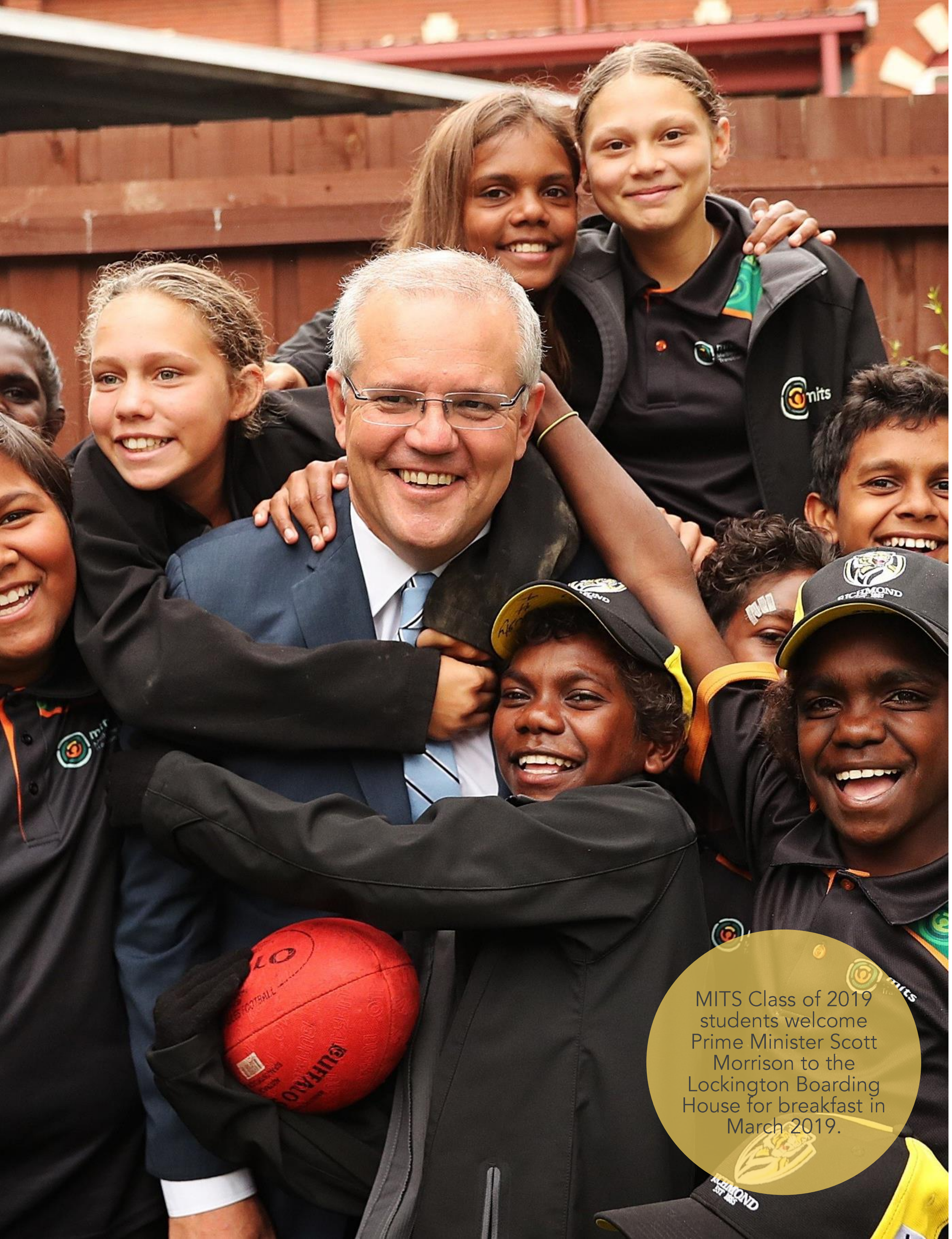
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

mits
Melbourne Indigenous Transition School



MITS Class of 2019 students welcome Prime Minister Scott Morrison to the Lockington Boarding House for breakfast in March 2019.

2019 HIGHLIGHTS

Year 7 Student Retention

100%

Up from 96% in 2018

Year 7 Student Attendance

97.1%

Up from 95.4% in 2018

Students attending MITS or MITS Partner Schools in Melbourne

56

Up from 40 at end of 2018

Year 7 students and alumni students living with MITS

31

Up from 21 at end of 2018

Donations

$2,205,425

Up $500,808 from 2018


MITS Class of 2017 alumna Shaniya, from Croker Island in the Northern Territory, at Rick & Liz Tudor's farm for the annual MITS Family BBQ in February 2019.

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Directors' Report

The Directors submit their report for the year ended 31 December 2019

Directors

The names of the Directors of the Melbourne Indigenous Transition School in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated:

Elizabeth Tudor (Chairperson), Rick Tudor OAM, Stephen Russell, Marg Webb OAM, Edward Tudor (Executive Director), Katrina Penfold, Gina Milgate, David Heaton, Meg Hewett, Hilary Dixon and Stephen Cooper (Treasurer).

Class of 2019 students with Minister for Indigenous Australians the Hon Ken Wyatt AM MP at MITS in August 2019.

Operations and Principal Activities

The principal activities of MITS during the year were to provide education opportunities, pathways and support to Indigenous students from remote and regional communities of Australia, principally through the provision of away-from-home schooling and boarding in Melbourne.

There was no significant change in the nature of these activities during the period.

Results and Review of Operations

2019 was an outstanding period for MITS both financially and operationally, made possible through trust and commitment of our families, and the generosity of our MITS community: our donors, volunteers, Partner Schools, Host Families and corporate supporters. At the end of the school year, 50 young Indigenous people were celebrating educational achievements at MITS, or at one of our Partner Schools having graduated from MITS.

Importantly, 2019 marked the first time that all 22 of our commencing Year 7 students completed their year with MITS – a show of their great courage, of their determination to get an outstanding education away from home, and of the support of their families at home.

Financially, MITS experienced a surplus as a result of strong enrolments through the course of the school year, record donation receipts of $2,205,425 and careful expense management. Strategic partnerships with leading organisations across the commercial and not-for-profit sectors continued to enhance MITS's financial performance and operations by allowing it to access high quality services and opportunities at no or low cost.

Operationally, MITS continued to apply its 3-to-5-year strategy of refining its model, consolidating its operations, securing its future and positioning itself for growth and, in 2019, actively pursuing growth.

MITS's 100% Year 7 student retention (22 students in total) compared with 96% in 2018, 73% in 2017 and 78% in 2016. Student attendance also improved, to 97.1%, against the Australian average of 91.9%, Indigenous Australian average of 83.2% and previous MITS year average of 95.4%. Students continued to experience strong academic growth, with an average 2-year improvement in student reading level through the course of 2019.

MITS again saw increased enrolment applications for our Year 7 program, demonstrating a strong demand from families and students for MITS's educational model. Our 2019 Parent Satisfaction survey outcomes demonstrated strong trust and support for MITS from our parents.

Throughout the period MITS continued its commitment to employing Aboriginal and Torres Strait Islander People, and at the conclusion of 2019 one third of MITS's staff identified as Aboriginal and Torres Strait Islander.

In 2019 MITS pursued a strategic focus of growing its support for alumni students in our Melbourne Partner Schools. As a part of this strategy we increased staffing in our Pathways Team, working with MITS alumni, Partner Schools, families at home and Melbourne Host families.

Additionally, MITS opened the Wellington Street House, to provide a Melbourne home to six MITS alumni girls in Year 8 at two MITS Partner Schools. This new home was very successful in 2019, with all six girls completing their year and returning to Melbourne in 2020.

In March 2019 MITS secured a $2.1 million capital grant from the Australian Government for the design and construction of a new Alumni Boarding House for Girls.

This new boarding house will allow 18 MITS alumni girls (from Year 8 onwards) to attend MITS Partner Schools during the day, while returning to the warmth and cultural strength of a MITS-run boarding house each evening. It evidences our long-term commitment to our students.

MITS completed the Alumni Boarding House for Girls in January 2020 in time for the commencement of the new school year. The project was completed with lead support from Kane Constructions and McIldowie Partners, and generous project support from many organisations including Kennards Hire, GHD, EY and King & Wood Mallesons.

MITS continues to work in partnership with the Richmond Football Club on the development of the William Cooper Centre at Punt Road Oval. This Centre will include up to 40 beds for MITS students as part of a precinct focussed on community connection and diversity. In March 2019 the Australian Government committed $15 million towards the redevelopment project.

Significant Changes in the State of Affairs

The development of the Alumni Boarding House for Girls was a significant change in the state of affairs of MITS during the financial year.

Other than the Australian Government funding commitment noted above, no significant events have occurred after balance date that may affect either the Company's operations or results of those operations or the Company's state of affairs.

Significant Events after the Balance Date

In the period since the balance date MITS has opened its Alumni Boarding House for Girls.

Additionally, in March 2020 MITS was impacted by the COVID-19 pandemic. This significant event resulted in MITS deciding to return all students and alumni boarders to their home communities and commence a remote learning program for our Year 7 students.

At the date of this report the impacts of the COVID-19 pandemic are continuing to be felt and the full impact may not be known for some time. MITS anticipates that the impacts of the COVID-19 pandemic may include:

- poorer student outcomes and retention due to interrupted education;
- significant reduction in donation revenue over the coming 2-3 years;
- reduced demand from prospective families and students due to concern about the ongoing risk of COVID-19 in urban centres such as Melbourne.

Likely Developments and Expected Results

The Directors do not expect any significant changes to the operations of the Company.

Indemnification and Insurance of Committee Members

The Company provided and paid premiums for Directors and Officers Liability and Legal Expenses insurance contracts, covering the Directors, Executives and Statutory Officers of the Company.

The insurance is in respect of legal liability for damages and legal costs arising from claims made by reason of any omission or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as members of the Company or officers of the Company.

The total amount of insurance contract premiums paid during the period was $19,026 (2018: $18,811).

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 2019, the liability of the members was $10 (2018: $10).

Signed in accordance with a resolution of the Board of Directors

Elizabeth Tudor
Chairperson
26 June 2020

EY
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Auditor’s Independence Declaration to the Directors of Melbourne Indigenous Transition School

In relation to our audit of the financial report of Melbourne Indigenous Transition School for the financial year ended 31 December 2019, and in accordance with the requirements of Subdivision 60-C of the Australian Charities and Not-for profits Commission Act 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
26 June 2020

Class of 2019 student Ruby, from Katherine in the Northern Territory, walks on to the MCG with RFC Captain Trent Cotchin at the 2019 AFL Grand Final.

Financial Statements

ABN 12 141 611 234

Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2019

	Note	12 months ended 31 December 2019 $	12 months ended 31 December 2018 $
Revenue - trading	3	4,949,517	3,599,181
Employee benefits expense		(1,963,496)	(1,722,680)
Depreciation and amortisation expense		(395,347)	(161,644)
Rent		0	(138,253)
Repairs and Maintenance		(51,557)	(82,984)
Travel Costs	4(a)	(156,499)	(115,906)
Event and Engagement Costs		(154,420)	(126,656)
Other operating expense		(649,363)	(539,452)
Surplus from continuing operations attributable to members of the entity		**1,578,834**	711,606
Total Comprehensive income for the year attributable to members of the entity		**1,578,834**	711,606

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	5	1,701,017	2,695,646
Trade and other receivables	6	176,420	30,996
Other assets	8	34,598	33,452
Total Current Assets		**1,912,035**	**2,760,094**
Non-Current Assets			
Property, plant and equipment	7	2,872,476	1,426,551
Intangible Assets	9	16,500	-
Financial assets	10	1,076,430	-
Right of use assets	11	2,745,166	-
Total Non-Current Assets		**6,710,572**	1,426,551
Total Assets		**8,622,607**	4,186,645

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

Liabilities	Note	2019 $	2018 $
Current Liabilities			
Trade and other payables	13	134,488	137,498
Employee benefits	14	92,452	71,929
Lease liabilities	12	242,124	-
Total Current Liabilities		469,064	209,427
Non-Current Liabilities			
Employee benefits	14	48,492	39,366
Lease liabilities	12	2,588,365	-
Total Non-Current Liabilities		**2,636,857**	39,366
Total Liabilities		**3,105,921**	248,793
Net Assets		**5,516,686**	3,937,852

Equity		
Reserves	990,000	1,035,000
Accumulated funds	4,526,686	2,902,852
Total Equity	**5,516,686**	3,937,852

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2019

	Accumulated Funds $	Capital Profit Reserve (1) $	Total $
Balance at 1 January 2019	2,902,852	1,035,000	3,937,852
Surplus attributable to members of the entity	1,578,834	-	1,578,834
Amortisation of capital profit reserve (1)	45,000	(45,000)	-
Balance as at 31 December 2019	**4,526,686**	**990,000**	**5,516,686**
Balance at 1 January 2018	2,101,246	1,125,000	3,226,246
Surplus attributable to members of the entity	711,606	-	711,606
Amortisation of capital profit reserve (1)	90,000	(90,000)	-
Balance as at 31 December 2018	**2,902,852**	**1,035,000**	**3,937,852**

(1) Capital Profit Reserve

In 2016 MITS received a one-off grant of $1.125m from the Federal Government for the capital works at the Melbourne Indigenous Transition School ('MITS') Boarding House. The one-off grant was accounted for as income in the Statement of Comprehensive Income in accordance with MITS' accounting policies. In the same year, MITS created a Capital Profit Reserve to separate the income received from the one-off grant from the accumulated funds of MITS that relate to the ordinary course of operating the school. In the current period, MITS commenced amortisation of the Capital Profits Reserve into Accumulated Funds. The amortisation profile of the Capital Profits Reserve is commensurate with the useful life of the MITS Boarding House.

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2019	Note	12 months ended 31 December 2019 $	12 months ended 31 December 2018 $
Cash Flows From Operating Activities			
Receipts of donations, funding and event income		4,760,880	3,543,778
Payments to suppliers and employees		(2,834,390)	(2,584,406)
Interest received		32,660	37,189
GST (paid)/received		(95,877)	(19,753)
Interest on lease liabilities		(85,452)	-
Net cash provided by/(used in) operating activities	18	**1,777,821**	**976,808**
Cash Flows From Operating Activities			
Purchase of investments		(1,000,000)	
Payments for property, plant and equipment		(1,567,310)	(26,187)
Net cash used in investing activities		**(2,567,310)**	**(26,187)**
Cash Flows From Financial Activities			
Payment of lease liabilities		(205,140)	-
Net cash used in financing activities		**(205,140)**	-
Net increase in cash and cash equivalents held		(994,629)	950,621
Cash and cash equivalents at beginning of year		2,695,646	1,745,025
Cash and cash equivalents at end of financial year	**5**	**1,701,017**	**2,695,646**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

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

The registered office is located at 16 The Vaucluse, Richmond, Victoria, 3121.

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

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

1. Summary of Significant Account Policies

(a) Basis for 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 the recognition and measurement requirements of *Australian Accounting Standards, Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. The directors have prepared the financial report that complies with the recognition and measurement requirements of Australian Accounting Standards as issued by the Australian Accounting Standards Board, and other professional reporting requirements. It contains only those disclosures considered necessary by the directors to meet the needs of members.

The financial statements have been prepared on an accruals and historical cost basis.

Going concern

As disclosed in note 19 the company expects that COVID-19 may negatively impact certain income streams for the duration of the COVID-19 pandemic. The company has prepared a cash flow forecast to support the going concern assumption based on the expectation that Funding income from the Department of Education, Department of Education and Training (Victoria) and Department of Human Services in addition to Donation income from its corporate and private supporters remains an open source of income during the pandemic. At the date of this report the COVID-19 pandemic has not resulted in a material financial disruption to the Company, and the Board of Directors has no reason to believe the Departments or the key donors to MITS will not continue to support the Company. On this basis the directors have determined that it is appropriate to prepare the financial report on a going concern basis.

(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) 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).

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.

(d) 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.

(e) 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 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	4%
Fixtures and Fittings	10%
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.

(f) 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.

(g) 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.

(h) 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) Intangible assets

Intangible assets are the accumulation of costs associated with the development of the Company's website. IT development costs include those costs directly attributable to the development phase. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which for the website is determined to be 3 years.

(j) Financial assets

The financial asset relates to the investments portfolio of non-derivative equity instruments and interest rate securities that is managed by Macquarie Bank Limited. It is accounted for at fair value through profit and loss and measured at fair value. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

(k) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 31 December 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company except for the below in relation to AASB 16 Leases.

(k.1) AASB 1058 *Income of Not-for-profit entities*

The Company has adopted AASB 1058 Income of Not-for-profit entities from 1 January 2019. AASB 1058 sets out the principles for the recognition, measurement, presentation and disclosure for not-for-profit entities that apply to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and the receipt of volunteer services. Such transfers with consideration significantly less than fair value primarily to enable a not-for-profit entity to further its objectives may be called grants, bequests, donations or appropriations and are usually made voluntarily.

(k.2) AASB 16 *Leases*

The Company has adopted AASB 16 Leases from 1 January 2019, which replaces the AASB 117 Leases and related interpretations. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The impact of the adoption of AASB 16 on the financial statements and summary of the new accounting policies that have been applied from 1 January 2019 have been noted below.

Initial application

Prior to the adoption of AASB 16, the Company classified leases as operating leases under AASB 117 and payments were expensed in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives were recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Upon adoption of AASB 16, the Company recognises lease liabilities in relation to its contracted obligation to make future lease payments, and a right-of-use asset representing the future economic benefit associated with the right to use the underlying asset. The Company recognises a lease liability and a right-of-use asset for all leases where it is the lessee, except for leases of low-value assets.

The Company has adopted AASB 16 using the modified retrospective approach, whereby under the transition provisions, comparative information has not been restated. At the date of initial application, the Company has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately prior to the date of initial application.

In applying AASB 16 for the first time, the Company has applied the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- reliance on previous assessments on whether leases are onerous immediately before the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Summary of accounting policies

The Company has applied the practical expedient where non-lease components are not separated out from the lease components of a lease. The low-value assets recognition exemption to leases has also been applied. Lease payments on low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets
At commencement date of the lease, a right-of-use asset is recognised and measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, te recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated usefule life and the lease term. Right-of-use asset are subject to impairment.

Lease liabilities

At commencement date of the lease, a lease liability is recognised and measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date, if the rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed leased payments, a change in the assessment to purchase the underlying asset, or a change in the amounts expected to be payable under a residual value guarantee.

Significant judgements

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the lease commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

2. Critical Accounting Estimates and Judgements

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

Estimation is involved in accounting for the useful lives of property, plant and equipment and employee benefits provision. Further detail is contained in Note 1 Summary of Significant Accounting Policies.

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

	2019 $	2018 $
Revenue from continuing operations		
Donations	2,205,425	1,704,617
ABSTUDY Funding	503,250	521,255
Departments of Education Funding	913,906	925,153
Commonwealth Capital Works Funding	1,050,000	-
Event Income	155,442	404,900
Other Revenue	121,495	43,255
Total Revenue	**4,949,517**	**3,599,181**

4. Surplus from Operations

(a) Travel Costs

	2019 $	2018 $
Travel Costs	**156,499**	**115,906**

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 2019, it is anticipated that up to approximately $35,000 will be reimbursed by ABSTUDY.

(b) Auditors' Remuneration

For audit of financial statements, Ernst & Young Australia received $10,000.

5. Cash and Cash Equivalents

	2019 $	2018 $
Cash at bank and on hand	351,016	1,142,889
Short-term deposits	1,350,001	1,350,000
Scholarship fund (Restricted cash) (1)	-	202,757
Total Cash and cash equivalents	**1,701,017**	**2,695,646**

(1) Restricted Cash
Funding for the Rona Pamkal Scholarship has been set aside in a specific account. This monies have a specific purpose, being the support of the scholarship and as such are not available to MITS for day to day use.

6. Trade and Other Receivables

	2019 $	2018 $
Current		
Trade receivables	110,543	30,996
GST receivables	65,877	-
Total Current trade and other receivables	**176,420**	**30,996**

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.

7. Property, Plant and Equipment

	2019 $	2018 $
Buildings		
At cost	3,042,229	1,522,306
Accumulated depreciation	(241,435)	(181,172)
Total Buildings	**2,800,794**	**1,341,134**
Fixtures and fittings		
At cost	99,545	99,545
Accumulated depreciation	(39,819)	(29,864)
Total Fixtures and fittings	**59,726**	**69,681**
Computer equipment		
At cost	104,005	73,116
Accumulated depreciation	(92,048)	(57,380)
Total Computer equipment	**11,957**	**15,736**
Total Property, plant and equipment	**2,872,476**	**1,426,551**

(a) Movement 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:

YEAR ENDED 31 DECEMBER 2019	Buildings $	Fixtures and fittings $	Computer Equipment $	Total $
Balance at beginning of period	1,341,134	69,681	15,736	1,426,551
Additions at cost	1,519,923	-	30,889	1,550,811
Depreciation expense	(60,263)	(9,955)	(34,668)	(104,886)
Balance at the end of the year	**2,800,794**	**59,726**	**11,957**	**2,872,476**

7. Property, Plant and Equipment (cont.)

(a) Movement in carrying amounts of property, plant and equipment (cont.)

YEAR ENDED 31 DECEMBER 2018	Buildings $	Fixtures and fittings $	Computer Equipment $	Total $
Balance at beginning of period	1,455,307	94,891	33,295	1,583,493
Additions at cost	19,375	-	5,845	25,220
Depreciation expense	(113,030)	(25,210)	(23,404)	(161,644)
Asset write-off	(20,518)	-	-	(20,518)
Balance at the end of the year	**1,341,134**	**69,681**	**15,736**	**1,426,551**

8. Other Assets

	2019 $	2018 $
Current		
Prepayments	17,798	16,652
Rental Bond	16,800	16,800
Total Current trade and other receivables	**34,598**	**33,452**

9. Intangible Assets

	2019 $	2018 $
Intangible assets		
At cost	16,500	-
Accumulated depreciation	-	-
Total Intangible assets	**16,500**	**-**

10. Financial Assets

	2019 $	2018 $
Investments at fair value	**1,076,430**	**-**

The investments comprise a portfolio of non-derivative equity instruments and interest rate securities that is managed by Macquarie Bank Limited.

11. Right of Use Asset

	2019 $	2018 $
Recognition of right of use asset on initial application	3,035,628	-
Additions	-	-
Depreciation expense	(290,462)	-
Total Right of use asset	**2,745,166**	**-**

The right of use assets relate to MITS's leases of its Lockington Year 7 Boarding House, its Alumni Boarding House for Girls, its classroom spaces at the Richmond Football Club and vehicles.

12. Lease Liabilities

	2019 $	2018 $
Recognition of lease liability on initial application	3,035,628	-
Additions	-	-
Interest payments	85,452	
Payments	(290,591)	-
Total Lease liabilities	**2,830,489**	**-**

	2019 $	2018 $
Current	242,124	-
Non-current	2,588,365	-
Total Lease liabilities	**2,830,489**	**-**

13. Trade and Other Payables

	2019 $	2018 $
Current		
Trade payables	50,914	44,529
Amounts due under contract of sale	56,057	25,010
Borrowings	14,459	23,642
GST payable	-	30,000
Other payables	13,059	14,317
Total Trade and other payables	**134,488**	**137,498**

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

14. Employee Benefits

	2019 $	2018 $
Current		
Provision for employee benefits	92,452	71,929
Non-Current		
Provision for employee benefits	48,492	39,366
Total Employee benefits	**140,944**	**111,295**

15. Capital and Leasing Commitments

The Company has no lease contracts that have not yet commenced as at 31 December 2019.

16. 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 2019, the liability of the members was $10 (2017: $10).

17. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (31 December 2018: Nil).

18. Cash Flow Information

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

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

	2019 $	2018 $
Surplus for the year	1,578,834	711,606
Non-cash flows in surplus:		
- Depreciation and asset write-off	395,347	182,161
- Fair value of investment	(76,430)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(79,546)	(18,213)
- (Increase)/decrease in other assets	(1,146)	(25,952)
- Increase/(decrease) in trade and other payables	26,991	79,884
- Increase/(decrease) in GST receivable/(payable)	(95,877)	(19,753)
- Increase/(decrease) in employee benefits	29,648	67,075
Cash flows from operations	**1,777,821**	**976,808**

19. Events after the end of the Reporting Period

The financial report was authorised for issue on 26 June 2020 by the Board of Directors.

Additionally, in March 2020 MITS was impacted by the COVID-19 pandemic. This significant event resulted in MITS deciding to return all students and alumni boarders to their home communities and commence a remote learning program for our Year 7 students.

The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time.

The financial statements have been prepared based upon conditions existing at year end and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after year end, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Other than this, 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.

20. Company Details

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

Melbourne Indigenous Transition School
16 The Vaucluse, RICHMOND
VIC 3121

Directors' Responsibilities Statement

In accordance with a resolution of the directors of Melbourne Indigenous Transition School, I state that in my opinion of the directors:

a. The Company is not a reporting entity as defined in the Australian Accounting Standards;

b. The financial statements and notes of the Company are in accordance with the *Australian Charities and Not-For-Profits Commission Act 2012* including:

   i. Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

   ii. Complying with Australian Accounting Standards to the extend described in Note 1 to the financial statements and complying with the *Australian Charities and Not-For-Profit Commission Regulation 2013;*

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

On behalf of the Board

Edward Tudor
Executive Director
Melbourne
26 June 2020

Class of 2019 student Antonio, from Ngukurr in the Northern Territory, in MITS's classroom at the Richmond Football Club.

Building a better working world

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Independent Auditor's Report

To the members of Melbourne Indigenous Transition School

Opinion

We have audited the financial report, being a special purpose financial report, of Melbourne Indigenous Transition School (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:

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

b) complying with Australian Accounting Standards to the extent described in Note 1a, and 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Australian Charities and Not-for-Profits Commission Act 2012. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Subsequent Events – Impact of the coronavirus (COVID-19) Outbreak

We draw attention to Note 19 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 19, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

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

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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 the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Australian Charities and Not-for-Profits Commission Act 2012 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young

Alison Parker

Alison Parker
Partner
26 June 2020