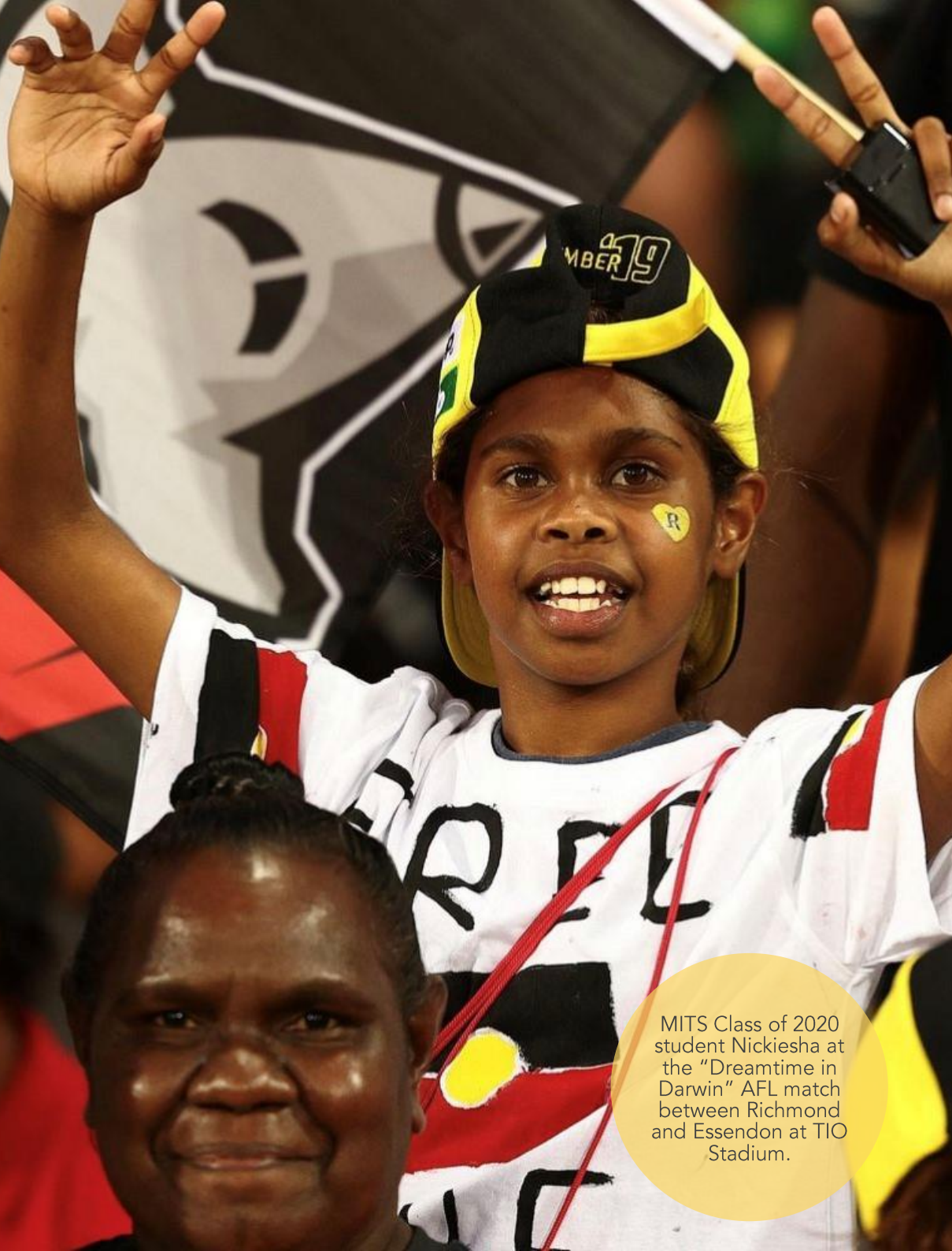




ANNUAL REPORT AND FINANCIAL
STATEMENTS YEAR ENDED 31 DECEMBER 2020



mits
Melbourne Indigenous
Transition School



MITS Class of 2020 student Nickiesha at the "Dreamtime in Darwin" AFL match between Richmond and Essendon at TIO Stadium.

2020 HIGHLIGHTS

Year 7 Student Retention

Down from 100%
in 2019

95%

Year 7 Student Attendance

Consistent with
97% in 2019

97%

Students attending MITS or
MITS Partner Schools in Melbourne

Up from 56
in 2019

69

Year 7 students and alumni students
living with MITS

Up from 31
at end of 2019

40

Donations and bequests from 673
individual donors

Up \$333,859 from
in 2019

\$2,539,284



MITS Class of 2020 student Leah with her grandmother Alison in the MITS Classroom at our temporary Darwin Hub at the Michael Long Centre.

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Directors' Report

The Directors submit their report for the year ended 31 December 2020

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 AM (Chairperson), Rick Tudor OAM, Stephen Russell (resigned February 2020), Marg Webb OAM, Edward Tudor (Executive Director), Katrina Penfold, Gina Milgate (resigned January 2021), David Heaton, Meg Hewett, Hilary Dixon and Stephen Cooper (Treasurer).



Alumni girls with Boarding Coordinators Edwina and Serena and Administrator of the Northern Territory Vicki O'Halloran AO at our 2020 Graduation Dinner in Darwin.

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

Despite the significant challenges presented by the COVID-19 pandemic, 2020 was a highly successful year for our MITS students, our alumni and for our organisation.

At the start of 2020, 69 young Indigenous people were pursuing their educational aspirations in Melbourne at MITS or at one of our Partner Schools. 40 of these young people were living with MITS in our Year 7 Lockington Boarding House, Alumni Boarding House for Girls or Wellington Street Alumni House.

The COVID-19 pandemic had a profound impact on our operations. Despite this, the resilience and courage of our students, the commitment and trust of their families, the dedication and agility of our staff and the generous support of our community were clear, and enabled us to keep the students, their wellbeing and their academic progression at the centre of our decision making.

Student outcomes

MITS achieved a 95% student completion rate for our Year 7 program in 2020, with only one student not completing their MITS year. Over the three years from 2018 to 2020 MITS has experienced a 97% completion rate of our Year 7 program, a significant improvement from our first two years of operations (73% in 2017 and 78% in 2016).

Student attendance also remained remarkably strong despite the impact of the COVID-10 pandemic, steady at 97%, against the Australian average of 92% and Indigenous Australian average of 83%. Students continued to experience strong academic growth, with an average 2-year improvement in student reading level through the course of 2020.

In 2020 MITS saw fewer enrolment applications than previous years as a result of the COVID-19 pandemic. The pandemic prevented MITS from travelling to most communities to meet and interview students and families in person, and also resulted in some families not wishing for their young people to travel to Melbourne, where the impact of the pandemic was felt worst of any region in Australia. Despite this, the standard of applicant students continued to be very high and MITS enrolled 22 students for our Class of 2021.

Response to COVID-19: Remote Learning and our Temporary Darwin Hub

As the impacts of the COVID-19 pandemic started to be felt in Melbourne in March 2020 our priority was to keep our students and their communities safe.

All Year 7 and alumni students returned home safely in mid-March: MITS was the first boarding school in Victoria to get all students home before the March lockdowns and state border closures.

For the last two weeks of Term 1 and all of Term 2, MITS delivered online learning to our Year 7 students, and supported our alumni students to do the same via our Partner Schools. We worked closely with the Department of Education NT, local schools in NT and Victoria, and with parents in remote and regional communities to deliver an effective remote learning program.

Our teachers worked across Zoom, Google Classrooms, WhatsApp, phone and other apps to make learning engaging and accessible, and our boarding staff met with students weekly in small wellbeing groups. Our Pathways Team worked closely with Partner Schools to build individual learning plans for each student.

In mid-July, with the COVID-19 situation worsening in Melbourne, MITS made the decision to establish a temporary Darwin Hub to allow our Year 7 students to return to in-person learning, and to support our alumni in their remote learning programs. 22 staff, 9 of their family members, and our three Victorian Year 7 students flew to Darwin, where they quarantined on arrival for 14 days.

With assistance from the NT Department of Education, we formed a partnership with the Michael Long Learning and Leadership Centre in Darwin, where we would base our boarding and school programs for Semester 2. The resourcing of the Darwin Hub was generously supported by the Hugh D.T. Williamson Foundation, the BB & A Miller Foundation and many individual donors.

Each day, our 22 Year 7 students attended classes in person with the support of their teachers and boarding staff. Additionally, over 25 alumni students attended our Remote Learning Classroom, where they were supported by our Pathways Team to undertake remote learning programs across 10 different Melbourne Partner Schools. In total, 32 students lived onsite, while others lived with family in Darwin and were picked up and dropped home each day.



Clockwise from top left: Year 7 students Bruce and Kendyn playing with the Palmerston Magpies; Head of Boarding Brad Carmody with Year 7 students Ciara, Kianna, Hurrikane and James, his wife Sarah and sons Toby and Levi on a trip to Uluru during the Term 3 holidays; Year 7 student Phillip on a class excursion to the Humpty Doo Baramundi Farm; the Darwin Hub students, staff and family on the first night at the Hub in July 2020.

A smaller number of alumni chose to remain in Melbourne during this time, including our six Wellington Street alumni boarders. They, along with the Host Families and Partner Schools, continued to be supported by Melbourne-based Pathways staff.

Being situated in the Northern Territory enabled our students to benefit from the richness of Territory life, country and culture. Weekend activities were diverse, taking in the many natural and cultural wonders in and around Darwin. In the September holidays, our Victorian students were supported by a generous donor to travel to Central Australia and visit Uluru, Kings Canyon and Alice Springs.

Financial Performance and Partnerships

MITS experienced a surplus in 2020, primarily as a result of one-off income from the Australian Government relating to the construction of the Alumni Boarding House for Girls and COVID-19 income support from the Australian Government and Victorian Government.

Additionally, MITS's financial performance was positively impacted by strong enrolments through the course of the school year, strong donation receipts despite the COVID-19 pandemic and careful expense management.

In 2020 MITS received support from 673 trusts, foundation and individual donors. Simply put, MITS would not exist without the generous backing of each of these supporters.

MITS's surplus for the year has allowed us to make significant investments in the Alumni Boarding House for Girls and Family Accommodation Projects, as we continually refine our alumni boarding model.

MITS continues to build strategic partnerships with leading organisations across the commercial and not-for-profit sectors. This enables us to access high quality services and opportunities at no or low cost, significantly enhancing our operations, and benefiting our financial performance. In 2020 low or no fee support was received from King & Wood Mallesons, Ernst & Young, McIldowie Partners Architects, Kane Constructions and many other organisations.

Strategy, People and Major Projects

In 2020 MITS continued to apply our 3-to-5-year strategy of refining our model, consolidating our operations, securing our future, positioning our organisation for growth and actively pursuing growth of our alumni boarding program.

Throughout the period MITS continued our commitment to employing Aboriginal and Torres Strait Islander People, with one third of MITS's staff continuing to be Aboriginal and Torres Strait Islander people. We grew our staff at the commencement of 2020 for the opening of the Alumni Boarding House for Girls, welcoming 5 new staff.

The Alumni Boarding House for Girls was completed in January 2020 in time for the commencement of the new school year. The project, supported by a \$2.1 million capital grant from the Australian Government, was completed with lead support from Kane Constructions and McIldowie Partners, and generous project support from many other organisations including Kennards Hire, Rotary Australia and GHD.

Shortly before the COVID-19 March lockdown MITS also completed construction of our Family Accommodation space neighbouring Lockington and the Alumni Boarding House for Girls. This space provides three bedrooms and three bathrooms for family members who wish to visit their children in Melbourne or for alumni who wish to reconnect with their MITS peers.

The Family Accommodation evidences MITS's continuing commitment to involving family members as active participants in their children's education, and to maintaining a high level of accountability to our families.

Future Planning

In response to the clear success of our Alumni Boarding House for Girls and to feedback from parents and families requesting similar opportunities for boys, the MITS Board and Leadership Team worked in 2020 to develop plans for a new Alumni Boarding House for Boys.

In February 2021 the Australian Government announced a \$10 million capital grant to fund the construction of this new Alumni Boarding House for Boys.

Significant Changes in the State of Affairs

The opening of the Alumni Boarding House for Girls was a significant change in the state of affairs of MITS during the financial year. While temporary, the operation of the MITS Darwin Hub during Semester 2 of 2020 was also a significant change.

In our 2019 Annual Report MITS noted that the impacts of the COVID-19 pandemic were continuing to be felt and that the full impact may not be known for some time. At that time MITS anticipated 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 and reduced demand from prospective families and students due to concern about the ongoing risk of COVID-19 in urban centres such as Melbourne.

MITS is pleased that – to date – the COVID-19 pandemic has not negatively impacted student outcomes and retention or donation revenue. While MITS did experience a reduction in the number of applications for our Class of 2021, MITS was still able to enrol a full class for this cohort.

Significant Events after the Balance Date

In the period since the balance date the Australian Government has announced a \$10 million capital grant to fund the construction of the MITS Alumni Boarding House for Boys. At the date of this report the terms of that funding have not been finalised and MITS is awaiting approval of the planning permit to enable commencement of building works.

At the date of this report, MITS is preparing to purchase a property on Richmond Hill to provide even more alumni boarding opportunities.

At the date of this report, the COVID-19 pandemic continues to have an impact on MITS's operations, with the May/June 2021 Melbourne lockdown causing students to return home early for the mid-year break. It is possible that the COVID-19 pandemic may have further negative impacts on MITS through 2021.



MITS Alumnus Cecil
(Year 9, Brighton
Grammar School) at
our temporary Darwin
Hub at the Michael
Long Centre.

Likely Developments and Expected Results

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

Indemnification and Insurance of Directors

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 \$26,904.

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 2020, the liability of the members was \$10.

Signed in accordance with a resolution of the Board of Directors



Elizabeth Tudor
Chairperson
22 July 2021

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 2020, 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
22 July 2021



MITS Alumni
Boarders in their
bedroom at the new
Alumni Boarding
House for Girls on
Richmond Hill.

Financial Statements

ABN 12 141 611 234

Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2020

	Note	12 months ended 31 December 2020	12 months ended 31 December 2019
		\$	\$
Revenue	3	6,140,146	4,949,517
Employee benefits expense		(2,335,395)	(1,963,496)
Depreciation and amortisation		(547,218)	(395,347)
Repairs and Maintenance		(85,342)	(51,557)
Travel Costs	4(a)	(142,400)	(156,499)
Darwin Hub Costs		(405,511)	-
Event and Engagement Costs		(35,475)	(154,420)
Other operating expense		(484,914)	(649,363)
Surplus from continuing operations attributable to members of the entity		2,103,892	1,578,834
Total Comprehensive income for the year attributable to members of the entity		2,103,892	1,578,834

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	5	1,877,428	1,701,017
Trade and other receivables	6	176,780	176,420
Other assets	8	16,800	34,598
Total Current Assets		2,071,008	1,912,035
<i>Non-Current Assets</i>			
Property, plant and equipment	7	4,422,646	2,872,476
Intangible Assets	9	10,083	16,500
Financial assets	10	1,675,893	1,076,430
Right of use assets	11	2,437,917	2,745,166
Total Non-Current Assets		8,546,539	6,710,572
Total Assets		10,617,547	8,622,607

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

	Note	2020 \$	2019 \$
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	13	260,419	134,488
Employee benefits	14	73,925	92,452
Lease liabilities	12	187,576	242,124
Total Current Liabilities		521,920	469,064
<i>Non-Current Liabilities</i>			
Employee benefits	14	74,261	48,492
Lease liabilities	12	2,400,789	2,588,365
Total Non-Current Liabilities		2,475,050	2,636,857
Total Liabilities		2,996,970	3,105,921
Net Assets		7,620,577	5,516,686
Equity			
Reserves		945,000	990,000
Accumulated funds		6,675,577	4,526,686
Total Equity		7,620,578	5,516,686

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2020

	Accumulated Funds \$	Capital Profit Reserve (1) \$	Total \$
Balance at 1 January 2020	4,526,686	990,000	5,516,686
Surplus attributable to members of the entity	2,103,892	-	2,103,892
Amortisation of capital profit reserve (1)	45,000	(45,000)	-
Balance as at 31 December 2020	6,675,577	945,000	7,620,578
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

(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 relates to the ordinary course of operating the school. 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 2020			
	Note	12 months ended 31 December 2020 \$	12 months ended 31 December 2019 \$
Cash Flows From Operating Activities			
Receipts of donations, funding and event income		6,130,264	4,760,880
Payments to suppliers and employees		(3,302,789)	(2,834,390)
Interest received		13,863	32,660
GST (paid)/received		(110,477)	(95,877)
Net cash provided by/(used in) operating activities	18	2,730,861	1,863,273
Cash Flows From Investing Activities			
Purchase of investments		(493,328)	(1,000,000)
Payments for property, plant and equipment		(1,783,722)	(1,567,310)
Net cash used in investing activities		(2,277,050)	(2,567,310)
Cash Flows From Financial Activities			
Payment of lease liabilities		(277,401)	(290,592)
Net cash used in financing activities		(277,401)	(290,592)
Net increase in cash and cash equivalents held		176,411	(994,629)
Cash and cash equivalents at beginning of year		1,701,017	2,695,646
Cash and cash equivalents at end of financial year	5	1,877,428	1,701,017

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-profit Company limited by guarantee, incorporated and domiciled in Victoria, Australia.

The registered office is located at 16 The Vacluse, 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

The company expects that COVID-19 will continue to impact the operations of the School, and may continue to negatively impact certain income streams going forward. 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 for the duration of the pandemic.

At the date of this report 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, have been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. The Company applied AASB 1058 which 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.

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, including JobKeeper and other COVID-19 support, 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 any 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) Right of Use assets and lease liabilities

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, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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.

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.

(k) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

(l) Summary of New Standards Adopted

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions (effective 1 June 2020)

The standard allows the lessee to account for any COVID-19 related rent concessions received as a variable lease payment with the effect of the rent concession recognised directly in the income statement, rather than a lease modification, which generally requires a lessee to remeasure the lease liability by discounting the revised lease payments using a new discount rate under AASB 16 Leases.

Accounting for any COVID-19 related rent concessions directly in the income statement is permissible provided the following conditions are met:

- 1) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 2) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- 3) There is no substantive change to other terms and conditions of the lease.

The Company has early adopted this standard for the year ended 31 December 2020 and has applied the exemption available in the standard.

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, the measurement of lease arrangements 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.

3. Revenue and Other Income

During the year ended 31 December 2020 MITS derived revenue and other income that related to annuity and recurring funding pathways in addition to receiving funding that was on a non-recurring basis, primarily as a result of MITS securing Commonwealth Capital Works Funding and other government assistance in response to the COVID-19 pandemic, including JobKeeper.

	2020 \$	2019 \$
Revenue from continuing operations		
Recurring revenue		
Donations	1,916,956	2,205,425
ABSTUDY Funding	787,518	503,250
Departments of Education Funding	915,580	913,906
Event Income	20,206	155,442
Other Revenue	22,701	45,065
Fair Value Movement of Financial Assets	106,135	76,430
	3,769,096	3,899,517
Non-Recurring revenue		
Commonwealth Capital Works Funding	1,050,000	1,050,000
Government funding - COVID-19	632,000	-
Bequest of shares	493,328	-
Darwin Hub (incl donations)	195,722	-
	2,371,050	1,050,000
Total Revenue	6,140,146	4,949,517

4. Expenses

(a) Travel Costs

	2020 \$	2019 \$
Travel Costs	142,400	156,499

Travel costs related primarily to travel by MITS students between their homes, MITS and the Darwin hub, as well as travel by MITS staff to the Darwin hub and remote communities as part of our community engagement program. A large proportion of travel costs may be reimbursed by ABSTUDY. Of travel costs incurred in the years ending 31 December 2020 and 2019, it is anticipated that up to approximately \$254,432 will be reimbursed by ABSTUDY.

(b) Auditors' Remuneration

The auditor of MITS is Ernst & Young Australia.

	2020 \$	2019 \$
Amounts received or due and receivable by Ernst & Young for:		
Audit of financial statements	15,000	10,000

5. Cash and Cash Equivalents

	2020 \$	2019 \$
Cash at bank and on hand	977,428	351,016
Short-term deposits	900,000	1,350,001
Total Cash and cash equivalents	1,877,428	1,701,017

6. Trade and Other Receivables

	2020 \$	2019 \$
Current		
Trade receivables	426	110,543
GST receivables	176,354	65,877
Total Current trade and other receivables	176,780	176,420

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

	2020 \$	2019 \$
Buildings		
At cost	4,540,346	3,042,229
Accumulated depreciation	(452,091)	(241,435)
Total Buildings	4,088,255	2,800,794
Fixtures and fittings		
At cost	99,545	99,545
Accumulated depreciation	(49,774)	(39,819)
Total Fixtures and fittings	49,771	59,726
Computer equipment		
At cost	113,226	104,005
Accumulated depreciation	(104,990)	(92,048)
Total Computer equipment	8,237	11,957
CAPITAL WORK IN PROGRESS		
At cost	276,383	-
Accumulated depreciation	-	-
Total capital Work in Progress	276,383	-
Total Property, plant and equipment	4,422,646	2,872,476

7. Property, Plant and Equipment (cont.)

(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 2020	Buildings \$	Fixtures and fittings \$	Computer Equipment \$	Capital Work In Progress \$	Total \$
Balance at beginning of period	2,800,794	59,726	11,957	-	2,872,476
Additions at cost	1,498,118	-	9,222	276,382	1,783,722
Depreciation expense	(210,656)	(9,955)	(12,941)	-	(233,552)
Balance at the end of the year	4,088,255	49,771	8,237	276,382	4,422,646

YEAR ENDED 31 DECEMBER 2019	Buildings \$	Fixtures and fittings \$	Computer Equipment \$	Capital Work In Progress \$	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

8. Other Assets

	2020 \$	2019 \$
Current		
Prepayments	-	17,798
Rental Bond	16,800	16,800
Total Current trade and other receivables	16,800	34,598

9. Intangible Assets

	2020 \$	2019 \$
Intangible assets		
At cost	16,500	16,500
Accumulated depreciation	(6,417)	-
Total Intangible assets	10,083	16,500

10. Financial Assets

	2020 \$	2019 \$
Investments at fair value	1,675,893	1,076,430

Financial assets at fair value through profit or loss include a portfolio of non-derivative equity instruments and interest rate securities that is managed by Macquarie Bank Limited. Fair values of these securities are determined by reference to published price quotations in an active market.

11. Right of Use Asset

	2020 \$	2019 \$
Balance at beginning of period	2,745,166	3,035,628
Additions	-	-
Depreciation expense	(307,249)	(290,462)
Total Right of use asset	2,437,917	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

	2020 \$	2019 \$
Current	187,576	242,124
Non-current	2,400,789	2,588,365
Total Lease liabilities	2,588,365	2,830,489

	2020 \$	2019 \$
Balance at beginning of period	2,830,489	3,035,628
Additions	-	-
Interest expense	92,211	85,452
COVID-19 rental concessions*	(56,933)	-
Payments	(277,401)	(290,591)
Total Lease liabilities	2,588,366	2,830,489

*During the period, there were \$56,933 of COVID-19 related rental concessions which have been recognised in other operating expenses

13. Trade and Other Payables

	2020 \$	2019 \$
Current		
Trade payables	234,044	50,914
Amounts due under contract of sale	-	56,057
Borrowings	13,918	14,459
Other payables	12,458	13,059
Total Trade and other payables	260,419	134,488

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

14. Employee Benefits

	2020 \$	2019 \$
Current		
Provision for employee benefits	73,925	92,452
Non-Current		
Provision for employee benefits	74,261	48,492
Total Employee benefits	148,186	140,944

15. Capital and Leasing Commitments

The Company has one lease contract relating to the land at 371 Church Street, Richmond that had not yet commenced as at 31 December 2020.

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 2020, the liability of the members was \$10 (2019: \$10).

17. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2020 (31 December 2019: 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:

	2020 \$	2019 \$
Surplus for the year	2,103,892	1,578,834
Non-cash flows in surplus:		
- depreciation and asset write-off	547,218	395,347
- fair value of investments	(106,135)	(76,430)
- Interest expense on lease liability	92,111	85,452
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	110,117	(79,546)
- (increase)/decrease in other assets	17,798	(1,146)
- increase/(decrease) in trade and Other payables	69,096	26,991
- increase/(decrease) in GST receivable/(payable)	(110,477)	(95,877)
- increase/(decrease) in employee benefits	7,241	29,648
Cashflow from operations	2,730,861	1,863,273

19. Events after the end of the Reporting Period

The financial report was authorised for issue on 22 July 2021 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.

20. Company Details

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

Melbourne Indigenous Transition School
16 The Vacluse, RICHMOND
VIC 3121

Directors' Responsibilities Statement

In accordance with a resolution of the directors of Melbourne Indigenous Transition School, I state that in the 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 2020 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
22 July 2021



Class of 2020
students Bruce,
Peggy and Kendyn in
the MITS Classroom
at our temporary
Darwin Hub.

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 2020, 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 2020 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.

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.



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Ernst & Young


Alison Parker
Partner
22 July 2021