillary to the above activities, such as the provision of accommodation, meals and other necessities to the families of Indigenous Students residing at MITS from time to time and the provision of cultural awareness programs to Partner Schools to support the transition of Indigenous Students from MITS to Partner Schools.

2 Principal activities and how these activities assisted in achieving the objectives of MITS

2.1 School and Boarding Program

In 2017 MITS welcomed 22 new students in addition to supporting its first 17 graduates into their new Melbourne Partner Schools.

Our Class of 2017 students came to MITS with the support of their families from 10 communities: Pirlangimpi, Milikapiti, Minjilang, Ramingining, Beswick, Nganmarriyanga, Peppimenarti and Wadeye in the Top End of the Northern Territory, and Bairnsdale and Shepparton in Victoria.

Again in 2017 our students participated in and benefitted from a rich program of curricular and extra-curricular activities. In the classroom, we used a very low student:teacher ratio to enable small group work and to ensure that each student's was supported through a scaffolded and differentiated program that reflected their own academic strengths. In the boarding house, students engaged with the excitement and vibrancy of Melbourne's events calendar, in particular through activities that celebrated Indigenous people and cultures.



In order to achieve our objectives and deliver a high-quality program for our students, MITS formed and strengthened a number of key partnerships, including with:

- **(Richmond Football Club)** In its second year in 2017, MITS's partnership with the Richmond Football Club was broadened and strengthened. While MITS's facility use at Punt Road Oval forms a key part of the partnership, it extends far beyond facilities alone: MITS students benefitted from interactions with Richmond players and staff, MITS leadership has consulted with and been supported by staff at the Korin Gamadji Institute, and MITS shared in the community celebration of Richmond's historic 2017 AFL Premiership.



- **(Menzies Foundation)** In 2017 MITS welcomed our first Sir Robert Menzies Indigenous Mentoring Fellow, Michelle Kerrin. Under the Menzies Fellowship, Michelle provided invaluable mentoring to MITS students, while herself receiving mentoring, attending MITS Board Meetings as a visitor, and receiving a Fellowship stipend which enabled her to attend the

Native American Indigenous Studies Association Conference in Vancouver. The Menzies Foundation has committed its support for the Menzies Indigenous Mentoring Fellowship for at least another two years.

- **(Monash University Museum of Art)** Through a partnership with the Monash University Museum of Art, students participated in a program of extended engagement in response to celebrated Indigenous artist Christian Thompson and his exhibition *Ritual Intimacy*. Over a series of outreach sessions, the students were invited to express and perform their own unique identity through photographic self-portraiture, inspired by the work of Thompson.

2.2 Pathways Program

In 2017, all of our Class of 2016 graduates completed their transition from MITS to their new Melbourne Partner Schools. Students transitioned to Brighton Grammar School, The Geelong College, Kingswood College, Melbourne Grammar School, Methodist Ladies' College, St Kevin's College, Trinity Grammar School, and Yarra Valley Grammar School. Together, these schools provided outstanding support and care for our MITS graduates, enabling their continued success in Melbourne.

MITS hosted a range of events for graduate students, Melbourne Families and Partner School key contacts, resulting in the deepening and broadening of the capacity of families and schools to provide for their Indigenous students. Graduates returned to MITS on a formal and informal basis: coming together for the Dreamtime at the 'G match during Reconciliation Week and popping in to share in the life of the Boarding House after school and on weekends.

At the start of the 2017 school year MITS appointed a part-time Pathways Coordinator to support graduates, Melbourne Families and Partner Schools. In 2018, as our graduate numbers grow, we have added a second part-time Pathways Coordinator and a Pathways Manager to oversee development and delivery of our Pathways Program. The development of our post-MITS program will continue to be a strategic focus for MITS in the mid-term.



2.3 Community support

MITS continues to be generously supported by a broad range of private donors, Private Ancillary Funds, trusts and foundations, and corporate donors and pro bono supporters. This support from our community of donors is vital to enable us to provide the low ratio staffing levels necessary to support the growth and wellbeing of every student. Simply put, without the generosity of our donors, MITS could not operate.

In 2017, our largest foundational supporters continued to be the Colonial Foundation, The William Buckland Foundation, and the Hugh D. T. Williamson Foundation. We received continuing pro bono support from King & Wood Mallesons, Moore Stephens and PwC, and many other corporate pro bono supporters. A small representation of our many donors and corporate pro bono supporters is set out below.

Our Annual Gala Dinner, in its third year in 2017, was once again a very important fundraising event for MITS. Additionally, it provided a special opportunity for us to bring our students, staff, volunteers, Partner Schools, donors and corporate supporters together in the one room in celebration of MITS and Indigenous Australia. In 2017, the Gala Dinner was hosted by comedian and MITS neighbour Hamish Blake, and the audience was fortunate to experience a powerful performance by East Arnhem Land singer Yirrmal Marika.



3 Strategy for achieving these objectives

3.1 The best people and partnerships

To achieve its objectives, MITS seeks to attract the best people and partners, and supporters who share in our vision and mission.

In 2017, we retained and welcomed the very best people across school, boarding and administration. Importantly, MITS now has 7 Indigenous staff, our highest Indigenous staff numbers in our short history. These staff represent 39% of MITS's total staff on a full time equivalent basis.

We continued to work with outstanding partners across education, art, sport and the Indigenous community. Our partnership with the Richmond Football Club and Korin Gamadji Institute continued to grow and strengthen, and MITS was fortunate to be a part of the Club during its 2017 Premiership Year. Our students benefitted from partnerships with Swinburne University, Bangarra Dance, the University of Melbourne, SEDA, the Royal Botanic Gardens Melbourne and many more. In the Boarding House, our program was enriched by the Richmond Junior Football Club, Australian Indigenous Mentoring Experience, the Australian Defence Force and others. And across our administrative arm, we received the guidance of great pro bono supporters across a range of sectors.

Our many generous donors have ensured that we have been able to continue to attract the best people and delivery the best programs. We are fortunate at MITS to have the backing of so many supporters – from large trusts and foundations to small personal donors – each shares with us in our vision for our students, and our students aspirations for themselves.

3.2 Strategy and Organisational Health Check

In 2016, MITS articulated a three-year strategy centred around four words: refine, consolidate, secure and position. The Board also articulated its view that MITS will only be successful where its graduate students are successful. The definition of 'success' will be unique to each student. For some, success may mean university. For others, it may mean completion of Year 12, a VCAL pathway, or a confident return home, with

Consolidate	Ensure that MITS is robust and delivers outcomes in the short term
Refine	Adapt and improve what we do so that we have a model that we think is stable and replicable
Secure	Secure the long term financial viability of MITS
Position	Position ourselves for growth so that we can grow if we choose

functional numeracy and literacy enabling life-long participation in the workforce.

In April 2017 MITS commenced an 'Organisational Health Check' with Social Ventures Australia to assist it to deliver on this three-year strategy. The purpose of the Health Check, which was part-funded by the AMP Foundation, was to identify, from an external viewpoint, the keys drivers behind the MITS program, the areas where it is excelling, and the areas where it can improve.

The Organisational Health Check made 11 findings and 14 recommendations to assist MITS to achieve its current three-year strategy. The MITS Board accepted all 14 recommendations, and the Leadership Team is leading a process to implement all recommendations. This review process emphasises MITS's commitment to seizing learning opportunities. In particular, we are focussed on developing best-practice for educating Indigenous students away from home, and on ensuring our students have wrap-around support and meaningful pathways beyond MITS.

4 Performance measures

As an operating school, MITS is still very young. It will be many years before the full impact of its program on our students, their families and their communities can be assessed. However, the early signs are positive.

By the start of the 2018 school year, over 50 young Indigenous people were at school in Melbourne at MITS or because of MITS. 33 students have graduated from MITS over two years, and demand for positions at MITS has grown significantly. Our students have told us that they feel culturally strong and safe in Melbourne, and share a love of learning with their teachers and boarding staff. Our parents have told us that their children are happy at MITS, and parents feel proud that their children are able to pursue their educational ambitions in Melbourne.

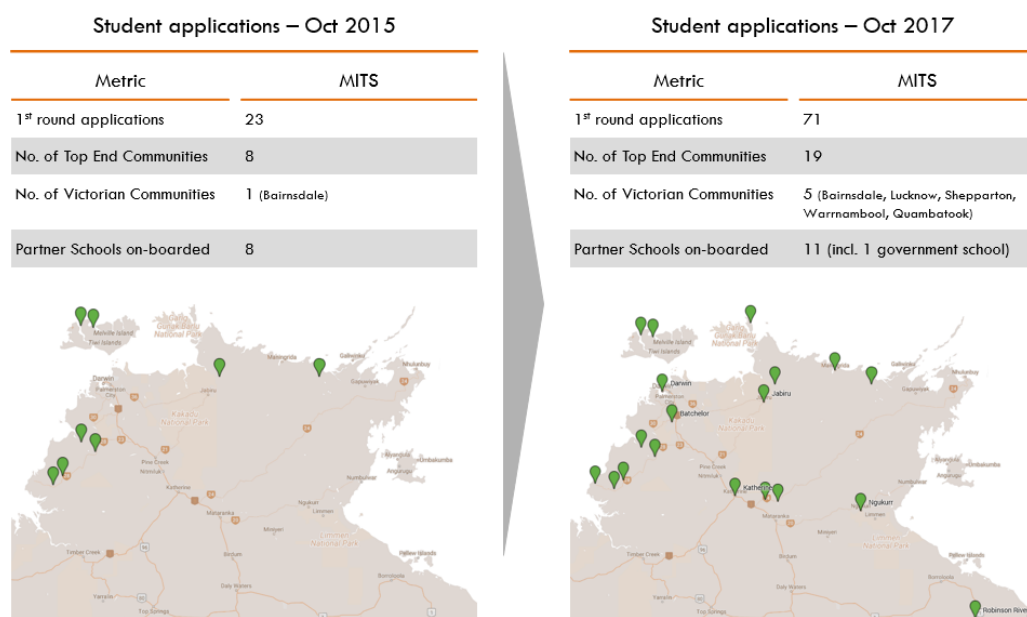
We have grown our Partner Schools to 11 in total. We have partnered with three new schools who have welcomed students from our Class of 2017: Preshil, Huntingtower School, and Templestowe College, our first government school. We are diversifying this group of Partner Schools, and together with them we are learning more and more about how to best support our young people.



4.1 Growth in demand

We continue to experience strong and fast-growing demand from parents and students in remote communities across the Top End of the Northern Territory and Victoria. By October 2017 we had received over 70 applications for enrolment in our Class of 2018, compared with fewer than 30 at the same time two years earlier. This tripling in application numbers demonstrates that MITS is providing an opportunity that families and communities want, and that they trust MITS and its people to deliver it.

For our Class of 2017, while we received applications from several states and territories, we maintained our focus on remote Top End Northern Territory and regional Victorian students. The diagram below demonstrates the growth in application numbers experienced over the past two years.



4.2 Student graduation and transition

In 2017, 16 students graduated from MITS from a possible class size of 22. This compares with 17 graduates in 2016 – a total of 33 students having graduated from MITS in just two years. Through our first two years we have learned how to identify students who are most likely to benefit from the MITS experience and we have applied these learnings to our selection procedures. In the early weeks of the 2018 school year, we are seeing the clear benefits of those learnings.

Of our Class of 2016 students, 15 out of 17 were continuing with their schooling in Melbourne in December 2017, the end of their first year post-MITS.

Throughout 2017 we worked very closely with our graduate students, Partner Schools and Melbourne Families to help facilitate the best transition possible for our graduates. To enable this, we have now appointed a Pathways Manager and two part-time Pathways Coordinators to oversee our Pathways Program. The purpose of our Pathways Program is to support, advise and advocate for our graduate students, to ensure that they experience long-term wellbeing and success beyond MITS.

As part of our Pathways Program we are working with Partner Schools to ensure the strengths and challenges of each student are quickly identified and that appropriate education support is put in place to allow them to thrive in their new schools. Our Partner Schools are providing wonderful support to our MITS graduates, with many appointing Indigenous support staff, and all developing differentiated and scaffolded programs and strong wellbeing programs. Together, our Partner Schools are dramatically increasing their capacity to support and enable Indigenous students, resulting in capacity growth across the Melbourne educational landscape.

We remain committed to learning from the experiences of our students: the challenges they are taking on are immense, and we must continue to evaluate and improve our programs to ensure our students experience success long into their futures.

4.3 Student outcomes

(a) Academic

This report will focus on two particular assessments to demonstrate student growth. MITS uses a range of assessment tools including, for the first time in 2017, English as an Additional Language/Dialect assessments produced through a pro bono partnership with Edutest, an educational assessment organisation based in Melbourne and working with many Partner Schools.

Reading

The graph to the right sets out MITS student reading level improvements over the course of their MITS year for our Class of 2016 and Class of 2017 combined. The data was gathered using the Fountas and Pinnell Benchmark Assessment System, an assessment tool designed to determine a student's independent and instructional reading levels.

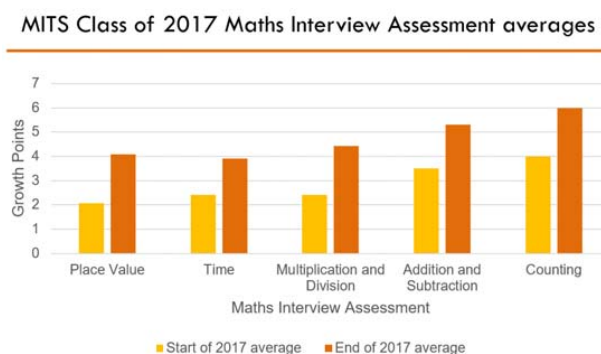
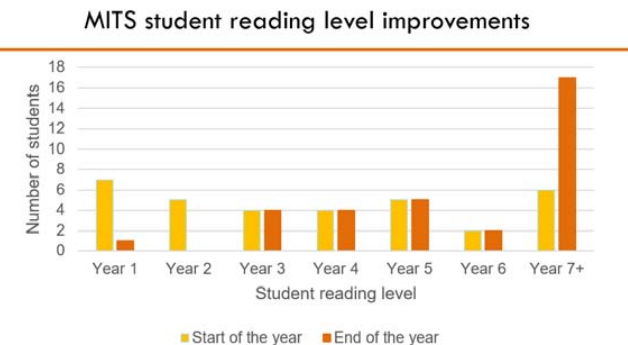
The graph demonstrates that students continued to experience substantial growth during their MITS year, with some students demonstrating an astonishing three to four years of improvement in their reading age. The graph also shows that a total of 12 students across the two years commenced their year demonstrating a reading level of Year 1 or Year 2, but only one remained at that level by the end of the year. Conversely, the number of students demonstrating a reading level of Year 7 or above increased from 6 at the start of the year to 17 at year's end.

A number of factors contribute to this improvement. Excellent teachers and consistent teaching practices are crucial, but other factors include being immersed in English-speaking surrounds – most of our students speak English as a second, third or even fifth language – as well as near-100% school attendance and good nutrition and sleeping habits while at MITS.

Maths

In maths, one of the assessments used by our teaching staff in 2017 was the Maths Assessment Interview. This one-on-one interview assesses a student's mathematical capabilities across a range of units: place value, time, multiplication and division, addition and subtraction and counting.

The graph to the left represents data for our Class of 2017 students and demonstrates significant improvement against Growth Point levels for all domains.



(b) Wellbeing

The MITS program works from the belief that if a student feels safe and supported, they will learn, show courage in the classroom and make the most of every opportunity presented to them.

In recognition of the fact that many of MITS students have experienced trauma in their early childhoods, MITS has implemented the Berry Street Education Model (BSEM) at MITS. This model ensures that wellbeing concerns are addressed in a continuous cycle that builds throughout the school year, ultimately giving the students the skills to begin to address their own wellbeing challenges with resilience.

As in 2016, in 2017 MITS used the Menzies School of Health Research's Strong Souls survey to monitor the mental health and wellbeing of many of our students. The significant improvement between students' survey responses at the start of the year compared with those at the end of the year demonstrated that those surveyed students felt safe, supported and experienced enhanced wellbeing during their MITS year.

5 Members' Guarantee

The Melbourne Indigenous Transition School is a company limited by guarantee. According to the Company's constitution, there is only one class of membership. In the event of, and for the purpose of, winding up the Company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$1.

At 31 December 2017, the liability of the members was \$11 (2015: \$11).

Information on directors

Associate Professor Elizabeth Tudor

Qualifications and Experience

Associate Professor, Faculty of Veterinary and Agricultural Sciences, University of Melbourne

Liz Tudor is a veterinarian and Associate Professor in the Faculty of Veterinary and Agricultural Sciences at the University of Melbourne.

She has a deep commitment to Indigenous issues and a relationship with a number of Indigenous communities at both personal and professional levels. Liz has experience as a Board member and Chair of a Victorian Independent Girls' school, and as a member of a Government Primary School Council. She is a member of the Animal Ethics Committee, Peter MacCallum Cancer Institute, Past Chair of the Animal Ethics Committee, Faculty of Veterinary Science, and as Associate Dean - Curriculum Strategy currently leads a curriculum renewal program for the Faculty of Veterinary and Agricultural Sciences.

Special Responsibilities

Chairperson

Mr Rick Tudor OAM

Qualifications and Experience

Retired Headmaster, Trinity Grammar School

Rick Tudor retired in December 2013 as the Headmaster of Trinity Grammar School, Kew, a position he held for fifteen years.

He is currently a board member of The King David School, Ivanhoe Girls' Grammar School, Trinity College University of Melbourne, the Victorian Registration and Qualifications Authority, the Melbourne Anglican Foundation, the Anglican Diocesan Schools Commission, Narwaddoken Academy and the ConocoPhillips Science Experience.

He has extensive experience in education, both as an administrator and a teacher. He has also been involved in the Association of Heads of Independent Schools and the Council of the Centre for Strategic Education and the Anglican Coordinating Committee on Education. Rick was previously on the Council and Deputy Chair of St. Margaret's School, Berwick.

He has also contributed beyond the educational community through his role on the Board of Anglicare Victoria, and as a member of the Ethics Committee at the Royal Women's Hospital. Other leadership roles have included Victorian representation on the Australian Anglican Schools Network, Chair of the Indigenous Education Focus Group of the Centre for Strategic Education and Chair of the Victorian Branch and member of the National Executive of the Association of Heads of Independent Schools of Australia.

Mr Stephen Russell

Qualifications and Experience

Headmaster, St Kevin's College

Stephen Russell is Headmaster of St Kevin's College, a position he has held since 2004. He is immediate past Chair of the APS (Associated Public Schools of Victoria). Memberships of LERNS (Leaders in Edmund Rice Network Schools), PAVCSS (Principals' Association of Victorian Secondary Schools) and IBSC (International Boys' Schools Coalition) are valued. He served for six years on the State Executive of AHISA (Association of Heads of Independent Schools of Australia), and is the immediate past Chair. He also sat on the National Board of AHISA for six years.

His teaching career has been in independent schools in New South Wales, Queensland and the United Kingdom and he teaches History and Religious Education. His areas of interest are indigenous education, boy specific teaching and learning strategies and the development of resilience in adolescence.

Mrs Margaret Webb OAM

Qualifications and Experience

Retired Principal, Toorak College Mount Eliza

Margaret retired in 2007 as Principal of Toorak College Mt Eliza, an independent school for girls on the Mornington Peninsula. This position she held for seven years.

She is currently Chair of the Outdoor Education Group and is a board member of Mac.Rob, Kingswood College and the Lyceum Club. She is a director of the Mac.Rob Foundation and is President of the alumni of Mac.Rob.

She is currently working with an indigenous community in the Northern Territory and acts as a mentor for Leadership Victoria and the African Think Tank.

She has had extensive experience in education including Head of Campus at Caulfield Grammar School Wheelers Hill Campus and Deputy Headmistress of St. Michael's Grammar School. She has been a director and is a member of the Invergowrie Foundation, a charitable trust aimed at promoting and advancing girls' and women's education in Victoria. She has also been President of Girls Sport Victoria and Chair of Fit to Drive Mornington Peninsula. She currently runs her own educational consultancy.

Mr Edward Tudor

Executive Director, Melbourne Indigenous Transition School

Qualifications and Experience

Edward is Executive Director of the Melbourne Indigenous Transition School. He came to the role in October 2014 with strong experience in corporate governance, project management and commercial legal advice.

Edward was a solicitor with law firm King & Wood Mallesons from February 2011 until October 2014. He graduated from the University of Melbourne in 2010 with a combined Bachelor of Arts and Bachelor of Laws (Hons) and was one of KWM Australia's first secondees to its Beijing office. Edward is a member of the Anglicare Victoria Board Strategy Committee and served as a board member of the Old Scotch Collegians' Association for five years.

In 2016 Edward was awarded the Jack Brockhoff Foundation Churchill Fellowship to study organizations supporting the transition of young Indigenous people into mainstream educational opportunities across New Zealand, Canada, the USA and Lapland. In 2017 Edward was nominated for the New Corporation Pride of Australia Awards.

Special Responsibilities

Company Secretary, Executive Director

Mr David Heaton

Barrister, Brick Court Chambers, London

Qualifications and Experience

David is a Barrister at Brick Court Chambers, London, a leading London set of chambers specialising in commercial, public and European Union law. In 2015 David completed a thesis for a Master of Philosophy in Law at the University of Oxford, having received the Sir R G Menzies Scholarship in Law for 2013 and graduated with the Bachelor of Civil Law with distinction in 2014. David graduated from the University of Melbourne in 2010 with a combined Bachelor of Arts and Bachelor of Laws (Hons) and a Diploma of Modern Languages, winning the Supreme Court Prize for the top ranked law student.

David has previously worked with the Boston Consulting Group, based in Melbourne, as an Associate to the Hon Justice Hayne AC of the High Court of Australia and as a solicitor for the law firm King & Wood Mallesons in Melbourne. While studying at the University of Melbourne, he completed an exchange at the University of Freiburg in Germany. David is involved with a wide range of organisations, being a keen soccer player and having edited the Melbourne University Law Review while studying.

Ms Katrina Penfold

Koorie Education Coordinator, Victorian Department of Education and Training

Qualifications and Experience

Katrina Penfold (Hatton) is a Wiradjuri woman who lives in Tatura, Goulburn Valley. Katrina has worked in Koorie education for over 10 years. She is currently a Koorie Education Coordinator with the Victorian Department of Education & Training. In this role she is responsible for Koorie Education throughout the North-Eastern Victoria.

Katrina is particularly interested in improving educational results for all Indigenous children and young people and being a part of the change. She is married with three sons.

Ms Meg Hewett

Family Educator, Families as First Teachers Program, Nganmarriyanga School

Qualifications and Experience

Meg Hewett is an early years and secondary school teacher, who is currently working in Nganmarriyanga Community, Northern Territory, where she has lived with her husband and three young children since 2011.

She has previously worked as a secondary teacher at Pascoe Vale Girls Secondary College. Meg graduated with honours from the University of Melbourne where she majored in Indigenous Studies and worked under Dr Tracey Banivanua-Mar in the History Department. She has undertaken short-term capacity building projects in the Torres Strait and has been a house parent at Worowa Aboriginal College in Healesville. She has worked as an ATAS tutor and has personal connection in numerous Indigenous communities.

Mr Stephen Cooper

Managing Director, Grant Samuel

Qualifications and Experience

Stephen has a B.Com (Hons) from the University of Cape Town and is a Chartered Accountant.

Stephen Cooper is a managing director in the Melbourne office of Grant Samuel, an

Australian corporate advisory and investment banking firm. He joined Grant Samuel in 1994 after working for KPMG and its predecessor firms in consulting and corporate recovery. He has been responsible for numerous corporate advisory assignments including public company takeovers, mergers, business sales and acquisitions, schemes of arrangement, capital raisings and independent expert's reports on public company transactions.

Special responsibilities

Company Treasurer

Ms Hilary Dixon

Qualifications and Experience

Founder, Dixon Appointments

Hilary Dixon is the founder of Dixon Appointments, a recruitment firm specializing in Administration, Accounting, Finance and IT in Melbourne. The success of Dixon Appointments was recognised by being listed in the BRW Fast 100 Awards for outstanding performance in business. In 2013 Hilary sold the business to the Management Team.

Since that time Hilary has channeled her skills towards the not-for-profit space. She brings creativity, innovation and fiscal responsibility to MITS, as well as a can-do attitude. Hilary is a business pioneer and social change leader.

Hilary chairs the Fundraising & Grants Committee at MITS, is a director of SisterWorks and 100 Story Building's HR and Policy Committee. She is a committee member of the Brotherhood of St Laurence's Women's Network for Change and a non-executive director of Land for Life's Pyrenees Landcare.

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street
Melbourne Victoria 3000

T +61 (0)3 9608 0100

F +61 (0)3 9608 0192

E victoria@moorestephens.com.au

www.moorestephens.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SUBDIVISION 60-40 OF THE AUSTRALIAN CHARITIES
AND NOT-FOR-PROFITS COMMISSION ACT 2012
TO THE DIRECTORS OF MELBOURNE INDIGENOUS TRANSITION SCHOOL**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been no contraventions of the auditor independence requirements as set out in any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

11 May 2018

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Statement of Comprehensive Income For the Year Ended 31 December 2017

		12 months ended 31 December 2017	18 months ended 31 December 2016
	Note	\$	\$
Revenue - trading	3	2,741,509	2,877,128
Employee benefits expense		(1,271,171)	(1,296,629)
Depreciation and amortisation expense		(61,282)	(45,707)
Rent		(122,578)	(122,179)
Repairs & Maintenance		(16,025)	(109,724)
Travel Costs	4(b)	(178,032)	(125,324)
Event and Engagement Costs		(133,483)	(134,267)
Other operating expenses		(346,160)	(332,234)
Profit before income tax and IAS Grant		612,778	711,064
IAS Grant	4(a)	-	1,125,000
Profit before income tax		612,778	1,836,064
Income tax expense	1(b)	-	-
Profit from continuing operations attributable to members of the entity		612,778	1,836,064
Total Comprehensive Income for the year attributable to members of the entity		612,778	1,836,064

The accompanying notes form part of these financial statements.

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Statement of Financial Position For the Year Ended 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,745,025	1,094,690
Trade and other receivables	6	12,783	48,065
Other assets	8	7,500	10,590
TOTAL CURRENT ASSETS		<u>1,765,308</u>	<u>1,153,345</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,583,493	1,611,727
TOTAL NON-CURRENT ASSETS		<u>1,583,493</u>	<u>1,611,727</u>
TOTAL ASSETS		<u><u>3,348,801</u></u>	<u><u>2,765,072</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	78,335	90,398
Employee benefits	10	44,220	61,206
TOTAL CURRENT LIABILITIES		<u>122,555</u>	<u>151,604</u>
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		<u>122,555</u>	<u>151,604</u>
NET ASSETS		<u><u>3,226,246</u></u>	<u><u>2,613,468</u></u>
EQUITY			
Reserves		1,125,000	1,125,000
Retained earnings		2,101,246	1,488,468
TOTAL EQUITY		<u><u>3,226,246</u></u>	<u><u>2,613,468</u></u>

The accompanying notes form part of these financial statements.

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Statement of Changes in Equity

For the Year ended 31 December 2017

2017

	Retained Earnings	Capital Profits Reserve	Total
	\$	\$	\$
Balance at 1 January 2017	1,488,468	1,125,000	2,613,468
Profit attributable to members of the parent entity	612,778	-	612,778
Balance at 31 December 2017	2,101,246	1,125,000	3,226,246

2016

	Retained Earnings	Capital Profits Reserve	Total
	\$	\$	\$
Balance at 1 July 2015	(347,596)	-	(347,596)
Profit attributable to members of the parent entity	1,836,064	-	1,836,064
Transfer on sale of asset	-	1,125,000	1,125,000
Balance at 31 December 2016	1,488,468	1,125,000	2,613,468

The accompanying notes form part of these financial statements.

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Statement of Cash Flows

For the Year ended 31 December 2017

		12 months ended 31 December 2017	18 months ended 31 December 2016
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts of grants and donations		3,028,741	3,217,525
Receipt of IAS Grant		-	1,125,000
Payments to suppliers		(2,332,206)	(2,360,988)
Interest received		20,183	10,683
GST paid		(33,335)	9,615
Net cash provided by/(used in) operating activities	14	683,383	2,001,835
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property plant and equipment		(33,048)	(1,657,434)
Net cash used by investing activities		(33,048)	(1,657,434)
Net increase in cash and cash equivalents held		650,335	344,401
Cash and cash equivalents at beginning of year		1,094,690	750,289
Cash and cash equivalents at end of financial year	5	1,745,025	1,094,690

The accompanying notes form part of these financial statements.

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements

For the Year ended 31 December 2017

The financial report covers Melbourne Indigenous Transition School as an individual entity. Melbourne Indigenous Transition School is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Melbourne Indigenous Transition School is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012*.

The financial statements cover Melbourne Indigenous Transition School as an individual entity. Melbourne Indigenous Transition School is a Company Limited by Guarantee, Incorporated and domiciled in Victoria under *Corporations Act 2001* with its registered office at 16 The Vaucluse, Richmond, Victoria, 3121.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements 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.

(b) Income Tax

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

(c) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements

For the Year ended 31 December 2017

1 Summary of Significant Accounting Policies continued

(d) Revenue and other income continued

Grant revenue

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Melbourne Indigenous Transition School receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations

Donations and bequests are recognised as revenue when received.

Interest revenue

Interest is recognised using the effective interest method.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

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

(f) Property, plant and equipment

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

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any

Notes to the Financial Statements

For the Year ended 31 December 2017

1 Summary of Significant Accounting Policies continued

(f) Property, plant and equipment continued

impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Computer Equipment	33%
Computer Software	33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(i) Economic Dependence

The company is dependent on the Department of Education, Department of Education and Training (Victoria) and Department of Human Services for the majority of its revenue used to operate the business. At the date of this report, the Board of Directors has no reason to believe the Departments will not continue to support the Company

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements **For the Year ended 31 December 2017**

1 Summary of Significant Accounting Policies continued

(j) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 31 December 2017, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

Notes to the Financial Statements

For the Year ended 31 December 2017

2 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired.

3 Revenue and Other Income

Revenue from continuing operations

	12 months ended 31 December 2017	18 months ended 31 December 2016
	\$	\$
- Donations	1,277,066	1,520,117
- ABSTUDY Funding	509,127	416,378
- Departments of Education Funding	849,990	712,372
- Event Income	81,900	204,289
- Other Revenue	23,426	23,972
Recurrent Revenue	2,741,509	2,877,128
- IAS Grant	-	1,125,000
Total Revenue	2,741,509	4,002,128

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements

For the Year ended 31 December 2017

4 Profit from Operations

(a) IAS Grant

	12 months ended 31 December 2017	18 months ended 31 December 2016
	\$	\$
IAS Grant	-	1,125,000

The IAS Grant was a one-off grant from the Federal Government for the funding of the capital expenditure associated with the MITS Boarding House on Richmond Hill. Although under the applicable accounting standards this grant is required to be recognized as a revenue item and accounted for through the Statement of Comprehensive Income, the MITS Directors have chosen to separately disclose it in recognition of its non-recurring nature, the fact that the grant was not able to be applied to the funding of recurrent expenditure but was required to be directed to the funding of specified capital expenditure, and the Directors' opinion that the grant is akin to a capital contribution from the Federal Government

(b) Travel Costs

	12 months ended 31 December 2017	18 months ended 31 December 2016
	\$	\$
Travel Costs	178,032	125,324

Travel costs related primarily to travel by MITS students between their homes and MITS, as well as travel by MITS staff to remote communities as part of our community engagement program. A large proportion of travel costs may be reimbursed by ABSTUDY. Of travel costs incurred to 31 December 2017, it is anticipated that up to approximately \$80,000 will be reimbursed by ABSTUDY.

5 Cash and Cash Equivalents

Cash at bank and on hand	845,025	394,690
Short-term deposits	900,000	700,000
	<u>1,745,025</u>	<u>1,094,690</u>

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements For the Year ended 31 December 2017

6 Trade and Other Receivables

	2017	2016
	\$	\$
CURRENT		
Trade receivables	12,783	-
GST receivable	-	48,065
Total current trade and other receivables	12,783	48,065

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements

For the Year ended 31 December 2017

7 Property, plant and equipment

	2017 \$	2016 \$
BUILDINGS		
At cost	1,622,994	1,602,466
Accumulated depreciation	(72,796)	(32,734)
Total buildings	1,550,198	1,569,732
COMPUTER EQUIPMENT		
At cost	67,271	54,751
Accumulated depreciation	(33,976)	(12,756)
Total computer equipment	33,295	41,995
Total property, plant and equipment	1,583,493	1,611,727

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings \$	Computer Equipment \$	Total \$
Year ended 31 December 2017			
Balance at beginning of period	1,569,732	41,995	1,611,727
Additions at cost	20,528	12,520	33,048
Depreciation expense	(40,062)	(21,220)	(61,282)
Balance at the end of the year	1,550,198	33,295	1,583,493

8 Other Assets

	2017 \$	2016 \$
CURRENT		
Prepayments	-	3,090
Rental Bond	7,500	7,500
	7,500	10,590

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements

For the Year ended 31 December 2017

9 Trade and Other Payables

	2017	2016
	\$	\$
CURRENT		
Trade payables	158	20,000
Amounts due under contract of sale	14,649	47,984
Borrowings	13,775	22,414
GST payable	49,753	-
	<u>78,335</u>	<u>90,398</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

10 Employee Benefits

	2017	2016
	\$	\$
Current liabilities		
Provision for employee benefits	44,220	61,206
	<u>44,220</u>	<u>61,206</u>

11 Capital and Leasing Commitments

(a) Operating Leases

	2017	2016
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	140,136	119,023
- between one year and five years	314,539	319,114
- later than five years	1,036,514	1,094,098
	<u>1,491,189</u>	<u>1,532,235</u>

The entity entered into an agreement with the Department for Prime Minister and Cabinet to receive \$1.125 million in capital grant funding. This was solely to be used for capital works i.e. renovation of Lockington and construction of the new building and outside area. This project was completed in January 2016.

12 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* 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 \$ 1 each towards meeting any outstandings and obligations of the Company. At 31 December 2017 the number of members was 11 (2016: 11).

Melbourne Indigenous Transition School 2017

ABN 12 141 611 234

Notes to the Financial Statements For the Year ended 31 December 2017

13 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2017 (31 December 2016:None).

14 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	\$	\$
Profit for the year	612,778	1,836,064
Non-cash flows in profit:		
- depreciation	61,282	45,707
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	35,282	(48,065)
- (increase)/decrease in other assets	3,090	6,910
- increase/(decrease) in trade and other payables	21,272	42,414
- increase/(decrease) in GST payable	(33,335)	57,599
- increase/(decrease) in employee benefits	(16,986)	61,206
Cashflow from operations	683,383	2,001,835

15 Events after the end of the Reporting Period

The financial report was authorised for issue on 09 May 2018 by the Board of Directors.

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

16 Company Details

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

Melbourne Indigenous Transition School 2017
16 The Vaucluse
RICHMOND VIC 3121

Melbourne Indigenous Transition School

ABN 12 141 611 234

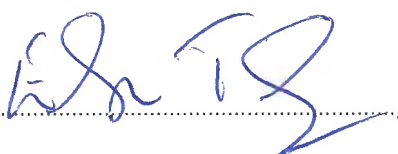
Directors' Declaration

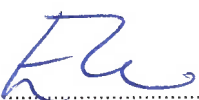
The directors have determined that the Company is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 of the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 14-27, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the financial position as at 31 December 2017 and the performance for the 12 months ended on that date is in accordance with the accounting policies described in Note 1 of the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that 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.

Director  Elizabeth M. Tudor (Chair).

Director  EDWARD TUDOR (EXECUTIVE DIRECTOR)

Dated this 11th day of May 2018

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street
Melbourne Victoria 3000

T +61 (0)3 9608 0100

F +61 (0)3 9608 0192

E victoria@moorestephens.com.au

www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MELBOURNE INDIGENOUS TRANSITION SCHOOL

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Melbourne Indigenous Transition School (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the responsible entities directors' declaration.

In our opinion the financial report of Melbourne Indigenous Transition School has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (The ACNC Act), including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of their performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company 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.

Other Information

The responsible entities are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

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 and, in doing so, 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.

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the directors 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 directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company'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 Australian Auditing Standards, we exercise professional judgment 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness 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 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 Company to cease to continue as a going concern; and
- 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, 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.



MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



ANDREW JOHNSON

Partner

Audit & Assurance Services

Melbourne, Victoria

11 May 2018