

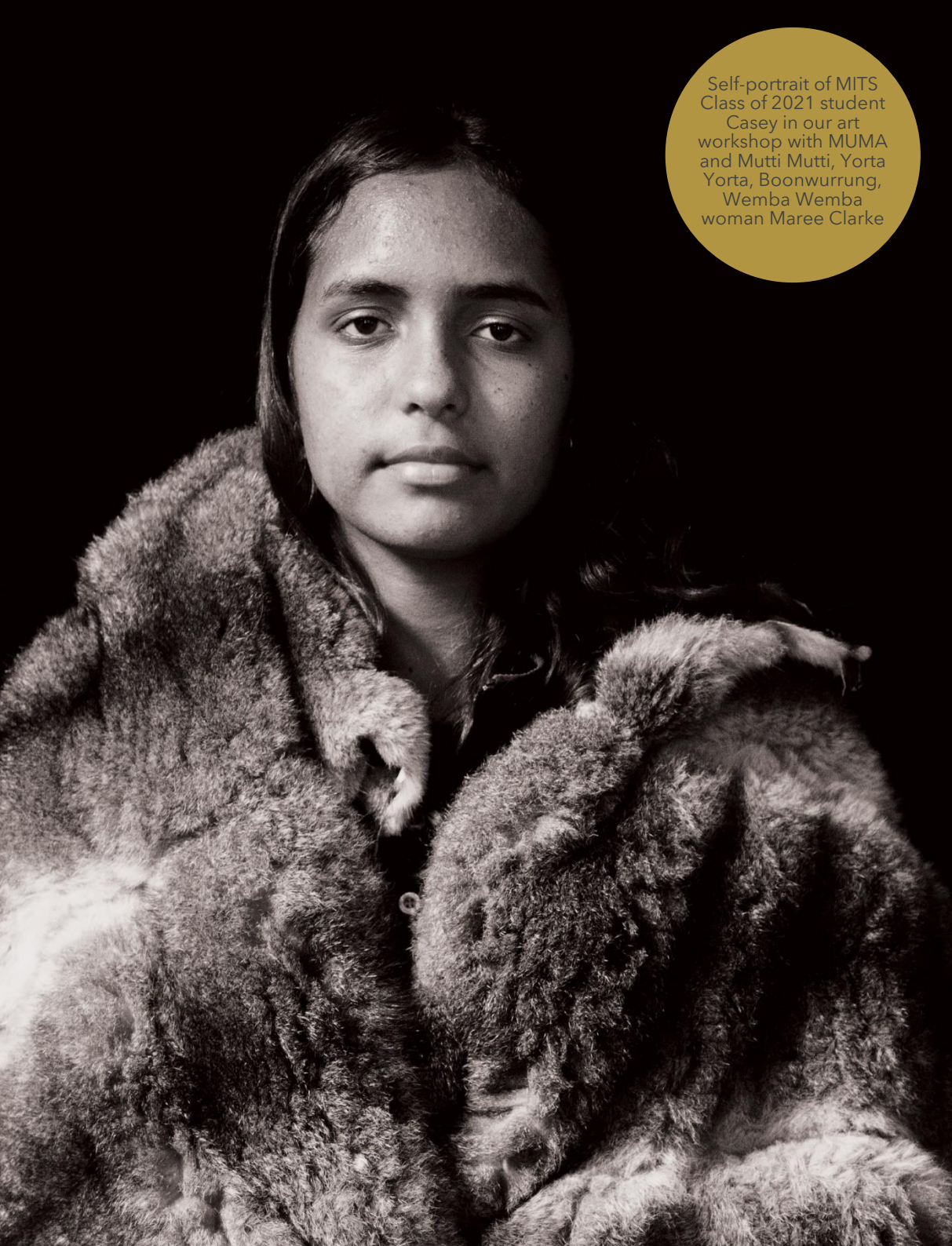


**mits**  
Melbourne Indigenous  
Transition School



ANNUAL REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2021





Self-portrait of MITS  
Class of 2021 student  
Casey in our art  
workshop with MUMA  
and Mutti Mutti, Yorta  
Yorta, Boonwurrung,  
Wemba Wemba  
woman Maree Clarke

## 2021 HIGHLIGHTS

Average Year 7 reading ability growth

Up from 2 year  
levels in 2020

2.3 year levels

Average Year 7 Student Attendance

Steady from  
97% in 2020

96%

Students attending MITS or  
MITS Partner Schools in Melbourne

Up from  
69 in 2020

80

Year 7 students and alumni students  
living with MITS

Up from  
40 of 2020

46

Donations and bequests from 280  
individual donors

Up from  
\$2,539,284 in 2020

\$5,596,913





MITS Class of 2021 student Kevin on the field of the MCG on Graduation Day 2021 to celebrate the launch of MITS's partnership with the MCC.

## CONTENTS

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### **04**

Director's Report

### **09**

Auditor's Independence Declaration

### **10**

Statement of Comprehensive Income

### **11**

Statement of Financial Position

### **13**

Statement of Changes in Equity

### **14**

Statement of Cash Flows

### **15**

Notes to the Financial Statements

### **23**

Directors' Responsibilities Statement

### **24**

Independent Auditor's Report

# Directors' Report

The Directors submit their report for the year ended 31 December 2021

## 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, Margaret Webb OAM, Edward Tudor (Executive Director), Katrina Penfold, David Heaton, Meg Hewett, Hilary Dixon, Stephen Cooper (Treasurer), Dean Rioli (joined March 2021) and Alison Wunungmurra (joined January 2022).



MITS Class of 2021 students Sonny, Harvey, Tenielle and Kevin with Con from the Rowena Corner Store.

## 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 continuing challenges presented by the COVID-19 pandemic, 2021 was another highly successful year for our MITS students, our alumni and for our organisation.

At the start of 2021, over 80 Indigenous students were pursuing their educational aspirations in Melbourne at MITS or at one of our Partner Schools. 46 of these young people lived with MITS in our Year 7 Lockington Boarding House, Alumni Boarding House for Girls or Wellington Street Alumni House.

### Student outcomes

MITS achieved an 86% student completion rate for our Year 7 program in 2021 (down from 95% in 2020), with three students not completing their MITS year, largely as a result of the continued interruptions of COVID-19 lockdowns. Over the four years from 2018 to 2021 MITS has experienced a 94% completion rate of our Year 7 program.

We demonstrated again the effectiveness of our alumni boarding model through 2021, with very strong retention of students in our alumni boarding when compared with Partner School boarding houses and host families.

Our students tell us that, in the MITS alumni boarding houses, they feel culturally safe, connected, and supported.

Year 7 student attendance in 2021 also remained remarkably strong despite the impact of the COVID-19 pandemic, steady at 96%. This compares with 66% for all NT Indigenous Year 7 students, and 47% for all very remote NT Indigenous students (based on available Semester 1 data only).

In 2021 our Year 7 cohort demonstrated exceptional academic growth. On average, our Year 7s improved their reading ability by 2.3 year levels and their maths ability by 2.4 year levels (in each case, using standardised PAT testing.) Students also reported feeling more confident in the classroom and better prepared to step into their Partner Schools.

In 2021 MITS continued to receive strong application demand. While the pandemic continued to prevent MITS from travelling to most communities to meet and interview students and families in person, the number and standard of applicant students continued to be very high, and MITS enrolled 22 students for our Class of 2022.



## Financial Performance

MITs experienced a surplus in 2021, as a result of a significant bequest received during the financial year and also as a result of continued JobKeeper support received from the Australian Government in the first quarter of 2021.

Additionally, MITs's financial performance was positively impacted by strong enrolments through the course of the school year, record donation receipts of \$5,596,913 (including a \$2,000,000 donation from the Estate of Athol Yeomans) and careful expense management. MITs received support from over 280 trusts, foundations and individual donors. Simply put, MITs would not exist without the generous backing of each of these supporters.

In 2021, MITs secured grant funding from the National Indigenous Australians Agency to support some of the costs of our growing alumni boarding program. Unlike our school program, the alumni boarding program attracts no recurrent funding from Departments of Education at a Commonwealth or State level. MITs does receive some ABSTUDY funding to support the costs of alumni boarding, however these amounts are means tested and therefore uncertain.

The NIAA funding will provide grant funding in support of our boarding program, across three years from 2022 to 2024. This funding will ensure that the early years of MITs's alumni boarding expansion are financially sustainable.

While MITs's 2021 financial statements indicate a significant cash surplus for the period, the surplus has been used to enable the very significant capital investment in the acquisition of 364 Church Street (see below). MITs established a loan facility to partially fund the acquisition of this property and at 31 December 2021 that loan facility had a balance of \$963,147.

## Vision and Purpose

In 2021 MITs reviewed and refined its vision and purpose statements.

The Board and Leadership Team agreed a new vision of *"Empowered Indigenous students inspiring strong communities."* and new purpose statement of *"Supporting Indigenous students to achieve their educational aspirations in Melbourne."*



*Wurundjeri Elder Uncle Colin Hunter offering a Welcome to Country and Smoking Ceremony as Class of 2021 students arrive in Melbourne in February 2021.*





Alum student  
Jocelyn studying  
in her bedroom in  
the MITS Alumni  
Boarding House  
for Girls

## Strategy, People and Major Projects

In 2021 MITS continued to apply our 5-year strategy of refining our model, consolidating our operations, securing our future, and pursuing growth of our alumni boarding program.

Throughout the period MITS continued our commitment to employing Aboriginal and Torres Strait Islander People, with almost 30% of MITS's staff at the start of 2021 being Aboriginal and Torres Strait Islander people.

### 371 Church Street

In February 2021, the Australian Government announced a \$10 million commitment towards the construction of MITS's next alumni boarding house, at 371 Church Street. MITS secured a 40-year lease over the property from the Richmond Catholic Parish and worked with McIldowie Partners - who again operated on a generous low-fee model - to develop plans for the new building.

Through 2021 MITS prepared detailed drawings, obtained planning approvals and appointed Kane Constructions as project manager (again, working on a very generous no margin basis in support of MITS.) Site establishment commenced in March 2022 and works are expected to be completed in April 2023.

### 364 Church Street

In June 2021, MITS entered into an agreement to purchase 364 Church Street, an 1880s building and former function centre. MITS settled on the property in August 2021 and commenced work shortly afterwards to transform the property into an alumni boarding house for up to 20 students. COVID-19 lockdowns delayed the commencement of construction work, with Kane Constructions establishing the site in late October.

MITS, McIldowie Partners Architects and Kane Constructions once again formed a project team of high-quality subcontractors who were keen to reduce their costs in support of MITS.

McIldowie Partners acted on a low-fee basis, and Kane operated on an open book, no-margin basis, substantially reducing the overall cost of the project. Notably, Kane engaged Pathway Plumbing, an Indigenous-owned plumbing company to undertake all hydraulic works. Ascot Bin Hire, Kennards Hire and Teaco were among the subcontractors who provided goods and services for no cost.



A render of MITS's  
new alumni boarding  
house at 371 Church  
Street, featuring  
façade art by  
Lorraine Kabbindi  
White



By the end of the reporting period work on 364 Church Street was well progressed, and on track for completion in time for Term 2, 2022. The property is a significant acquisition for MITS, being the first time that MITS has acquired a freehold property, securing our future on Richmond Hill.

## Partnerships and Philanthropy

In 2021 MITS formed new funding partnerships with a number of philanthropic organisations. These included the Shine On Foundation, the DECJUBA Foundation, the MCC Foundation, the Sunnyside Foundation and Portland House Foundation. MITS also received significant new commitments from the Thwaites Family and the Woods Family.

We also continued important funding partnerships with long term supporters, including the B B & A Miller Foundation, the Hugh D T Williamson Foundation, the Macquarie Foundation and the William Buckland Foundation.

Beyond trusts and foundations, MITS continued to receive the generous support of many individual donors, including through our 2021 Gala Dinner, which was again run as an “At-Home” event due to COVID-19 lockdowns, with the generous support of food&desire.

In 2021 we continued to build and maintain strategic partnerships with leading organisations across the commercial sector. This enables us to access high quality services and opportunities at no or low cost, significantly enhancing our operations, and improving our financial performance.

In 2021 low or no fee support was received from King & Wood Mallesons, Ernst & Young, Macquarie Private Bank, Slalom and many others.

## Delivering our program through COVID

The COVID-19 pandemic continued to have a significant impact on MITS’s operations in 2021.

Following the temporary relocation to our Darwin Hub in 2020, with the support of our students and families

MITS was committed to operating from Melbourne to the extent possible in 2021. Our students persevered through short lockdowns in February and June, and again through a longer lockdown from July to October.

While the lockdowns limited the ability of our students and alumni to enjoy all that Melbourne has to offer, our Year 7 students were permitted to attend school in person every day (as a result of MITS’s status as a specialist school.) Most alumni also attended their Partner Schools in person.

Throughout lockdowns, our priority was to keep students and staff safe, connected and strong in their wellbeing. Beyond this, a guiding principle of our COVID management through 2021 was that (to the extent possible) students should not miss any days of school, and that they should also return home to their communities and Country each school holidays.

To make this possible, at the end of Term 2 and 3, MITS ran the last two weeks of term from a makeshift “pop-up school” in the Howard Springs Centre for National Resilience for all of our NT students and alumni.

MITS teachers ran in-person Year 7 classes from the verandas of quarantine dongas and pathways staff supported alumni students in their online learning programs. Boarding staff cared for students outside school hours and ran activities and games to keep students entertained throughout the 14-day quarantine period.

By the end of Term 4, reduced quarantine requirements applied in the Northern Territory. Staff supervised students for one week in Greater Darwin, where they were able to get out and about to enjoy the region, before returning home.

The resilience of our students, and the commitment and care of our staff, were once again demonstrated through 2021.

The MITS Directors note their thanks to all our staff for their exceptional efforts to support our students and alumni through the challenges of COVID in 2021.



Top: Teacher Michael Barnhoorn leading a class for MITS Year 7 students in the Howard Springs Centre for National Resilience in June 2021.

Bottom: MITS alumni Phillip, Bruce, Simeon, Jesse and Max at the announcement of Australian Government funding for 371 Church Street in February 2021.



*Class of 2021 student Waylon braving the waters of Port Phillip Bay.*

## Significant Changes in the State of Affairs

In our 2019 and 2020 Annual Reports 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.

In 2020 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 concerns 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 again for our Class of 2022, 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 MITS has completed construction work at 364 Church Street and opened that building as an alumni boarding house. Since the balance date MITS has also executed the funding agreement with the Australian Government for \$10 million capital funding for 371 Church Street and commenced construction work at that property.

At the date of this report, the impact of the COVID-19 pandemic has significantly diminished compared to 2020 and 2021. COVID case management remains a challenge within MITS's boarding houses. However, lockdowns and travel restrictions have not affected MITS's operations in 2022 as they did in previous years.

## 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.

## 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 2021, the liability of the members was \$10.

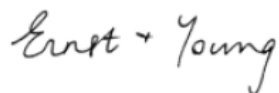
Signed in accordance with a resolution of the Board of Directors

**Elizabeth Tudor**  
Chairperson  
8 June 2022



## **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 and no non-audit services provided that contravene any applicable code of professional conduct.



Ernst & Young



Alison Parker  
Partner  
8 June 2022



MITS Class of 2021  
student Rosie  
enjoying craft time  
during lockdown in  
the MITS Year 7  
Boarding House



# Financial Statements

ABN 12 141 611 234

## Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2021

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
		\$	\$
Revenue	3	7,325,681	6,140,146
Employee benefits expense		(2,682,490)	(2,335,395)
Depreciation and amortisation		(628,641)	(547,218)
Repairs and Maintenance		(80,585)	(85,342)
Travel Costs	4(a)	(51,991)	(142,400)
Darwin Hub Costs		(30,840)	(405,511)-
Event and Engagement Costs		(38,391)	(35,475)
Other operating expense		(671,879)	(484,914)
<b>Surplus from continuing operations attributable to members of the entity</b>		<b>3,140,864</b>	<b>2,103,892</b>
<b>Total Comprehensive income for the year attributable to members of the entity</b>		<b>3,140,864</b>	<b>2,103,892</b>

The accompanying notes form an integral part of these financial statements



## Statement of Financial Position

YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$	2020 \$
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	5	516,332	1,877,428
Trade and other receivables	6	79,212	176,780
Other assets	8	55,461	16,800
<b>Total Current Assets</b>		<b>651,005</b>	<b>2,071,008</b>
<i>Non-Current Assets</i>			
Property, plant and equipment	7	11,601,830	4,422,646
Intangible Assets	9	4,583	10,083
Financial assets	10	533,741	1,675,893
Right of use assets	11	4,371,967	2,437,917
<b>Total Non-Current Assets</b>		<b>16,512,121</b>	<b>8,546,539</b>
<b>Total Assets</b>		<b>17,163,125</b>	<b>10,617,547</b>

The accompanying notes form an integral part of these financial statements



## Statement of Financial Position

	Note	2021 \$	2020 \$
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables	13	714,622	260,419
Loan & Borrowing		963,147	-
Employee benefits	14	34,861	73,925
Lease liabilities	12	234,750	187,576
<b>Total Current Liabilities</b>		<b>1,947,380</b>	<b>521,920</b>
<i>Non-Current Liabilities</i>			
Employee benefits	14	97,737	74,261
Lease liabilities	12	4,356,568	2,400,789
<b>Total Non-Current Liabilities</b>		<b>4,454,305</b>	<b>2,475,050</b>
<b>Total Liabilities</b>		<b>6,401,685</b>	<b>2,996,970</b>
<b>Net Assets</b>		<b>10,761,440</b>	<b>7,620,577</b>
<b>Equity</b>			
Reserves		900,000	945,000
Accumulated funds		9,812,394	6,675,577
<b>Total Equity</b>		<b>10,712,394</b>	<b>7,620,577</b>

The accompanying notes form an integral part of these financial statements

## Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2021

	Accumulated Funds \$	Capital Profit Reserve (1) \$	Total \$
<b>Balance at 1 January 2021</b>	6,675,577	945,000	7,620,577
Surplus attributable to members of the entity	3,140,864	-	3,140,864
Amortisation of capital profit reserve (1)	45,000	(45,000)	-
<b>Balance as at 31 December 2021</b>	<b>9,861,441</b>	<b>900,000</b>	<b>10,761,441</b>
<b>Balance at 1 January 2020</b>	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)	-
<b>Balance as at 31 December 2020</b>	<b>6,675,577</b>	<b>945,000</b>	<b>7,620,578</b>

(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. 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 2021

	Note	12 months ended 31 December 2021 \$	12 months ended 31 December 2020 \$
<b>Cash Flows From Operating Activities</b>			
Receipts of donations, funding and event income		7,323,722	6,130,264
Payments to suppliers and employees		(3,082,019)	(3,302,789)
Interest received		1,959	13,863
GST (paid)/received		(97,569)	(110,477)
<b>Net cash provided by/(used in) operating activities</b>	18	<b>4,146,093</b>	<b>2,730,861</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments		-	(493,328)
Transfer from investments to cash		984,304	-
Payments for property, plant and equipment		(7,040,495)	(1,783,722)
<b>Net cash used in investing activities</b>		<b>(6,056,191)</b>	<b>(2,277,050)</b>
<b>Cash Flows From Financial Activities</b>			
Proceeds from borrowings		4,830,000	-
Repayments of borrowings		(3,866,852)	-
Payment of lease liabilities		(414,145)	(277,401)
<b>Net cash used in financing activities</b>		<b>549,003</b>	<b>(277,401)</b>
Net increase in cash and cash equivalents held		(1,361,096)	176,411
Cash and cash equivalents at beginning of year		1,877,428	1,701,017
<b>Cash and cash equivalents at end of financial year</b>	5	<b>516,332</b>	<b>1,877,428</b>

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 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

The company has prepared a cash flow forecast to support the going concern assumption based on the expectation that operational and development funding income from the Commonwealth and State Government Departments 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, 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:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
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) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payable.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- (i) Financial liabilities at fair value through profit or loss
- (ii) Financial liabilities at amortised cost (loans and borrowings)



**Financial liabilities at amortised cost (loans and borrowings)**

This is the category most relevant to the entity. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## 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.

## 3. Revenue and Other Income

	2021 \$	2020 \$
<b>Revenue from continuing operations</b>		
<b>Recurring revenue</b>		
Donations	3,596,913	1,916,956
ABSTUDY Funding	1,228,341	787,518
Departments of Education Funding	170,553	915,580
Event Income	25,357	20,206
Other Revenue	2,970	22,701
Fair Value Movement of Financial Assets	157,848	106,135
	<b>5,181,981</b>	<b>3,769,096</b>
<b>Non-Recurring revenue</b>		
Donations	2,000,000	-
Commonwealth Capital Works Funding	-	1,050,000
Government funding - COVID-19	143,700	632,000
Bequest of shares	-	493,328
Darwin Hub (incl donations)	-	195,722
	<b>2,143,700</b>	<b>2,371,050</b>
<b>Total Revenue</b>	<b>7,325,681</b>	<b>6,140,146</b>

## 4. Expenses

### (a) Travel Costs

	2021 \$	2020 \$
<b>Travel Costs</b>	<b>51,991</b>	<b>142,400</b>

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.

### (b) Auditors' Remuneration

The auditor of MITS is Ernst & Young Australia.

	2021 \$	2020 \$
Amounts received or due and receivable by Ernst & Young for:		
<b>Audit of financial statements</b>	<b>-</b>	<b>15,000</b>



## 5. Cash and Cash Equivalents

	2021 \$	2020 \$
Cash at bank and on hand	516,332	977,428
Short-term deposits	-	900,000
<b>Total Cash and cash equivalents</b>	<b>516,332</b>	<b>1,877,428</b>

## 6. Trade and Other Receivables

	2021 \$	2020 \$
<b>Current</b>		
Trade receivables	-	426
GST receivables	79,212	176,354
<b>Total Current trade and other receivables</b>	<b>79,212</b>	<b>176,780</b>

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

	2021 \$	2020 \$
<b>Buildings</b>		
At cost	4,540,346	4,540,346
Accumulated depreciation	(662,578)	(452,091)
<b>Total Buildings</b>	<b>3,877,768</b>	<b>4,088,255</b>
<b>Fixtures and fittings</b>		
At cost	102,236	99,545
Accumulated depreciation	(59,729)	(49,774)
<b>Total Fixtures and fittings</b>	<b>42,507</b>	<b>49,771</b>
<b>Computer equipment</b>		
At cost	166,489	113,226
Accumulated depreciation	(151,734)	(104,990)
<b>Total Computer equipment</b>	<b>14,755</b>	<b>8,237</b>
<b>CAPITAL WORK IN PROGRESS</b>		
At cost	7,671,346	276,383
Accumulated depreciation	-	-
<b>Total capital Work in Progress</b>	<b>7,671,346</b>	<b>276,383</b>
<b>Total Property, plant and equipment</b>	<b>11,606,375</b>	<b>4,422,646</b>

The increase in capital works relates to the acquisition costs of 364 Church Street, Richmond in addition to capital works costs of both 364 Church Street, Richmond and 371 Church Street, Richmond.

## 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 2021	Buildings \$	Fixtures and fittings \$	Computer Equipment \$	Capital Work In Progress \$	Total \$
Balance at beginning of period	4,088,255	49,771	8,237	276,382	4,422,646
Additions at cost	-	2,691	53,262	7,394,963	7,450,916
Depreciation expense	(210,487)	(9,955)	(46,744)	-	(267,186)
<b>Balance at the end of the year</b>	<b>3,877,768</b>	<b>42,507</b>	<b>14,754</b>	<b>7,671,346</b>	<b>11,606,375</b>

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	11,956	-	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)
<b>Balance at the end of the year</b>	<b>4,088,255</b>	<b>49,771</b>	<b>8,237</b>	<b>276,382</b>	<b>4,422,646</b>

## 8. Other Assets

	2021 \$	2020 \$
<b>Current</b>		
Prepayments	38,661	-
Rental Bond	16,800	16,800
<b>Total Current trade and other receivables</b>	<b>55,461</b>	<b>16,800</b>

## 9. Intangible Assets

	2021 \$	2020 \$
<b>Intangible assets</b>		
At cost	16,500	16,500
Accumulated depreciation	(11,917)	(6,417)
<b>Total Intangible assets</b>	<b>4,583</b>	<b>10,083</b>

## 10. Financial Assets

	2021 \$	2020 \$
<b>Investments at fair value</b>	<b>533,741</b>	<b>1,675,893</b>

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

	2021 \$	2020 \$
Balance at beginning of period	2,437,917	2,745,166
Additions	2,295,288	--
Depreciation expense	(361,238)	(307,249)
<b>Total Right of use asset</b>	<b>4,371,967</b>	<b>2,437,917</b>

The right of use assets relate to MITS's leases of its Lockington Year 7 Boarding House, its Alumni Boarding House for Girls, its newly acquired property which will be developed into a boarding house, its classroom spaces at the Richmond Football Club and vehicles.



## 12. Lease Liabilities

	2021 \$	2020 \$
Current	234,750	187,576
Non-current	4,356,567	2,400,789
<b>Total Lease liabilities</b>	<b>4,591,317</b>	<b>2,588,365</b>
	2021 \$	2020 \$
Balance at beginning of period	2,588,366	2,830,489
Additions	2,308,162	-
Interest payments	108,934	92,211
COVID-19 rental concessions	-	(56,933)
Payments	(414,145)	(277,401)
<b>Total Lease liabilities</b>	<b>4,591,317</b>	<b>2,588,366</b>

## 13. Trade and Other Payables

	2021 \$	2020 \$
<b>Current</b>		
Trade payables	708,462	247,962
Other payables	6,160	12,458
<b>Total Trade and other payables</b>	<b>714,622</b>	<b>260,419</b>

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

## 14. Employee Benefits

	2021 \$	2020 \$
<b>Current</b>		
Provision for employee benefits	34,861	73,925
<b>Non-Current</b>		
Provision for employee benefits	97,737	74,261
<b>Total Employee benefits</b>	<b>132,598</b>	<b>148,186</b>

## 15. Capital and Leasing Commitments

The Company has nil capital and leasing commitments as at 31 December 2021.

## 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 (2020: \$10).

## 17. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2021 (31 December 2020: 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:

	2021 \$	2020 \$
<b>Surplus for the year</b>	3,140,864	2,103,892
<b>Non-cash flows in surplus:</b>		
- depreciation and asset write-off	628,641	547,218
- fair value of investments	142,152	(106,135)
- Interest expense on lease liability	108,934	92,111
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in trade and other receivables	427	110,117
- (increase)/decrease in other assets	(38,661)	17,798
- increase/(decrease) in trade and Other payables	276,894	69,096
- increase/(decrease) in GST receivable/(payable)	(97,569)	(110,477)
- increase/(decrease) in employee benefits	(15,588)	7,241
<b>Cashflow from operations</b>	<b>4,146,093</b>	<b>2,730,861</b>

## 19. Events after the end of the Reporting Period

On 1 March 2022, the entity paid the loan amount in full. The entity still has access to drawdown the loan facility of \$4.13m up until 15 July 2022.

On 18 January 2022, the entity entered into an agreement with the Commonwealth Government for \$10million capital funding for 371 Church street and commenced construction work at the property.

Subsequent to the reporting period, construction work at 364 Church St was completed and was opened as an alumni boarding house.

The financial report was authorised for issue on 8 June 2022 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 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 2021 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  
8 June 2022

MITS alumni Fiona and Johnny (both from MITS's inaugural Class of 2016) before Fiona's Year 12 Formal at MLC





# 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.

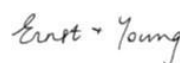
## Auditor's Responsibilities for the Audit of the Financial Report

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](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.



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Liability limited by a scheme approved under Professional Standards Legislation

  
Ernst & Young

  
Alison Parker  
Partner  
08 June 2022