

**MLC FOUNDATION (INC)**  
**SPECIAL PURPOSE FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

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**MLC FOUNDATION (INC)**  
**DECLARATION BY THE BOARD**

In the opinion of the Board of MLC Foundation (Inc) (“the Foundation”):

- a) The Foundation is not publicly accountable and thereby is not a reporting entity;
- b) The financial statements and notes that are set out in pages 5 to 14 are in accordance with the constitution, the *Associations Incorporation Act 2015*, and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act); including:
  - (i) Giving a true and fair view of the Foundation’s financial position as at 31 December 2016 and of its performance, for the financial year ended on that date; and
  - (ii) Complying with Australia Accounting Standards to the extent described in Note 1 and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and the *Associations Incorporation Regulations 2016*; and
- c) There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Board in accordance with the resolution of the Board.



J McCLEMENTS  
Chairman  
MLC Foundation (Inc)

26<sup>th</sup> April 2017  
Claremont, Western Australia



P O’SULLIVAN  
Executive Officer  
MLC Foundation (Inc)

26<sup>th</sup> April 2017  
Claremont, Western Australia

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of MLC Foundation (Inc) for the year ended 31 December 2016 I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in respect of the audit.

**Perth, Western Australia  
26 April 2017**




**D I Buckley  
Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.

Email: [hlb@hlbwa.com.au](mailto:hlb@hlbwa.com.au). Website: <http://www.hlb.com.au>

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of MLC Foundation (Inc)

**Report on the Financial Report***Opinion*

We have audited the financial report of MLC Foundation (Inc) ("the Foundation"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Board.

In our opinion, the accompanying financial report of the Entity is in accordance with Part 5 of the *Associations Incorporations Act 2015*, Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a) giving a true and fair view of the Foundation's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards, the *Associations Incorporation Regulations 2016* and Division 60 of the *Australian Charities and Not-for-Profits Act Commission Regulations 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 Foundation in accordance with the auditor independence 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 confirm that the independence declaration required by Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the Board, would be in the same terms if given as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


*Responsibilities of management and the Board for the financial report*

Management is responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the relevant Australian Accounting Standards in accordance with the *Associations Incorporations Act 2015*, the *Associations Incorporation Regulations 2016*, the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial report, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for overseeing the Foundation's financial reporting process.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714  
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*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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

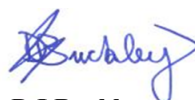
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**HLB Mann Judd**  
Chartered Accountants



**D I Buckley**  
Partner

**Perth, Western Australia**  
**26 April 2017**

**MLC FOUNDATION (INC)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Revenue from ordinary activities	2	997,327	1,323,487
Other expenses		<u>(366,124)</u>	<u>(314,031)</u>
Surplus prior to transactions with Methodist Ladies' College		631,203	1,009,456
Donations to MLC support groups		(65,851)	-
Donations to Methodist Ladies' College		(785,532)	(779,900)
<b>Net surplus/(deficit) for the year</b>		<u><b>(220,180)</b></u>	<u><b>229,556</b></u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		(307,742)	227,783
<b>Total comprehensive result for the year</b>		<u><b>(527,922)</b></u>	<u><b>457,339</b></u>

**MLC FOUNDATION (INC)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	3	452,539	650,683
Available-for-sale financial assets	7	2,616,365	2,834,817
Other assets		-	3,677
<b>TOTAL CURRENT ASSETS</b>		<b>3,068,904</b>	<b>3,489,177</b>
<b>TOTAL ASSETS</b>		<b>3,068,904</b>	<b>3,489,177</b>
<b>CURRENT LIABILITIES</b>			
Other liabilities	4	165,830	58,181
<b>TOTAL CURRENT LIABILITIES</b>		<b>165,830</b>	<b>58,181</b>
<b>TOTAL LIABILITIES</b>		<b>165,830</b>	<b>58,181</b>
<b>NET ASSETS</b>		<b>2,903,074</b>	<b>3,430,996</b>
<b>EQUITY</b>			
Accumulated funds		3,006,737	3,226,917
Reserves	5	(103,663)	204,079
<b>TOTAL EQUITY</b>		<b>2,903,074</b>	<b>3,430,996</b>



**MLC FOUNDATION (INC)**

**STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <b>\$</b> <b>Inflows</b> <b>(Outflows)</b>	<b>2015</b> <b>\$</b> <b>Inflows</b> <b>(Outflows)</b>
<b>Cash flows from operating activities</b>			
Other donations		358,067	863,540
Other income		598,811	359,117
Interest received		6,362	15,455
Imputation credits received		16,259	-
Payments to suppliers and employees		(234,983)	(278,266)
Donations to MLC support groups		(65,851)	
Donations to Methodist Ladies' College		(785,532)	(779,900)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8</b>	<b>(106,867)</b>	<b>179,946</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		264,382	2,315,200
Purchases of investments		(355,659)	(2,253,800)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(91,277)</b>	<b>61,400</b>
Net increase/(decrease) in cash held		(198,144)	241,346
Cash at the beginning of the financial year		650,683	409,337
<b>Cash at the end of the financial year</b>	<b>3</b>	<b>452,539</b>	<b>650,683</b>

**MLC FOUNDATION (INC)**

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

	<i>Accumulated Funds</i>	<i>Reserves</i>	<i>Total</i>
<b>BALANCE AT 31 DECEMBER 2014</b>	2,997,361	(23,704)	2,973,657
Net surplus for the year	229,556	-	229,556
Net change in fair value of available-for-sale financial assets	-	227,783	227,783
Total comprehensive result for the year	229,556	227,783	457,339
<b>BALANCE 31 DECEMBER 2015</b>	3,226,917	204,079	3,430,996
Net surplus/(deficit) for the year	(220,180)	-	(220,180)
Net change in fair value of available-for-sale financial assets	-	(307,742)	(307,742)
Total comprehensive result for the year	(220,180)	(307,742)	(527,922)
<b>BALANCE 31 DECEMBER 2016</b>	3,006,737	(103,663)	2,903,074

## **MLC FOUNDATION (INC)**

### **NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS** **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are special purpose financial statements prepared in order to meet the requirements of the members of MLC Foundation (Inc) (“the Foundation”) and the *Associations Incorporation Act 2015*. The special purpose financial statements have also been prepared in accordance with the requirements of *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). The Foundation has prepared the financial statements on the basis it is not publicly accountable and is a non-reporting entity because there are no users dependent on general purpose financial statements. The Board has determined that the Foundation is not a reporting entity. The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The Foundation was incorporated on 20 June 1988 in Western Australia. Its primary purpose is to provide for the advancement of education of girls in Western Australia by promoting and providing financial support for education at Methodist Ladies’ College.

The financial report has been prepared on an accrual basis and is based on historical costs, unless otherwise stated in the notes.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below. Such accounting policies are consistent with prior periods unless stated otherwise.

##### **a) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

##### **b) Investments**

All investments are initially recognised at cost, being the fair value of consideration given and including acquisition charges associated with the investment.

After initial recognition, investments classified as held for trading or available-for-sale are recognised in the financial statements at fair value. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Movements in fair value of investments are recognised through an equity reserve. Gains or losses on investments held for trading are recognised in profit or loss. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the profit or loss.

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised at cost.

## **MLC FOUNDATION (INC)**

### **NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS** **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **c) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Donation income is recognised when the entity obtains control over the funds, which is generally at the time of receipt.

##### **d) Income Tax**

The Foundation is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act (1997).

##### **e) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred are not recoverable from the Australian Tax Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST Recoverable from, or payable to, the ATO is included with other receivables or payable in the statement of financial position.

##### **f) Other Payables**

Other payables are recognised when the Foundation becomes obliged to make future payments resulting from the purchase of goods and services.

##### **g) Critical Accounting Estimates and Judgments**

The Board members evaluate estimates and judgement incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Foundation.

##### **h) Adoption of new and revised standards**

In the year ended 31 December 2016, the Board has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Board that there is no impact, material or otherwise, of the new standards and Interpretations on its business and, therefore, no change is necessary to the Foundation's accounting policies.

## **MLC FOUNDATION (INC)**

### **NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS** **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **h) Adoption of new and revised standards (continued)**

The Board has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2016. With the exception of the following, the Board has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Foundation's accounting policies.

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments.

The key change made to the accounting requirements which may affect the Foundation include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income; and
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

Although the Board anticipate that the adoption of AASB 9 may have an impact on the Foundation's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

**MLC FOUNDATION (INC)**

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<i>2016</i> \$	<i>2015</i> \$
<b>2. OPERATING REVENUE</b>		
Interest received	4,193	8,692
Unit trust distributions	110,344	128,940
Donations	358,067	863,540
Imputation tax credits	16,259	-
Profit on sale of assets	-	14,051
Foundation levy	270,622	269,638
Fundraising revenue	237,842	38,626
	<hr/> 997,327	<hr/> 1,323,487
	<hr/>	<hr/>
<b>3. CASH &amp; CASH EQUIVALENTS</b>		
Cash at bank and on hand	452,539	650,683
	<hr/>	<hr/>
<b>4. OTHER LIABILITIES</b>		
Sundry creditors	165,830	38,181
Income in advance	-	20,000
	<hr/> 165,830	<hr/> 58,181
	<hr/>	<hr/>
<b>5. RESERVES</b>		
Asset revaluation reserve	(103,663)	204,079
	<hr/>	<hr/>
<b>6. AUDITORS' REMUNERATION</b>		
Audit & preparation of the financial report	7,000	7,000
	<hr/>	<hr/>

**MLC FOUNDATION (INC)**

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS	2016 \$	2015 \$
<b><u>Endowment Fund</u></b>		
Unit trust investments - at fair value	2,616,365	2,834,817

**Market Value of Unit Trusts:**

	<i>Cost base</i> \$	<i>Market Value</i> \$	<i>Reserve Unrealised (gain)/loss</i> \$
<b><u>2016</u></b>			
NWQ Fiduciary Fund – Scholarship Fund SAS	454,234	434,926	19,308
NWQ Fiduciary Fund – Scholarship Fund General	1,004,146	964,397	39,749
NWQ Fiduciary Fund –Building Fund	435,949	429,060	6,889
NWQ Fiduciary Fund – Endowment Fund	825,699	787,982	37,717
	2,720,028	2,616,365	103,663
<b><u>2015</u></b>			
NWQ Fiduciary Fund – Scholarship Fund SAS	436,668	470,017	(33,349)
NWQ Fiduciary Fund – Scholarship Fund General	965,200	1,042,207	(77,007)
NWQ Fiduciary Fund –Building Fund	418,624	463,678	(45,054)
Smarter Money Active Cash Fund – Building Fund	169,096	168,138	958
Smarter Money Active Cash Fund – General Fund	97,273	96,243	1,030
NWQ Fiduciary Fund – Endowment Fund	543,877	594,534	(50,657)
	2,630,738	2,834,817	(204,079)

a) Available-for-sale financial assets consist of investments in managed funds, and therefore have no fixed maturity date or coupon rate.

b) During the financial year, the decrease in available-for-sale financial assets of \$307,742 has been taken to reserves. (PY: increase \$227,783).

**MLC FOUNDATION (INC)**

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**8. RECONCILIATION OF RESULT FROM ORDINARY  
ACTIVITIES FOR THE YEAR TO NET CASH OUTFLOW  
FROM OPERATING ACTIVITIES**

	<i><b>2016</b></i> <i><b>INFLOWS/ (OUTFLOWS)</b></i> <i><b>\$</b></i>	<i><b>2015</b></i> <i><b>INFLOWS/ (OUTFLOWS)</b></i> <i><b>\$</b></i>
Net surplus/(deficit) for the year	(220,180)	229,556
(Profit)/ loss on disposal of investments	1,988	(14,051)
Distributions reinvested	-	(98,087)
Non-cash items:		
(Decrease)/increase in other liabilities	107,648	57,181
Decrease/(increase) in current assets	3,677	5,347
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(106,867)</b>	<b>179,946</b>